Service Assurance and Customer Loyalty in selected Microfinance Banks in Ogun State, Nigeria

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ABSTRACT

The increasing wave of declined in performance of financial institutions in recent years pose serious threats to the stability and survival of financial sector and banks in particular. For stability and survival of financial sector as well as customer loyalty, they need to guarantee quality service assurance to their various customers. It is in view of this that the study investigated service assurance and customer loyalty using selected microfinance banks in Ogun State. The study adopted descriptive survey research design through the use of questionnaire. The population of the study comprised of 225 respondents which cut across seven selected microfinance banks operating in Ogun state, Nigeria. Total enumeration method was used and purposive sampling technique was used to select the staffs. The data was analyzed using a statistical tool of Regression Analysis with the aid of the Statistical Package for Social Sciences (SPSS version 25.0) at 5% level of significance. Descriptive Statistics was also used to analyze

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the relevant data. Findings revealed that there is a significant effect of service assurance on customer loyalty. The study concluded for financial sector to sustain customer loyalty, they must ensure quality service assurance at any given time.

1.0 Introduction

The traditional microfinance institutions in Nigeria provided access to credit for the rural and urban, low-income earners. They are mainly of the informal Self-Help Groups (SHGs) or Rotating Savings and Credit Associations (ROSCAs) types. Other providers of microfinance services include savings collectors and co-operative societies. In Nigeria, the informal financial institutions generally have limited outreach due primarily to paucity of loanable funds. Unlike Deposit Money Banks (DMBs), asset based collateral was de-emphasized by the Micro Finance Institutions (MFIs). Okpara, (2015) asserted that the practice of microfinance in Nigeria is culturally rooted and dates back several centuries. To enhance the flow of financial services in Nigeria's rural areas, there is need for government regardless of level(s) to decide on how to initiate the microfinance programme. Microfinance refers to the entire flexible structures and processes by which financial services are delivered to micro-entrepreneurs on a sustainable basis.

It recognizes the peculiar features and challenges of the poor and micro entrepreneurs that are unable to provide collaterals (Okpara, 2015). Lending was done on group basis and a group is made up of between 5 and 10 clients. The collateral was the collective pledge of the group to repay, which is based on community recognition. In addition, the MFIs concentrated on short term financing, owing to the large demand for loans and their limitations. It was realized that the Development Finance Institutions (DFIs) could provide an additional funding source to the MFIs, on-lending basis, instead of the practice of dealing directly with micro enterprise owners. Using the latter as an intermediary could be more efficient because the MFIs have grass root orientation and greater expertise in financing smaller enterprises (McKernan, 2002; Okeke, 2008), hence provide the required quality service to their various grass root customers.

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Service quality is being measured with reliability, assurance, empathy and responsiveness. Reliability is to provide promised, dependable, accurate and consistent services to the customers. However, reliability depends on handling customer service issues, performs the services right the first time; offers services on time, and maintain a record of error-free (Khan & Fasih, 2014). Khan (2018) stated reliability as to provide precise and constant benefit or service to the customers. Therefore, both product and service quality usually are observed as an important condition and valuable factor for retaining customer satisfaction (Muslim & Isa, 2015). Accordding to Khan (2018), bank employees need to recognize their customers by name and provide specific service to the individual customers that show empathy. Long-term customer retention in competitive markets requires the provider going beyond basic satisfaction to creating loyalty in order to guard against competitor attack.

Khan (2018) contends that the identification and satisfaction of customer needs leads to improved customer retention. This will help the provider to formulate strategies and plans. More specifically, responsiveness is defined as the willingness or readiness of employees to provide services. It contains the timeliness of service. Khan (2018) averred that responsiveness is the eagerness to encourage clients and to give provoked benefits. However, Johnston (2017) sees responsiveness as speed and timeliness of service delivery. Responsiveness is the speed; prompt customer service, less waiting time and short queuing time. Moreover, responsiveness is the willingness or readiness of employees to provide services. It contains the timeliness of service (Johnston, 2017). All these, bring about service assurance to bank customers which guarantees their loyalty.

