

**THE EFFECT OF CUSTOMER PERCEIVED VALUE ON LOYALTY: A CASE OF  
CUSTOMERS OF COMMERCIAL BANKS IN KENYA**

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## DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference was made.

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## **DEDICATION**

To my loving parents, Dr. Dieu-Donne Mushamalirwa Kizungu and Dr. Sifa Buchekabiri Chiyoge, your constant support and commitment to ensuring my education has been the foundation of my success. You, as my role models, are continuously challenging me to improve and attain new heights.

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## ABSTRACT

In Kenya, the banking system is confronting a multitude of challenges. In order for these institutions to succeed, they must provide paramount value that will give them a distinct character. With today's globalized world and a smart population, it is extremely tough to stay up with industry developments because clients may easily learn about what is going on around the world in a fraction of a second. The challenge is that the bank's lack of successful competitive tactics in recent years has resulted in falling market share, client loss, and a detrimental impact on the bank's profitability. Consumer perceived value is an important aspect in establishing client loyalty. The main objective of this study was to determine the effect of perceived value on customer loyalty to Kenyan commercial banks. The specific objectives were to determine the impact of emotional value, social value, quality value, and pricing value on customer loyalty to Kenyan commercial banks. The study's foundations were the equity theory and the social exchange theory. The study was carried out using a descriptive research design. The target population of this study comprised of the customers of the 9 NSE listed commercial banks in Kenya. A standardized questionnaire with closed-ended questions was used to collect primary data. The collected data was examined for completeness before being coded in Microsoft Excel and SPSS for analysis. Descriptive statistics, correlation analysis, and regression analysis were used to analyze the data collected. The findings revealed a positive correlation between emotional value, price value, social value, and customer loyalty. However, there was a negative correlation between quality value and customer loyalty in Kenyan commercial banks. Furthermore, there was a relatively substantial correlation between culture and performance. This study contributes to theory by expanding on theoretical frameworks such as equity theory and social exchange theory to improve understanding of perceived value and its potential impact on consumer loyalty. Empirically, the study could help management practices by assessing perceived value as the first stages of efficiently managing customer loyalty. The findings from this research were limited to Sweeney and Soutar's perceived values and the customer loyalty adopted by the researcher. The study was also limited to data acquired via cross-sectional survey, despite the fact that customer loyalty may be altered by unprecedented occurrences and time, which may affect how customer perceive an organization. The decreased physical interaction due to online banking adoption limited the response rate.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

It is widely accepted nowadays that intense competition in terms of both quantity and quality makes it incredibly difficult for a corporation to separate itself from its competitors (Ngo & Nguyen, 2016). Furthermore, changing business conditions and increased customer power have pushed organizations toward a customer-focused strategy, particularly the use of new technology to create customer interactions (Ryding, 2010). As a result, great business processes and intangible assets like brands, customer satisfaction, and strong people resources may become the most important sources of long-term competitive advantage (Chien & Tsai, 2012). Customer loyalty has been identified as one of the most crucial competitive advantages in today's business environment, as customer purchasing power is expanding while companies face infinite challenges from their competitors (Pan, Sheng, & Xie, 2012). As a result, preserving long-term client loyalty is a must for cost reduction and profit development purposes, as well as to build sustainable competitiveness (Ngo & Nguyen, 2016).

As the global banking industry grows more competitive, banks must prioritize using customer loyalty as a tactic to gain a competitive edge (Zameer et al., 2015). Customer loyalty has become a primary priority for many institutions in this regard (Coetzee et al., 2013). Product and service features are no longer viable ways for businesses to distinguish themselves from their competition; the most significant differentiator is the devoted client (Kandampully et al., 2015). Devoted consumers serve as ambassadors for the organization, work as referral agents for the organization, and generate favourable word of mouth about the organization and its products (Makanyeza, 2015). Client loyalty ensures the company's success (Kandampully et al., 2015). It leads to greater barriers to competition, increased firm ability to respond to competitive challenges, increased sales and profitability, increased market share, and customers who oppose rivals' products (Pérez & del Bosque, 2015). As a result, there is an increasing interest in understanding consumer loyalty (Jiang et al., 2016).

The current body of service sector research has highlighted the critical significance of perceived value in fostering client loyalty (Hussein et al., 2018). Studies in various service sectors, such as the five-star hotel industry in Indonesia (Suhartanto et al., 2013) and Indonesian airline passengers' loyalty to full-service carriers (Hapsari et al., 2017), have consistently

revealed the importance of perceived value as a driving force behind customer loyalty. Furthermore, in the context of restaurant studies, researchers have established that perceived value is a strong predictor of behavioral intention (Ryu, Han, & Kim, 2008), emphasizing the direct relationship between the positivity of value perceived by customers and the depth of their loyalty.

However, while earlier research has shed light on the indisputable link between perceived value and customer loyalty, there are significant gaps in our understanding. One significant gap is the lack of investigation into the role of social interaction as a crucial driver of perceived value, in addition to the well-established influence of the physical environment. The empirical findings of Zhang, Li, Wu, and Li (2017) revealed a significant impact of social interaction on several aspects of value, including emotional value, social value, information value, and hedonic value. This implies that the relationship between social interactions and perceived value in the service business is a complicated and potentially major factor that merits additional exploration.

In light of this, the primary objective of this study was to bridge existing gaps by investigating the relationship between customer perceived value and customer loyalty in the context of Kenyan commercial banks. The researcher aimed to provide insights into the unique dynamics at work in a distinct cultural and economic context by delving into this specific setting, thereby contributing to a more comprehensive understanding of the interplay between perceived value and customer loyalty in the service industry.

### **1.1.1 Customer Perceived Value**

Customer perceived value in Kenya is influenced by cultural, technological, and socioeconomic factors (Oduor, 2019). Service quality, which is influenced by dependability, personalized experiences, and digital innovation, has a significant impact on how customers perceive value (Onyango, 2018; Kiarie & Ondabu, 2020). Affordability, accessibility, and ethical practises all play important roles in shaping perceived value (Kiiru & Njeru, 2017; Ochieng et al., 2021). Furthermore, local financial inclusion initiatives and support for indigenous businesses have a significant impact on customers' value perceptions (Mwangi & Mwiti, 2019).

According to Zeithaml and Bitner (2003), perceived value includes several dimensions, including value as a competitive price, value as meeting the consumer's specific product preferences, value as the quality received relative to the price paid, and value as the benefits received in proportion to the customer's contribution. While these concepts are associated with a unidimensional approach to perceived worth, Fandos Roig et al., (2006) mentioned a multidimensional approach where perceived value represents the sum of the numerous dimensions of value, which have varied consequences in different situations. A unidimensional approach views perceived value as an autonomous notion that can be measured as a single variable, whereas a multidimensional approach evaluates value as a construct built of numerous variables (Fernández & Bonilla 2007). The unidimensional method has been criticized for failing to account for numerous components of a person's emotional state as well as external factors that can influence cognition, affect, and behavior (Sánchez et al., 2006). To overcome these constraints and acquire a better knowledge of consumer behavior, a multidimensional method to investigating the elements underlying the phenomenon was proposed (Sweeney & Soutar, 2001).