Problem Statement

Organizations need innovative solutions to improve the value delivered to shareholders and customers in order to gain and maintain a competitive advantage as well as to avoid elimination from the banking sector and also to guarantee service assurance to their various customers so as to gain their loyalty. The increasing wave of declined in performance of financial institutions in recent years pose serious threats to the stability and survival of financial sector and banks in particular. Haneef, Riaz, Ramzan, Rana, Hafiz and Karim (2012) opined that declined performance in the banking industry if not properly checked, might result in huge financial

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losses to banks and their customers, depletion of shareholders' funds and banks' capital base as well as loss of public confidence in banks. This low level of operational performance of the banking institutions do not correspond to what is depicted in many financial sectors in many countries which could lead to the closure of banks operations (Ohando, 2015), which does not guarantee service assurance, hence, results in loss of customer loyalty. Service organisations can differentiate themselves by delivering services of higher quality than their competitors. Poor service quality disappoints customers and erodes their confidence in an organizations' performance (Bodet, 2018) which brings about poor service assurance that may result in loss of customers' loyalty. Implementing and evaluating service quality is a very complex process, because of the intangible nature of service and the difficulty in measuring customer's expectations and perception. Zeithaml and Bitner (2016) believe that content and delivery of a service are essential factors for evaluating service quality. While customers evaluate the quality of delivery, service providers determine the content of the service. Edvardsson (2012) contends that the concept of service should be approached from the customer's perspective. Because the customer's total perception of the outcome is the ''service'' and the customer outcome is created in a process where service is generated through that process. Customer's involvement in the service process is necessary, since they are co-producer of service. The service process can be a delivery of service, interpersonal interaction, performance or customer's experience of service. With banks, good service assurance will lead to customer loyalty which in turn brings about customer longevity which is achieved through the delivery of high quality services (Zeithaml & Bitner, 2016) especially under unregulated and volatile financial market conditions (Bowen & Chen, 2001). Banks need to understand customer's service requirements and how it impact on service delivery and customer's attitudes (Edvardsson, 2012), for a small increase of customer satisfaction can to customer loyalty and retention (Bowen & Chen, 2011).

Research Objective

To examine the effect of service assurance on customer loyalty in selected microfinance banks in Ogun State, Nigeria.

Research Question

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Does service assurance have effect on customer loyalty in selected microfinance banks in Ogun State, Nigeria?

Hypothesis

There is no significant effect of service assurance on customer loyalty in selected microfinance banks in Ogun State, Nigeria.

2.0 Literature Review

2.1.1 Conceptual Review of Service Assurance

Tazreen (2012) defined service assurance as knowledge and courtesy of employees and their ability to inspire trust and confidence. The service assurance dimension of service quality addresses the competence of the organization, the courtesy it extends to its customers and the security of its operations. Jamal and Anastasiadou (2009) define service assurance as employees'' knowledge and courtesy, and the ability of the organization and its employees to inspire trust and confidence. Bateson & Hoffman (2001) add that competence pertains to the organization's knowledge and skills in performing the promised service and refers to how the organization's employees interact with the customer and the customer's possessions. Wilson (2008) warn that this dimension is likely to be particularly important for services that customers perceive as high risk or for services that customers feel uncertain about their ability to evaluate the outcomes. This dimension is likely to be particularly important for services that customers perceive as high risk or uncertain about their ability to evaluate outcomes. Trust and confidence are embodied in the contact employee and the company itself (Naceur & Khalifa, 2005).

2.1.2 Conceptual Review of Customer Loyalty

Loyalty is the adapting variable of customer satisfaction and economic performance. According to Kumar and Advani (2015), the term customer loyalty can be used to describe the behavior of repeat customers, as well as those that offer good ratings, reviews, or testimonials. Customer

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loyalty is the customer attitude and behavior to prefer one brand over all competitor ones, whether due to satisfaction with the product or services. It encourages consumers to shop more consistently (Magatef & Tomalieh, 2015). Due to the fact that loyalty is the result of developing past positive experiences with the customers and having them return to the company various times due to these experiences, customers will return again and again to do business with the company; regardless of whether it may not have the best product, price or service delivery (Magatef & Tomalieh, 2015).