Sheth et al., (1991) established five categories of perceived value: social, emotional, functional, epistemic, and conditional. Social value is determined by a profile of preferred imagery, whereas emotional worth is determined by a profile of sensations associated with alternatives. Functional value is assessed using a profile of choice attributes, whereas epistemic value pertains to curiosity, novelty, and knowledge. Lastly, conditional value is calculated using a profile of possible outcomes. Sweeney and Soutar (2001) combined earlier studies to establish the four-dimensional PERVAL scale, which may be used to quantify the value obtained by consumers following a transaction. The PERVAL scale has four dimensions: emotional value, which represents the utility obtained from the feelings or affective states that a product generates; social value, which refers to the utility derived from the product's ability to boost social self-concept; functional value (price/value for money), which represents the benefit derived from the product owing to the decrease of its perceived short-term and long-term costs; and the value gained from the perceived quality and projected performance of the product is referred to as functional value (performance/quality).

The PERVAL scale was later modified, resulting in the SERV-PERVAL scale (Lee et al., 2007; Petrick, 2002) and the GLOVAL scale (Sánchez & al., 2006) geared at measuring tourist perceived value. The SERV-PERVAL scale has five dimensions: quality, monetary price,

nonmonetary price, reputation, and emotional response (Petrick, 2004). Despite the fact that the SERV-PERVAL scale added a value dimension to the PERVAL scale, the categories of perceived value are comparable (Qiao et al., 2022). GLOVAL assesses the perceived value of both the consumption experience, such as interactions with travel agencies, and the buying experience, which includes the functional value and pricing of tourism products (Qiao et al., 2022).

A study conducted by Helkkula et al. (2009) provided a noteworthy revelation regarding the applicability of PERVAL (Perceived Value) as an effective instrument for dissecting and interpreting the perceived value of customers, as well as its far-reaching effects on other fundamental components. This study adopted the well-established PERVAL assessment scale developed by Sweeney and Soutar (2001) in accordance with this insightful conclusion. This scale includes fundamental factors such as emotional, social, price, and quality values. The robustness and completeness of these dimensions, as well as the scale itself, ensured that this study was equipped with a comprehensive framework capable of adequately capturing and assessing the multifaceted nature of perceived value within this specific context, thereby strengthening the research's reliability and depth.

### **1.1.2 Customer Loyalty**

Customer loyalty in Kenya is based on trust, transparency, and technology-enabled convenience (Mungai & Gichira, 2018; Kaburu & Waema, 2017). Cultural norms, personalized services, and community support all contribute to increased loyalty (Kiarie et al., 2016; Karanja et al., 2020). Customer loyalty in the Kenyan service sector is also influenced by long-term relationships, reliability, and accessibility of services (Ochieng et al., 2021; Muiruri & Gakure, 2019). Understanding these factors is critical for businesses seeking to cultivate and sustain loyalty in Kenya's unique cultural and economic landscape.

Whilst there is increased interest in consumer loyalty in recent years (Kuusik, 2007), the phenomena of loyalty has attracted a significant deal of interest (Reddy et al 2011). During the 1980s, customer loyalty was also on the minds of most marketers, and many corporations spent millions on customer relationship management programs to develop client loyalty (Pitta et al 2006). In general, client loyalty is the intention of repurchasing a given firm's products and services, which is the firm's purpose (Pi, & Huang 2011) Customers Loyalty involves both

attitudinal and behavioral elements. Customers, according to the behavioral approach, remain loyal as they buy and use a firm's product or service (Clotey, 2008).

Abbasinarinabad et al (2012) quoted research of Larson and Susanna (2004); Beerli, Martin & Quintana (2004) and Taylor, Celuch & Goodwin (2004) who felt that "Customer loyalty is the commitment generated in customer to deal in a special company, buying items and services regularly". Loyalty is a psychological process that involves evaluating several options based on various criteria. Loyalty is a sincerely held commitment to purchase a good or service repeatedly in order to gain excellence in the future. It entails purchasing a brand again despite competitors' marketing tactics and environmental consequences.

According to Bose and Rao (2011) and Musriha (2012), in the commercial context, customer loyalty is the commitment held by customers to conduct business with a certain firm, which results in future repeat purchases or subscriptions to its goods and services (It is behavioral aspect). It also leads to the referral of the firm's products (goods and services) to friends, colleagues, and associates (It is attitudinal aspect). Similarly, Krumay and Brandtweiner (2010) identified customer loyalty as a critical determinant in a company's success.

According to Antonios (2011), client loyalty is a complex subject with numerous facets, and its conceptualization is dominated by attitudinal and behavioral approaches. On the one hand, behavioral characterizations are based on features of recurring buying behavior, such as frequency of purchase, amount of purchase, and degree of offered brand switching. The attitudinal approach, on the other hand, includes consumer preferences, attitudes, and brand dispositions, and so provides more insight into loyal behavior.

Both behavioral and attitudinal loyalties must exist for a customer to be considered loyal (Khan et al., 2015). Some authors describe loyalty as the strength of the relationship between an individual's relative attitude and their repeat patronage (Khan et al., 2015). According to the composite definitions, loyalty should always include intentions, recurring purchases, and favorable sentiments (Khan et al., 2015). Loyalty is considered as a strongly held commitment to re-patronize a chosen product or service continuously in the future, hence driving repetitive same brand or same brand-set purchasing despite situational and marketing efforts having the ability to promote switching behavior (Khan et al., 2015). Consumers exhibit their loyalty in a variety of ways, including choosing to stay with a product supplier, whether this is referred to

as a relationship or not, or increasing their purchases or frequency of purchases, or both (Boora & Singh 2011).

Considering customer loyalty as a composite measurement can aid in reducing model complications (Ranganathan et al., 2013). It is recommended that marketing researchers define customer loyalty as a multi-dimensional notion that encompasses attitudinal and behavioral metrics, as this conceptualization can provide a better understanding of consumer loyalty (Casidy & Wymer, 2016). Bowen and Chen (2001) used composite metrics to assess customer loyalty, operationally defining loyal customers as those that have positive sentiments toward a certain brand, are committed to re-purchasing items, and are eager to suggest products to others.

According to Bowen and Chen (2001), loyalty indicators are often classified into two types: behavioral and attitudinal. In practice, however, assessing client loyalty frequently needs a combination of attitudinal and behavioral measures. As a result, Bowen and Chen's composite indicators were used in this study to operationalize customer loyalty. This method combines attitudinal and behavioral factors to provide a more complete picture of consumer loyalty. By adopting this comprehensive viewpoint, the researcher intended to provide a more in-depth and nuanced understanding of customer loyalty dynamics in the context of Kenyan commercial banks.

### **1.1.3 Kenyan Commercial Banks**

The level of growth and sophistication of the banking sectors differs substantially across the area, with Kenya having one of the most dynamic and largest banking sectors in Sub-Saharan Africa, as well as a considerable presence in the other East African Country members (Mlachila, 2013). In today's consumer economy, recruiting and, more importantly, keeping consumers for the long term is a major issue for any organization, the customer is at the center of all corporate activities, and banks have organized by placing personnel to satisfy customers' needs in a highly tailored and responsive manner (Ramachandran, 2012). Clients who are satisfied will purchase more and contact the bank more frequently for a variety of reasons (Ramachandran, 2012).

According to Njoroge (2021), the banking industry entered 2021 on a high note, poised to recover from the Corona Virus (COVID-19) pandemic. Because of the various measures put in place at the start of the pandemic, Kenya's economy demonstrated resilience to the COVID-

19 shock (Njoroge, 2021). The economy was substantially re-opened in 2021, after most pandemic containment measures were completed and the focus shifted to post-COVID-19 recovery (Njoroge, 2021). Banks positioned themselves for recovery by, among other things, reviewing their business models, accelerating digital transformation, reviewing their delivery channels, sourcing long-term funding, and exploring equity injections and mergers and acquisitions (Central Bank of Kenya, 2021). The customer must continue to be at the center of the bank's strategies and operations. As banks respond to rapidly changing customer needs and preferences, agility will be critical (Central Bank of Kenya, 2021).

The Kenyan banking sector's regulatory authority is the Central Bank of Kenya (CBK). According to CBK (2021), the Kenyan Banking sector is made up of 38 Commercial Banks with 9 of them being listed on the Nairobi Securities Exchange (NSE). The 9 banks are Absa. Bank Kenya Ltd, Stanbic Bank Kenya Limited., Equity Bank Ltd, Kenya Commercial Bank Ltd, NIC Bank Ltd, Standard Chartered Bank (K) Ltd, Diamond Trust Bank Kenya Ltd, National Bank of Kenya and Co-operative Bank of Kenya Ltd. According to Kamer (2022), the nine commercial banks had a combined market share of almost 72% of the Kenyan banking industry by end of 2022. The current population based on projections of the latest United Nations data in Nairobi is 2,750,547. According to Kamer (2022), 4 out of 10 adults in Kenya make use of banking services therefore the total banking population (40% of the total adult population) is approximately 1,100,218. The nine banks have a combined market share of over 72%, thus assuming that their customer base is also 72% of the total banking population, the total target population for the study is approximately 792,157. The banks' interest is to retain loyal customers for achievement of strategic goals. This study focused on the customers of all 9 commercial banks in Kenya.

## **1.2 Statement of the Problem**

The current banking industry scenario emphasizes the struggle to maintain competitiveness in the face of technological advancements and shifting consumer demands (Ahmed, 2015; Espinoza & Ukleja, 2016). Ineffective competitive strategies have a negative impact on market share and profitability, indicating the need to identify sources of competitive advantage (Aramburu & Pescador, 2019).

Existing research on customer loyalty in sectors such as retail banking in Spain (Beerli, Martin, & Quintana, 2004), the Australian coffee shop industry (Chen & Hu, 2010), and e-service quality in South Africa (Chinomona et al., 2014) reveals that factors such as satisfaction, switching costs, and service attributes have a significant impact on perceived value and loyalty. However, there is a lack of consistency in methodology, conceptualization, and contextual settings in these studies, resulting in gaps in understanding the relationship between perceived value and loyalty.

Furthermore, studies examining the CSR-CBBE relationship in Ghana's telecommunications industry (Kodua et al., 2022) and perceived service quality in Kenyan and Tanzanian retail banking (Auka et al., 2013) provide insights into loyalty determinants but fail to investigate the consistent impact of perceived value on loyalty. These differences in methodologies and contexts highlight a gap in comprehensive research on the relationship between customer perceived value and loyalty, particularly in the Kenyan commercial banking sector.

The research problem is a lack of in-depth exploration and understanding of the direct relationship between customer perceived value and loyalty in the context of Kenyan commercial banks. Existing studies have demonstrated differences in methodologies, conceptualization, and contextual settings, resulting in gaps in determining the precise relationship between perceived value and loyalty, specifically tailored to the dynamics of the Kenyan banking industry.

### **1.3 Research Objectives**

The general objective of this study was to establish the effect of perceived value on customer loyalty to commercial banks in Kenya.

#### **1.3.1 Specific Objectives**

- i. To determine the effect of the emotional value on customer loyalty of commercial banks in Kenya.
- ii. To establish the effect of the social value on customer loyalty of commercial banks in Kenya.
- iii. To ascertain the effect of quality value on customer loyalty of commercial banks in Kenya.

- iv. To establish the effect of price value on customer loyalty of commercial banks in Kenya.

### **1.3.2 Research Questions**

- i. What is the effect of the emotional value on customer loyalty of commercial banks in Kenya.?
- ii. What is the effect of the social value on customer loyalty of commercial banks in Kenya?
- v. What is the effect of quality value on customer loyalty of commercial banks in Kenya?
- vi. What is the effect of price value on customer loyalty of commercial banks in Kenya?

## **1.4 Scope of Study**

The banking industry has changed due to changes in sector regulation, changes in customer demand for services, technological improvements, and the arrival of new competitors from industries other than banking (Gardener et al., 1999). According to Jacoby and Chestnut (1978), organizations should seek to develop long-term connections with their clients in order to reap the benefits of a loyal clientele. According to CBK (2022), Kenya has 38 commercial banks 9 of them being listed on the Nairobi Securities Exchange (NSE). The study focused on the customers of nine commercial banks in Nairobi as the 9 banks have a combined market share of almost 72% of the Kenyan banking industry (Kamer, 2022). The study focused on the 9 banks based in Nairobi as the banks have their headquarters or branches in Nairobi thus ease of reaching the customers with relevant information. The target respondents were a sample group from the approximately 792,157 customers. This is because their customers have relevant information concerning their perceived value and loyalty. The researcher used the Finite population formula, which is used to estimate the confidence interval for a population mean, to find the sample size for a population of 792,157 customers. According to the findings, 310 or more respondents are required to have a 95% confidence level that the true value is within 5% of the surveyed value. The necessary sample size increased from 310 to 388 by including an additional 20% allowance in sample recruitment due to a potential non-response rate. This study was carried out between the months of February 2023 to July 2023.

## **1.5 Significance of Study**

This section describes how this research adds to the current body of knowledge, what gaps it address, and what new insights it provides.

### **1.5.1 Policymakers**

This research will be useful to for commercial bank policymakers such as CBK, Kenya Bankers Association among others as it will shed light on the effect of customer perceived value on bank's customer loyalty, as well as the various dimensions of perceived value and the impact they can have on their long-term and short-term strategies. This, in turn, will assist these institution in determining the appropriate strategy for their policies that will aid in enhancing excellent performance and competitiveness.

### **1.5.2 Management of Commercial Banks**

This study will be useful to the management of commercial banks in terms of understanding and recognizing the importance of their customers' perceived value and its impact on their loyalty. Management will be able to determine which PERVAL dimensions have the greatest impact on customer loyalty and which dimension should be improved in the organization. The management team will have a better understanding of the impact that perceived value have on customers and how they can change their practices to increase customer loyalty.

### **1.5.3 Theoretical Significance**

This research will significantly contribute to equity and social exchange theories in the realm of perceived value, with a particular emphasis on their influence on customer loyalty. It aims to deepen our understanding of various PERVAL dimensions and their potential impact on fostering customer loyalty by expanding the current theoretical framework. From an application perspective, the study provides useful insights for management practices. It emphasizes the diagnostic role of PERVAL dimensions in effectively managing customers, particularly in situations where these perceptions play a critical role in determining customer loyalty, thereby influencing an organization's success or failure.