Loyalty programs are special strategies designed to make the customer stick with their Small and Medium Enterprises' (SMEs) products and services for the long run because this loyalty will be of great benefit to an organization (Evanschitzky & Wunderlich, 2016). Customer loyalty is developed over a period of time from a consistent record of meeting, and sometimes even exceeding customer expectations (Bagshaw & Tarurhor, 2018). According to Bloemer and Kasper (2015), customer loyalty refer to as genuine loyalty rather than future purchase behavior, which is the true repurchase of a product or service, notwithstanding of obligation. They viewed customer loyalty as a multi-faceted concept and it include both positive and negative reactions. Narteh, Agbemabiese, Kodua, and Braimah (2013) revealed that the customers may express their loyalty in diverse conducts, they may continue purchase from the same service provider without any emotional connection, they may increase the amount and frequency of their buying behaviour or both, or they may become the supporters and defenders of the organization for other customers and influence their purchasing decision.

Customer loyalty is considered an advantage for many reasons including the probability that loyal customers give priority to their company and will give positive feedback of the firm to other people. Loyal customers tend not to be overtly price-sensitive and the costs of serving customers are less (Dowling and Uncles, 2011). Loyalty programs also help in annual increments of purchase to a firm for a substantial proportion of customers (Bloemer & Kasper, 2015). Customer loyalty is a special kind of customer behaviour towards the organization. It is a kind of future prediction about the intentions of the customer to do business with the firm (Zeithaml, Bitner, Gremler & Pandit, 2013). It is the overall behaviour of a customer regarding product, service or any other aspect of the organization in which customer is involved (Oliveira & Da

Costa, 2014). Loyalty is generally explained in terms of attitude and behavior (Uncles, Dowling & Hammond, 2003).

2.2 Theoretical Review

The study was anchored on Resource Based View which rests on the assumption that firm resources include all assets, capabilities, organisational processes, firm attributes, information, knowledge, and so on, that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Barney, 1991, Barney 2002). The RBV emphasizes that for firm's to achieve superior performance there is need for them to possess resources and capabilities that cannot be substituted but are rare, valuable and inimitable. The possession of such resources by an organisation that has the capacity to absorb them, will result in the organisation achieving competitive advantage that if sustained may lead to superior performance.

2.3 Empirical Review of Service Assurance and Customer Loyalty

O'Cass and Carlson (2012), this research focus is placed on e-service quality and whether elements of e-service quality should be viewed by dimensions, as antecedents to a global evaluation of e-service quality, or as a formative configuration to predict behavioral intentions. The findings show that Customer satisfactions play a mediating role on behavioral intentions within these e-service quality models. Bijana and Zekiri (2011), the aim of this research was to apply the ACSI model in the context of service quality in the Macedonian mobile telecommunication industry. It was found out that the overall service quality perceived by the customers was not satisfactory, that expectations were higher than perceptions. Finally concludes, Customers were not satisfied with service. The results and findings will provide extra information concerning customers' needs, wants and their satisfaction. Hadis and Bahonar (2013), the studies conducted in this field have indicated that the spiritual intelligence which is one of the soft aspects of organizational intelligence has a significant impact on the personal and business successes of individuals. The results of data analysis conducted on 45 employees of a Counseling Center in Tehran (Iran) indicated that the spiritual intelligence of employees has a significant positive impact on the Service quality of this Center. Sha and Zhang (2015), according to the actual situation of China's retailing enterprises, concluded that the relationship

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between every affecting factor and consumers' perception quality was in consonance with the theoretical model on the factors affecting consumers' perception quality.