## **1.6 Chapter Summary**

This chapter concentrated on the variables, bringing forth the many ideas around them. It also covered the study objective, both general and detailed. Additionally, it includes information about the problem statement, the importance of the study, and the industry in which the study was conducted.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter includes a review of relevant empirical literature to the study. The theoretical foundation, empirical review, research gap, conceptual framework, and operationalization of study variables were explored in the literature review.

#### **2.2 Theoretical Foundation of the Study**

This section introduces the theories that supported the research. This research was anchored on two main theories: Social exchange theory by Homans (1958) and Equity theory by Bolton and Lemon (1999).

##### **2.2.1 Equity Theory**

Equity Theory was established in response to a lack of theoretical explanation of the psychological foundation of inequality perception and was first offered by John Stacey Adams (1963) for application in the organizational setting. The equity concept refers to the customer's assessment of what is fair, right, or merited in relation to the perceived cost of the service (Bolton & Lemon, 1999). The Equity Theory had two fundamental purposes. Firstly, the idea sought to explain how people assess the fairness of interpersonal relationships. The theory's second goal was to explain the impact of inequitable relationships. The main aspects that people examine while evaluating equity were conceptualized in order to achieve the objectives. Output, input, person, and others were the conceptualized elements. Input can refer to a variety of objects and forms, including education, experience, abilities, social standing, and effort, as well as other aspects of a person, such as personal qualities, attractiveness, and so on. Financial rewards, intrinsic results of behavior, social and symbolic benefits, and status were all examples of outputs. A person is an individual who evaluates how fair the relationships are, whereas others can be any referent people against whom equity is compared.

The theory proposes five fundamental principles. First, people's relationships are based on an equity standard, or the assumption that their contributions will be recognized. Second, equity is evaluated by comparing personal inputs/outputs to the inputs/outputs of other people in social exchange connections. Finally, unfairness perception is caused by unequal allocation of rewards against contributions. Fourth, unfairness causes psychological pain as a result of

contradiction between personal outcomes and referent others. Fifth, if any of the types of inequality are recognized, the individual seeks to restore inequity, either psychologically or physically, in order to alleviate the emotional tensions associated with inequity perception.

Equity Theory has been chastised for oversimplifying the normative basis of individuals' behavior in the context of social exchange (Davlembayeva, & Alamanos, 2022). It has been stated that Equity Theory primarily applies to situations of a more economic nature and a framework signifying competitive relations (Romer, 1977). A recent study was undertaken to provide insight into the significance of social elements in cost-benefit evaluation, and it discovered a considerable beneficial impact of social group identity on equitable evaluation (Davlembayeva, Papagiannidis & Alamanos, 2021). The theory's second drawback is that it does not account for personal and cultural differences, which may influence the impression of equity (Walster, Berscheid & Walster, 1976). Based on individuals' psychometric features, the equity sensitivity variable has been widely used in research to explain the variance of the perception of rewards and inputs in relationships (Bourdage et al., 2018). Another shortcoming of Equity Theory is that it has been criticized for its unidimensional assessment, in which incentives suggested distinct resources while ignoring the processes that people may evaluate (Davlembayeva, & Alamanos, 2022). Researchers have offered evidence that both procedural and distributive fairness enable people to assume that the outcome of their relationships is favorable to them (Rubenstein, Allen & Bosco, 2019). These beliefs elicit good emotions and behaviors, whereas the experience of unfairness relates to emotional tiredness (Chan & Lai, 2017).

Customer value, according to Sirdeshmukh, Singh, and Sabol (2002), takes primacy as a superordinate aim, with customer loyalty positioned as a subordinate goal predominantly driven by behavioral intention. This hierarchical structure is consistent with the principles of goal and action identity theories, in which superordinate goals impact subordinate goals. Customer value plays an important role in this setting, guiding "behavioral intents of loyalty towards the service provider as long as such relational exchanges yield greater value" (Sirdeshmukh et al., 2002). Adam's equity thesis (1963), which adequately supports the premise that customer perceived value directly drives customer loyalty, underpins this relationship. Prior empirical research has repeatedly found perceived value as a critical driver of consumer loyalty across a variety of sectors, including telephone and commerce services (Bolton and Drew, 1991).

This study aligns with Equity Theory by analyzing the impact of emotional, price, quality, and social values on customer loyalty in Kenyan commercial banks. It delves into how customers perceive fairness in their banking experiences. Emotional value analysis investigates emotional fairness in banking relationships. Price value analysis seeks to balance costs and benefits. Quality value investigation evaluates service parity, and social value investigation investigates perceived social benefits in the bank-customer relationship, all of which influence customer loyalty decisions.

### **2.2.2 Social Exchange Theory**

The theory used in this study was drawn from the social exchange theory (Homans, 1958), which states that all human interactions are generated through cost-benefit analysis and alternative comparisons. The concept seeks to explain the nature of the linkages that exist between customer relationship management strategies, customer happiness, and customer retention (Otiso, 2021). Homans (1958) proposed that when an individual sees the cost of a relationship to be greater than the apparent advantages, the individual chooses to end the connection. Accordingly, people who give a lot to others want to obtain a lot from them, and those who get a lot from others are under pressure to give a lot to them. Two parties' social exchange connections evolve through a sequence of mutual exchanges that results in a pattern of reciprocal duties to each party. According to social exchange theory, people are willing to sustain relationships because they believe it will be rewarding. People intentionally forego their own benefits to benefit others, with the anticipation of greater future gains. According to Thibaut and Kelly (1959), whether an individual maintains a relationship with another person is determined by a comparison of the current relationship, past experience, and potential alternatives.

Cropanzano et al., (2017) study revealed that the theoretical utility of social exchange theory is challenged by at least three key concerns, all of which play into a fourth. To begin, there are numerous overlapping and similar constructs used to operationalize initiating actions and target reactions. Second, there is a lack of understanding of the extent to which some of the notions commonly used in social exchange research are hedonically positive (e.g., supervisor support, helping), whereas others are hedonically negative (e.g., abusive supervision, incivility). Third, social exchange theory fails to clarify the boundary between behavioral action and inaction completely. More specifically, social exchange theory believes that the absence of something

hedonically good (justice, trust) is functionally the same as the presence of something hedonically negative (injustice, distrust). Yet, evidence reveals that this is not always the case. Fourth, another crucial issue comes as a result of the previous three concerns. Social exchange theory's behavioral predictions have become overly generic and imprecise.

Homans' (1958) Social Exchange Theory provides useful insights into the mechanics of client loyalty. It contends that an individual's commitment to an existing relationship is contingent on a continuous evaluation of the social and economic benefits derived from interactions with present partners in comparison to accessible alternatives. This concept is especially relevant to our research because it allows us to understand service encounters as social transactions. Interactions between service providers and consumers can be viewed as vital components of the whole customer experience in the context of our research, providing both social and economic advantages. This perspective agrees with Barnes' (2007) argument that these interactions greatly add to customer contentment and provide a compelling basis for maintaining the relationship, making a clear and meaningful link between the theory and our study.

Through the lens of Social Exchange Theory, this research investigates how emotional, price, quality, and social values influence customer loyalty in Kenyan commercial banks. It investigates the factors that influence customer loyalty decisions by shaping the give-and-take dynamics between customers and banks. Emotional value reflects the emotional bonds that foster loyalty, whereas price value evaluates the cost-benefit ratio. Quality value investigates service satisfaction, while social value investigates reciprocity in the bank-customer relationship, all of which influence and shape customer loyalty behaviors.