Aiste, Agne and Piligrimiene (2007), emphasize in this Research to considering service quality as the main predictor of customer satisfaction, to determine the relations between satisfaction and intentions to pursue long-term relationships with a service provider and to test empirically their expression in the case of odontology services. The findings show that customer satisfaction, it remains one of the most important factors, influencing longevity of customer relationships with service provider. Finally concludes, considering long-term relationships development, customer satisfaction should be treated as construct of overall assessment, influenced by service quality.

3.0 Methodology

The study adopted descriptive research design through the use of questionnaire. The population of the study was 225 that cut across seven selected microfinance banks operating in Ogun State, Nigeria. These banks were chosen due to their performance in the microfinance banking sector compared to other banks in Ogun state for over a decade. The target banks are: Covenant Microfinance Bank, West-End Microfinance Bank, Riverside Microfinance Bank, Alekun Microfinance Bank, Aiyepe Microfinance Bank, Ikenne Microfinance Bank and Ilishan Microfinance Bank. Therefore, the total population for this study would be 225. The population is depicted in Table 1 below:

Table1: Population of size of the selected microfinance banks in Ogun state, Nigeria.

	Names of the Selected Banks	Top Managers	Middle Level Managers	Low Level Employees	Total
1	Covenant Microfinance Bank	7	15	28	50
2	West-End Microfinance Bank	3	5	7	15
3	Riverside Microfinance Bank	2	4	16	22
4	Alekun Microfinance Bank	3	17	22	42
5	Aiyepe Microfinance Bank	4	7	10	21

6	Ikenne Microfinance Bank	4	8	15	27
7	Ilishan Microfinance Bank	3	14	31	48
	Grand Total				225

Source: Human Resources Department of each Selected Banks (2019)

The study adopted total enumeration method; however the top, middle and lower level employees were selected purposively because of their level of knowledge about the operations of service assurance in the banking sector. The study adopted both descriptive and inferential statistics with the aid of SPSS software package of 25.0 version at 5% level of significance.

Table2: Response Rate

Category	Frequency	Percentage
Completed usable copies of questionnaire	222	98.7%
Unusable, unreturned and disqualified copies of questionnaire	3	1.3%
Total	225	100%

Source: Field Survey, 2019

The researcher issued 225 copies of the questionnaire to employees of selected microfinance banks in Ogun State, out of which 222 were received back. Three (3) copies of the questionnaire were disqualified due to incompleteness, thus 222 copies of questionnaire were considered as suitable for the analysis. This translated to 98.7% response rate of the targeted total of 226 copies of questionnaire. Based on this high value of response rate, the response rate of 98.7% achieved was adequate for drawing conclusions on the study objectives. Therefore the researcher used the questionnaire copies collected for analysis and reporting.

4.0 Analysis of Data

4.1 Restatement of Objective and Research Question

Objective: To examine the effect of service assurance on customer's loyalty of the selected microfinance banks in Ogun State, Nigeria.

Research Question: What effect does service assurance have on customer's loyalty of the selected microfinance banks in Ogun State, Nigeria?

In this section the descriptive analysis result of assurance and customer loyalty in selected microfinance banks in Ogun state were presented.

Table 3: Descriptive analysis of Service Assurance

S/N	Assurance	Very High	High	Moderately High	Moderately Low	Low	Very Low
1	Knowledge and courtesy of bankers	0.0%	16.7%	73.4%	9.9%	0.0%	0.0%
2	Ability to convey trust and confidence	0.0%	20.7%	62.2%	16.7%	0.5%	0.0%
3	Confidence in customers	2.7%	49.5%	34.7%	12.6%	0.5%	0.0%
4	Transactions safety	7.7%	46.8%	39.2%	6.3%	0.0%	0.0%
5	Bankers courteousness in service delivery	14.9%	42.3%	34.7%	8.1%	0.0%	0.0%

Source: Field Survey, 2019

According to results in Table 4, 16.7% of the respondents indicated that Knowledge and courtesy of bankers is high, 73.4% moderately high while 9.9% indicated moderately low. Results also indicated that 20.7% of the respondents responded high to Ability to convey trust and confidence, 62.2% moderately high, 16.7% indicated moderately low while 0.5% indicated low. Also 2.7% of the respondents indicated that Confidence in customers is very high, 49.5% indicated high, 34.7% moderately high, 12.6% indicated moderately low while 0.5% indicated

low. Results also indicated that 7.7% of the respondents responded very high to Transactions safety, 46.8% indicated high, 39.2% moderately high while 6.3% indicated moderately low. Last on the table shows that 14.9% of the respondents indicated that Bankers courteousness in service delivery is very high, 42.3% indicated high, 34.7% moderately high, 8.1% indicated moderately low.