## **2.3 Empirical Review**

This section summarizes previous research on the effects of various customer perceived values on customer loyalty.

### **2.3.1 Emotional Value and Customer Loyalty**

Emotional value is generated through feelings or emotive moods provided by a service or product (Sweeney and Soutar, 2001). Beyond the obvious physical value of the goods, emotional value relates to their subjective reactions to a brand (Supphellen, 2000). Bowlby's

attachment theory was the inspiration for the concept of emotional attachment (1982). Although a customer's attachment to an object may be less intense than the attachment created in a human-human interaction, the fundamental features and behavioral repercussions of emotional attachment are thought to be very similar (Theng, Parsons & Yap 2013).

Customers are anticipated to get more emotionally engaged to the brand as they become more involved with it through cognitive and emotional connections (Bhattacharya & Sen, 2003; Park et al., 2010). Customers, like human-human connections, look for favorable attributes in a brand before deciding to form a customer-brand relationship (Fournier, 1998; Valey, 2009). Brands with strong corporate principles are more likely to be seen as high-quality brand partners, enticing customers to commit to a long-term relationship (Theng, Parsons and Yap 2013).

Cardinale, Nguyen, and Melewar (2016) investigated if the experience of visiting a vineyard can lead to a customer's emotional attachment to the location of the winery, and whether this might lead to the formation of long-term relationships and loyalty to the area. Their research took place in the wine region of Friuli Colli Orientali in northern Italy. Their research revealed that a positive winery experience - consisting of relaxing, informative, amusing, aesthetically pleasing, and well-served tasting of good products - in a winery develops both emotional attachment and eventual loyalty to the location of the vineyard.

Kim and Stepchenkova (2018) investigated how customers' perceptions of experience value in Korean family restaurants influence consumption emotions, self-connective attachment to the restaurant brand, and, ultimately, brand loyalty. Data acquired from consumers of family restaurants in South Korea was analyzed using structural equation modeling. The findings indicate that different elements of experiencing value influence either pleasant or negative emotions. The emotion variables, along with self-connective attachment, also moderate the associations between perceived dining experience value and brand loyalty.

Boateng et al., (2020) conducted a study to determine the relationship between experiential value, brand attachment, and brand loyalty. The attachment theory was used as the theoretical underpinning, and attachment was operationalized as a two-dimensional construct: identity-based and bonding-based. The authors contend that experiencing value reinforces customer connection in these two attachment perspectives and, as a result, determines brand loyalty. The

study focuses on customers of Ghanaian mobile telecommunications network firms. They used the partial least squares approach to structural equation modeling to analyze the data collected. The study's findings revealed a link between experiential value, brand attachment (identity-based and bonding-based), and brand loyalty. This study demonstrated how experiential value promotes and drives brand loyalty by reinforcing each pillar of the attachment theory.

Gumede and Mdiniso (2022) conducted a study in South Africa on Maintaining tourist loyalty toward cultural heritage tourism sites during COVID-19. They conclude that cultural heritage sites have maintained tourist loyalty during COVID-19 by satisfactory service, emotional and nostalgic attachment to the region, and distinctive offerings. As with tourist satisfaction, internal and exterior experiences contribute greatly to tourist-destination emotional attachment and promote travelers' willingness to revisit and suggest cultural heritage locations to friends, family, and social groups (Gumede & Mdiniso, 2022).

Kirimi (2022) study attempted to ascertain the impact of brand relationship on loyalty among home laundry detergent users in Nairobi City County, Kenya. Self-administered questionnaires and interview schedules were used to collect primary data. According to the findings, brand trust, brand communication, and emotional attachment all have a significant impact on loyalty; customer satisfaction has a partial mediating effect on the relationship between brand relationship and loyalty; and demographic characteristics have no moderating effect on the hypothesized relationship. As a result, the study concluded that brand trust, brand communication, and emotional attachment all have a significant effect on loyalty; customer satisfaction and demographic characteristics, on the other hand, have a partial mediating effect and no moderating effect on the brand relationship-loyalty link.

The primary goal of Gitonga, Njuguna, and Thuo's (2021) study was to determine the effect of emotional connection on loyalty among household consumers of laundry detergents in Nairobi City County, Kenya. The study discovered that emotional attachment had a considerable positive influence on the loyalty of household customers of laundry detergents and therefore the study concluded that emotional attachment has a strong positive effect on loyalty.

Using Bowlby's attachment theory as inspiration, research have consistently discovered that customers establish emotional attachments to companies through cognitive and emotional connections, similar to human-human relationships. It has been demonstrated that emotional

attachment has a substantial impact on brand loyalty. The research on vineyard experiences, family restaurants, cultural heritage tourism locations, and consumer products has all revealed the critical importance of emotional attachment in shaping customer loyalty. Emotional connection emerges as a powerful motivator of customer loyalty in the context of a pleasurable vineyard visit, dining experiences, or even laundry detergent consumption, highlighting its universal importance in understanding and promoting brand loyalty across varied consumer situations.

### **2.3.2 Social Value and Customer Loyalty**

Social value is referred to as the benefit gained from the products or service's potential to improve social self-concept (Sweeney and Soutar, 2001). It is well recognized that social value can influence individual satisfaction when reporting a nice feeling, knowing that the right option was done (Moliner et al., 2007). However, social value might serve as a normative aspect (Ferguson et al., 2010). Customers consider the opinions of their social reference group after making a series of assessments of service received at all stages and aspects (Carlos et al., 2013).

Sen and Bhattacharya's (2001) research supported the idea that a company's efforts in social domains had a direct effect on the attractiveness of its products, as well as a positive effect on consumer assessments. Other study supports the notion that socially responsible businesses are more likely to be seen favorably by consumers, resulting in favorable attitudes about their products or services (Maignan & Ferrell, 2004). Customers gain a positive social value through working with organizations that have a positive social image, which contributes to consumer satisfaction (McDonald & Hung Lai, 2011).

Gallarza, Ruiz-Molina, and Gil-Saura (2016) offer a causal model that investigates how PERVAL aspects of value affect customer loyalty via cognitive and emotive satisfaction. The model was tested on 820 Spanish retail consumers, and the results indicate that product quality and value for money (cognitive) influence customer loyalty via emotional and social value (affective), with strong direct and indirect effects via both cognitive and affective satisfaction. Significantly, the findings show the relevance of emotional and social value in mediating the relationship between satisfaction and loyalty. As a result, in a cognitive-affective-behavioral

paradigm, this study demonstrated the embedded impact of value dimensions on overall pleasure and behavioral intentions.

Phromlert, Deebhijarn, and Sornsaruht (2019) set out to discover what elements influence e-loyalty in Thai poshtels. The six hypotheses' interrelationships between website quality, e-service quality, e-satisfaction, and social value were examined. Although the ten poshtel websites used in the study displayed very creative designs and a plethora of promotional features, poshtel guests rated this as a moderate concern but rated the social value that the poshtel brings to its guests as extremely important, with numerous reports supporting this conclusion. As a result, poshtel owners must take great effort to maximize their guests' online social experience by providing lodgings that are 'photo perfect' and interesting to the eye of the guest and smartphone camera.