Table 4: Descriptive analysis of Customer Loyalty

S/N	Customer Loyalty	Very High	High	Moderately High	Moderately Low	Low	Very Low
1	Perceived ease of use of bank services	3.2%	34.7%	60.4%	1.8%	0.0%	0.0%
2	Easy access to bank services and products	0.9%	31.1%	63.5%	4.1%	0.5%	0.0%
3	Customer complimentary service	11.3%	59.0%	24.3%	5.4%	0.0%	0.0%
4	Friendly customer service	11.3%	65.8%	19.4%	3.2%	0.5%	0.0%
5	Reputation of the bank	40.1%	29.7%	28.8%	1.4%	0.0%	0.0%

Source: Field Survey, 2019

According to results in Table 5, 3.2% of the respondents indicated that Perceived ease of use of bank services is very high, 34.7% high, 60.4% indicated moderately high while 1.8% indicated moderately low. Results also indicated that 0.9% of the respondents responded very high to Easy access to bank services and products, 31.1% high, 63.5% moderately high, 4.1% indicated moderately low while 0.5% indicated low. Also 11.3% of the respondents indicated that Customer complimentary service is very high, 59% indicated high, 24.3% moderately high while 5.4% indicated moderately low. Results also indicated that 11.3% of the respondents responded very high to Friendly customer service, 65.8% indicated high, 19.4% moderately high, 3.2% indicated moderately low while 0.5% indicated low. Last on the table shows 40.1% of the respondents that indicated that Reputation of the bank, 29.7% indicated high, 28.8% moderately high while 1.4% moderately low.

Restatement of Hypothesis

H₀: Service assurance has no significant effect on customer's loyalty of the selected microfinance banks in Ogun State, Nigeria.

In order to test this hypothesis, simple linear regression analysis was also used. The data for service assurance and customer loyalty were created by summing responses of all items for each of the variable. The results of the regression are presented in Table 6.

To test the hypothesis, model $Y = \alpha_0 + \beta X + \mu$ was fitted.

Table 5: Regression Results for Service Assurance and Customer Loyalty

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.671[a]	.450	.447	4.434
a. Predictors: (Constant), SERVICE ASSURANCE				

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3085.919	1	3085.919	156.971	.000[b]
	Residual	3774.560	192	19.659		
	Total	6860.479	193			
a. Dependent Variable: CUST_LOY						
b. Predictors: (Constant): SERVICE ASSURANCE						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.872	1.520		1.890	.060
	SERVICE ASSURANCE	.849	.068	.671	12.529	.000
a. Dependent Variable: CUST_LOY						

Source: Field Survey, 2019

URL: *http://journals.covenantuniversity.edu.ng/index.php/cjbss*

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Table 5 presents result of regression analysis of effect of service assurance on customer loyalty. The results revealed that assurance have positive and significant effect on customer loyalty of Selected Microfinance Banks in Ogun state [β = .849, t = 12.529, p = .000]. Furthermore, the regression results in Table 4.8 show that the relationship between assurance and customer loyalty was positive and significant [R = .671, F(1/192) = 156.971, p < 0.05]. With R^2 = .450, the model implies that about 45% variation in customer loyalty is explained by variations in assurance. This relatively weak association is attributed to the fact that assurance failed to yield equivalent results in terms of customer loyalty of Selected Microfinance Banks in Ogun state. The model failed to explain 55% of the variation, meaning that there are other factors associated with customer loyalty which were not fitted in the model.