The paper by Omoregie et al. (2019) sought to investigate the elements that influence retail banking customers' loyalty intentions. The survey design is used in the investigation. The information was gathered from 565 consumers of the top performing banks in terms of client deposits. The data was analyzed using SmartPLS version 3 and the partial least squares structural equation modeling (PLS-SEM). According to the results of the PLS-SEM study, satisfaction, service quality, and trust all had a substantial effect on loyalty, with satisfaction having the most significant effect. Surprisingly, corporate image was shown to have a considerable impact on satisfaction and trust but not on loyalty. The proposed model explained 63.3 percent of the variation in loyalty.

Chalomba et al. (2019) examined the causes of post-adoption satisfaction, continuance intention, and loyalty to business sector branded apps among Generation Y South Africans using the expectation confirmation and consumption value theories. The results of structural equation modeling demonstrated that brand loyalty is formed through the confirmation of expectations, which have an impact on satisfaction as well as functional and social values. While both functional and social values positively influenced satisfaction, only functional values positively influenced continuation intention, whereas social values had a negative impact on continuation intention.

Ndung'u et al. (2020) sought to ascertain how the business environment and corporate image influence the relationship between competitive strategies and the performance of large

manufacturing enterprises in Kenya. The target audience was large industrial enterprises in Kenya, and data was collected using a standardized questionnaire. According to the study, the combined influence of competitive tactics, business climate, and corporate image on the performance of large manufacturing enterprises in Kenya is statistically significant. Manufacturing companies should develop competitive strategies in response to the business climate and devise ways to position themselves better than competitors. Firms can boost their performance indirectly by maintaining a positive corporate image.

Kipkirong and Rabach (2013) discovered that to strengthen customer loyalty, Kenyan mobile telecommunications providers should place a greater emphasis on the value provided to customers as well as the demands of social units such as family, friends, and colleagues. Furthermore, telecommunications companies should invest in a positive company image to reap the rewards of client loyalty.

According to research, a company's efforts in social domains favorably influence consumer judgements, resulting in favorable attitudes and satisfaction. Studies on customer loyalty in Spanish retail, Thai poshtels, and Kenyan industrial companies have revealed the mediating effect of social value. These research have demonstrated how social value, which is frequently associated with satisfaction and business image, plays an important role in influencing consumer loyalty. As a result, the findings highlight the importance of addressing social value as a vital aspect in understanding and improving customer loyalty across a wide range of businesses and geographical situations.

### **2.3.3 Price Value and Customer Loyalty**

Price value, also known as value for money, is the perceived level of product quality in relation to the price paid (Nisio & Battista, 2010). To certain consumers, monetary sacrifice is critical, thus anything that decreases monetary sacrifice increases the perceived value of the product (Zeithaml, 1988).

According to Paiva et al. (2009), the pricing dimension is associated with the customer's positive cost-benefit connection, which encourages a rise in the customer's inclinations to acquire and utilize the bank's products and services. Chuah et al. (2017) argue that, while emotional factors have a stronger influence on perceived value, price remains an important

attribute to explain perceived value and, hence, influences satisfaction and loyalty. According to Ahn and Lee (2019), pricing is one of the most important elements influencing customer adoption, satisfaction, and loyalty to fintechs, especially because clients of this business model are drawn in by value propositions centered on self-service simplification and low cost.

Kaura, Durga, and Sharma, S. (2015) investigated how service quality, perceived price and fairness, and service convenience influence customer satisfaction and loyalty in the Indian retail banking market. The study's population consisted of valued retail urban customers of banks in Rajasthan, India, who visit bank premises frequently for transactions, have accounts in at least two banks, and have used at least one information technology-based service. Factor and regression analysis were used to analyze the responses. According to the findings, service quality dimensions, perceived price and fairness dimensions, and service convenience dimensions all have a beneficial impact on consumer satisfaction and loyalty. Furthermore, consumer satisfaction serves as a moderator between its precursors and client loyalty.

Wantara and Tambrin (2019) conducted research to investigate and explain the impact of variable price and product quality on customer satisfaction and loyalty. The study was carried out in the Bangkalan neighborhood. Customers who have purchased Madura Batik more than twice are the study's target group. Based on the findings of the analysis, it is possible to conclude that the price has a significant and positive impact on customer satisfaction, the product quality has a significant and positive impact on customer satisfaction, the price has a significant and positive impact on customer loyalty, the customer satisfaction has a significant and positive impact on customer loyalty, but the product quality does not.

Jere and Mukupa (2018) investigated the extent to which customer happiness, service quality, customer service, price, corporate image, and network coverage influence customer loyalty in Zambia's mobile telecommunications business. Using partial least squares analysis on survey data from a convenience sample of 221 mobile subscribers, the study discovered that the antecedents of customer satisfaction explained 54% of the variance in customer satisfaction, while customer satisfaction itself explained 37.4% of the variance in customer loyalty. Despite the fact that service quality, customer service, corporate image, and network coverage were all positively associated to customer satisfaction, there was no evidence to support the projected negative association between price level and customer contentment.

Mashenene et al., (2019) conducted a study in Dodoma, Tanzania on the Impact of Customer Retention Tactics on Consumer Loyalty. Their research shows that service quality and customer satisfaction have a positive and significant influence on customer loyalty, meaning that as service quality and customer contentment improve, so does customer loyalty. Price, on the other hand, has a negative significant influence on customer loyalty, which means that as tuition fees rise, so does customer loyalty.

Mutonyi et al. (2016) examined which price satisfaction aspects influence producers' trust in buyers and assessed the relevance of such trust in mediating the relationship between price satisfaction and producer loyalty in fresh fruit supply chains in Kenya. Their findings reveal that price fairness, price stability, and comparable price are price satisfaction aspects that influence producers' trust in the consumer. Furthermore, it has been discovered that trust between the producer and the buyer is a powerful mediator between price satisfaction and producer loyalty.

Price is repeatedly highlighted as an important factor of perceived value, satisfaction, and loyalty in research. Price is important in determining consumer happiness and loyalty, according to studies in retail banking, fintech, the Madura Batik market, and mobile telecommunications. While its impact varies depending on the circumstance, it remains an important aspect in consumer decision-making. The findings highlight the importance of firms carefully considering pricing tactics and their impact on customer happiness and loyalty, as well as the mediating influence of characteristics such as trust and product quality.

#### **2.3.4 Quality Value and Customer Loyalty**

The quality value of a product is determined by its perceived quality and expected performance (Sweeney and Soutar, 2001). Since the previous two decades, quality has been regarded as the most important component of any competitive marketing plan for the survival and success of corporate operations (Ishaq 2011, Ismail et al., 2006). Researchers discovered that organizations who do not focus on providing value to their consumers and respond late to their requirements have a high rate of customer discontent and a decrease in profitability (Ishaq et al., 2014).

Eskildsen et al. (2004) discovered a direct relationship between product quality and repurchase intentions, performance, customer loyalty, and satisfaction. Products of superior quality are more widely accepted, resulting in greater satisfaction among wholesalers, retailers, and organizations (Schellhase et al., 2000). Furthermore, multiple studies found significant empirical support for product quality being an antecedent with a favorable relationship to overall consumer happiness. According to Chumpitaz and Paparoidamis (2004), great product quality always leads to consumer happiness, which leads to loyalty.