The model equation for assurance and customer loyalty is therefore;

$$CUSTLOY = 2.872 + .849X$$

Where CUSTLOY is customer loyalty and X is service assurance

The results also show that β was significant (β = 0.849, t = 12.529, p < 0.05) indicating that for one unit increase in service assurance of employees of Selected Microfinance Banks in Ogun state, customer loyalty increases by 0.849 units. Since p-value < 0.05, the null hypothesis (H_0) which states that Service assurance has no significant effect on customer's loyalty of the selected microfinance banks in Ogun State, Nigeria is hereby rejected.

Table 6: A Summary of the Tested a priori Hypothesis of the Study

Hypotheses	Results	Decisions
H₀: Service assurance has no significant effect on customer's loyalty of the selected microfinance banks in Ogun State, Nigeria.	R=.671; R^2 = .450	Reject

Source: Field Survey, 2019

Discussion of Results

O'Cass and Carlson (2012) showed that service assurance play a mediating role on behavioral intentions within these e-service quality models of the customers. In the study of Bijana and

Zekiri (2011), it was found that the overall service quality perceived by the customers was not satisfactory, that expectations were higher than perceptions. Finally they concluded that customers were not satisfied with service hence; leads to loss of customers' loyalty. The results and findings will provide extra information concerning customers' needs, wants and their satisfaction. Hadis and Bahonar (2013) in their study submitted that there are more similarities than differences in PLB image perceptions between three consume groups and indicate also that PLBs re increasingly well perceived purchase. Finally, concluded that whenever a consumer has a positive post purchase feeling the level of by consumers.

Sha and Zhang (2015), according to the actual situation of China's retailing enterprises, concluded that the relationship between every affecting factor and consumers' perception quality was in consonance with the theoretical model on the factors affecting consumers' perception quality. Aiste, Agne and Piligrimiene (2007) showed that customer satisfaction remains one of the most important factors, influencing longevity of customer relationships with service provider. Finally concludes, considering long-term relationships development, customer satisfaction should be treated as construct of overall assessment, influenced by service quality.

The results in table 5 on the effect of service assurance on customer loyalty in selected microfinance banks in Ogun State showed that β was significant ($\beta = 0.849$, $t = 12.529$, $p < 0.05$) indicating that for one unit increase in service assurance of employees of Selected Microfinance Banks in Ogun state, customer loyalty increases by 0.849 units. Since p-value < 0.05, the null hypothesis (H_0) which states that Service assurance has no significant effect on customer's loyalty of the selected microfinance banks in Ogun State, Nigeria is hereby rejected. What this implies is that service assurance has a significant effect on customer loyalty. This result was in consonance with the existing literatures reviewed in the course of this study.

Practical and theoretical conclussions
Though, the main focus of Resource Based View (RBV) rests on the assumption that firm resources include all assets, capabilities, organisational processes, firm attributes, information, knowledge, and so on, that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Barney, 1991, Barney 2002). The RBV emphasizes that for firm's to achieve superior performance there is need for them to possess resources and

capabilities that cannot be substituted but are rare, valuable and inimitable such as quality service assurance. The possession of such resources by an organisation that has the capacity to absorb them will result in the organisation achieving competitive advantage that if sustained may lead to superior performance in which customer loyalty is no exception. The finding of this study was in consonance with the theory, hence; the study concluded that for financial sector to sustain customer loyalty, they must ensure quality service assurance at any given time. The study, therefore recommends that organizations should ensure quality service assurance so as to enhance customer loyalty.

Limitations and Future Research

This study had encountered some limitations that should be addressed by future studies. Therefore, future studies should extend the study to other sectors such as educational, manufacturing, hospitality to mention few. Future studies should also extend the geographical scope beyond Ogun State and possibly engage in comparative studies of the subject matter in different sectors. Furthermore, future studies can extend the frontiers of knowledge by considering other dimensions of service quality (employee responsiveness, service reliability, staff empathy and tangibles).

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