Shankar and Jebarajakirthy (2019) studied a comprehensive moderated mediated mechanism for increasing customer loyalty toward e-banking platforms through e-banking service quality (EBSQ) practices in their research. EBSQ's dimensions are dependability, website design, privacy and security, and customer service and support. Structured questionnaires were used to obtain data from a sample of 1,028 Indian e-banking users. A structural equation modeling approach was utilized to investigate the hypotheses. According to the data, among the EBSQ dimensions, reliability, together with privacy and security, increased customer loyalty to e-banking. Except for website design, early trust in e-banking mediates the effects of EBSQ characteristics on client loyalty. The impact of initial trust on mediation differed between high and low-involved customers.

Fida et al. (2020) used the SERVQUAL model to investigate the impact of service quality on customer loyalty and satisfaction for four major Islamic banks in the Sultanate of Oman. SPSS was used to analyze the study data, and the reliability coefficient (Cronbach's alpha) was calculated. The study's primary findings revealed that respondents gave a "Agree" response in five areas, including tangibles, responsiveness, reliability, assurance, and empathy. The correlation results revealed a statistically substantial association between the three variables: service quality, customer satisfaction, and customer loyalty. Similarly, regression results revealed that the qualities of empathy and responsiveness had a strong positive impact on customer satisfaction.

Izogo (2017) investigated how businesses might affect customer loyalty through customer commitment by employing two service quality constructs: service assurance and service reliability. The analyses were based on 138 replies obtained from experienced mobile phone service users in one of Nigeria's major cities via a survey questionnaire. Results stated that service reliability predicts customer loyalty directly, whereas service assurance does not.

Affective commitment has a direct positive impact on client loyalty and serves as a partial mediator between service reliability and customer loyalty. The mediating effects of emotive and continuous commitment on the connection between service assurance and customer loyalty, on the other hand, were positive but minor. Finally, affective commitment moderates the effect of ongoing commitment on consumer loyalty.

Radder and Han (2013) investigated perceived quality, visitor satisfaction, and customer loyalty at South African historical museums. Their study's goal was to investigate the relationships between quality, satisfaction, and loyalty in museums. Their findings validated their assumption that quality has an indirect (through satisfaction) as well as a direct effect on visitors' behavioral intentions. Furthermore, they discovered that quality predicts behavioral intentions better than satisfaction.

Auka (2012) investigated how service quality, perceived value, and customer satisfaction influence customer loyalty in commercial banks in Kenya. The results demonstrated a good and significant association between service quality, customer happiness and value, and customer loyalty. Their research also discovered that service quality, customer value, and satisfaction are significant success variables that determine an organization's competitiveness. It is consequently recommended that banks use the three constructs model to generate and sustain client loyalty to boost performance and get a competitive edge.

Numerous studies, ranging from banking to museums, emphasize the critical role of product quality in determining consumer pleasure and loyalty. Superior product quality consistently leads to greater satisfaction, customer happiness, and, ultimately, loyalty, according to the research. Researchers have discovered direct links between product quality and many aspects of customer loyalty, such as repurchase intentions, general satisfaction, and behavioral intentions. Furthermore, some studies have looked into the importance of elements like as service quality and customer commitment in converting product quality into customer loyalty. These findings highlight the ongoing necessity of providing high-quality products to increase customer loyalty and competitiveness across a wide range of industries and geographical situations.

## 2.4 Research Gap

The impact of perceived value on customer loyalty remains a critical focus, particularly in the changing landscape of commercial banking, where institutions compete for customer attention. Several global studies emphasize the importance of perceived value in fostering customer loyalty, particularly in service industries such as banking, where providing excellent customer service is critical to retaining and attracting customers.

Several recent studies provide insights into the dynamics of perceived value and customer loyalty in a variety of service sectors. Emerson and Neudson (2023) contrast traditional banks and fintech, emphasizing the role of customer satisfaction as a moderator. Using structural equation modelling, Dae Hui Lee (2022) investigates extended service quality, distinct perceived value, and their mediation in customer loyalty. Emre Sahin Dölarslan (2014) investigates the effects of satisfaction and perceived value on railway passengers' loyalty behaviors. Zhilin and Robin (2004) emphasize satisfaction and perceived value as important determinants of online customer loyalty.

Existing research, which spans multiple industries and global contexts, provides a nuanced understanding of the impact of perceived value on consumer loyalty. Various studies investigate how satisfaction, empathy, pricing, and competence influence loyalty in various service contexts around the world. However, in the changing landscape of Kenyan commercial banks, a focused investigation is required to delineate the interaction between perceived value and customer loyalty. This study aims to contribute to a broader understanding of customer loyalty in service industries by providing context-specific insights into perceived value and loyalty dynamics within the Kenyan banking sector.

**Table 2.1: Summary of Knowledge Gaps**

<b>Study</b>	<b>Focus of Study</b>	<b>Findings</b>	<b>Research Gap</b>	<b>Focus of current study</b>
Emerson and Neudson (2023)	The effects of perceived value dimensions on customer satisfaction and loyalty: a comparison between traditional banks and fintechs	Traditional banks have a greater influence on loyalty than fintechs, through customer satisfaction, empathy, price, and competence.	Focus on satisfaction as an indicator of loyalty	Focus on the composite approach as a measure of loyalty
Dae Hui Lee (2022)	The trinity of extended service quality, distinct perceived value, and customer loyalty facilitators	Service technology is a key construct of extended service quality, and distinct perceived value and satisfaction act as mediators between extended service quality and customer loyalty.	Focus on extended service quality and satisfaction as a measure of customer loyalty	Focus on the effect of perceived value on customer loyalty
Oloveze et al., (2022)	The study investigates user behavior in relation to sustained m-commerce patronage and the role of perceived value as a moderator.	Performance expectancy and user satisfaction are key drivers of continued intention to use m-commerce in the African environment, whereas perceived value mediates the link between the variables to some extent.	Focus on mobile commerce	Focus on commercial banks
Wang et al., (2022).	The study investigate the impact of consumers' perceived value of cashless payment on their usage intention in the	The findings suggest that the perceived value of cashless payment influences use intention, and that this effect is mediated by psychological safety.	Focus on various aspects of perceived value	Focus on PERVAL values as a measure of perceived value

	physical distancing environment, with psychological safety acting as a mediator and trust propensity acting as a moderator.	Additionally, trust proclivity moderates the relationship between perceived worth and psychological safety.		
Svotwa et al., (2020).	The study investigates the relationship between Black Friday traditions, customer value, and customer loyalty among South African young adult customers.	It was discovered that the customer perceived value of young adult customers in South Africa who support Black Friday rituals strengthens their commitment to such retail promotions.	Focus on Black Friday implications specifically	Focus on services offered by commercial banks generally
Chinomona, Okoumba and Poee (2013).	The Influence of Product Quality on Perceived Value, Trust, and Students' Desire to Buy Electronic Devices	The study's findings are interesting in that product quality had a greater impact on student product trust than perceived product value. Perceived product value has a strong influence on trust but has little effect on buy intention. Yet, trust has a substantial impact on purchasing intent.	Focus on product quality influence on perceived value	Focus on perceived value influence on customer loyalty
Stollery and Jun (2017).	The purpose of this research is to investigate the causes of perceived value in the Airbnb environment utilizing the variables perceived benefit and perceived hazards.	The findings demonstrated that monetary savings, hedonic gain, and novelty had a positive influence on perceived value, but psychological risk has a negative effect on perceived value.	Focus solely on perceived value in an Airbnb setting	Focus on perceived value and customer loyalty in a banking setting

Emre Sahin Dölarlan (2014)	Assessing the effects of satisfaction and value on customer loyalty behaviors in service environments High-speed railway in Turkey as a case study	According to the findings of this study, both customer satisfaction and perceived value have a direct influence on the loyalty behaviors of Turkish railway passengers.	A case study of High-speed railway and focuses on satisfaction and customer loyalty	Focus on perceived value and customer loyalty in Kenyan commercial banks
Jekanyika et al., (2009)	The study sought to determine whether supplier market orientation results in higher supplier perceived value and organizational performance.	According to the findings, while customer orientation improves supplier perceived value creation, competitor orientation and inter-functional cooperation have the opposite effect. Supplier perceived value creation acted as a moderator in the relationship between market orientation and firm success. Furthermore, supplier perceived value creation was negatively connected to financial success but positively related to marketing performance.	Focus on supplier perceived value and organizational performance.	Focus on customer perceived value and customer loyalty.
Zhilin and Robin (2004)	Customer Perceived Value, Satisfaction, and Loyalty: The Role of Switching Costs	Companies striving for customer loyalty should focus on satisfaction and perceived value, which are the primary determinants of online satisfaction.	Focus on switching costs and different aspects of perceived value	Focus on the PERVAL values as the dimensions of perceived value.

*Table 2.1: Summary of Knowledge Gaps*

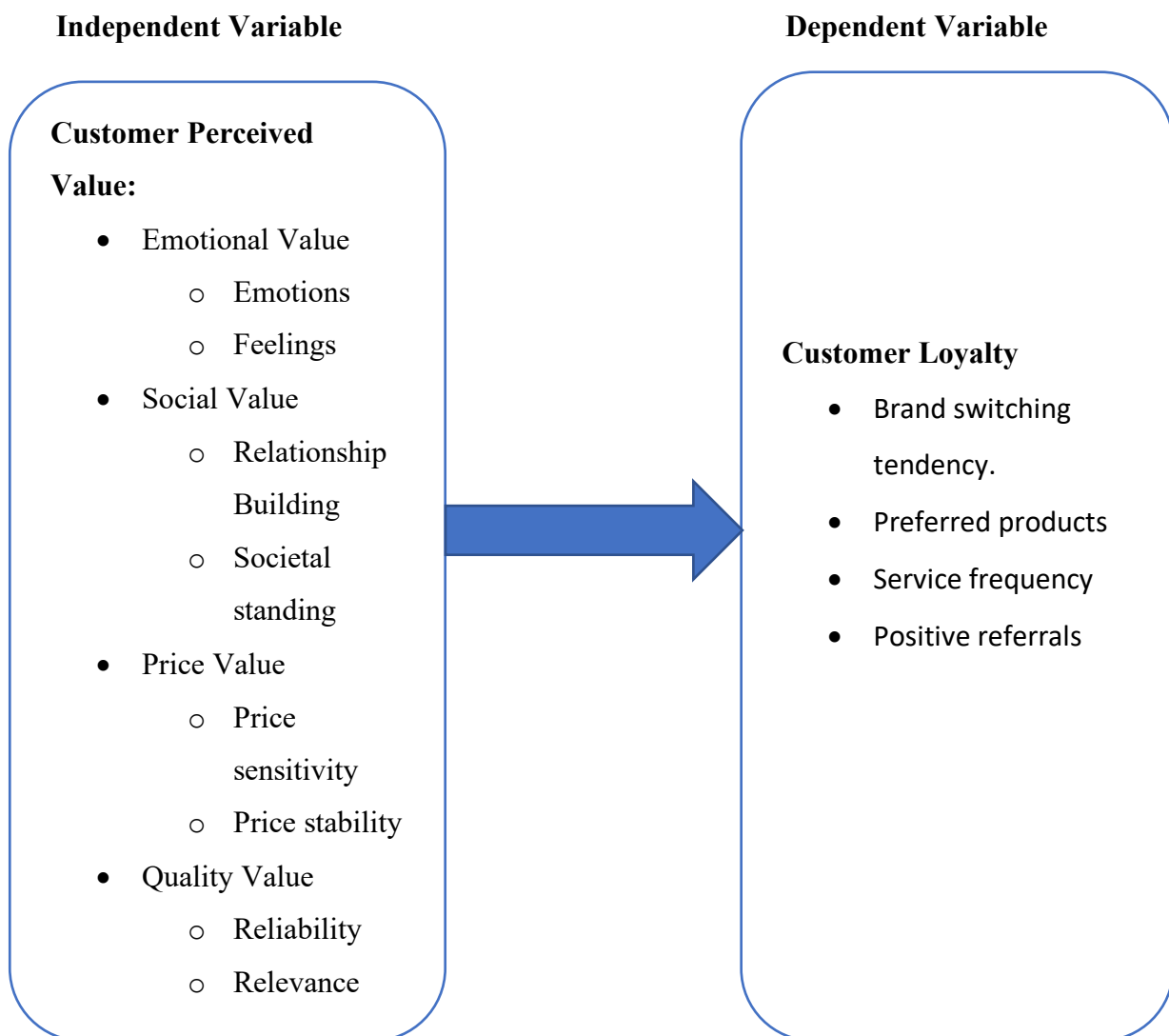
**Source: Researcher (2023)**

## 2.5 Conceptual Framework

Figure 2.1 depicts the conceptual framework that explains the relationship between consumer perceived value and customer loyalty. In this study, customer perceived value was measured in terms of Emotional, Social, Price, and Quality values (Sweeney and Soutar 2001). While brand switching tendency, preferred products, service frequency, and positive recommendations was used to quantify customer loyalty. (Pritchard and Howard, 1997; Hunter, 1998; Wong et al., 1999).

**Figure 2.1: Conceptual Framework**

*Figure 2.1: Conceptual Framework*



**Source: Researcher (2023)**

Figure 2.1 depicts the relationship between customer perceived value and customer loyalty based on the literature studied. It proposed that customer perceived value has a substantial impact on customer loyalty.

## 2.6 Operationalization of Study Variables

Operationalization helps the transformation of abstract concepts into observable features that can be monitored using indicators. Both the dependent and independent variables were measured using a rating scale ranging from 1 (strongly disagree) to 5 (strongly agree). The following table summarizes the indicators that were used in the research.

**Table 2.2: Operationalization of Study Variables**

*Table 2.2: Operationalization of Study Variables*

Variable	Constructs	Operational Definition	Measurement	Source(s)
Independent variable <b>(Customer Perceived Value)</b>	Emotional Value	Generated from feelings or affective moods produced by a service.	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Sweeney and Soutar (2001) Lee et al. (2007), Yang and Mattila (2016) and Deng et al. (2010)
	Social Value	Resulting from the service's ability to boost social self-concept	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Sweeney and Soutar (2001) Eid (2015); Eid and El-Gohary (2015) and Deng et al. (2010)
	Price Value	Obtained from the service because of a reduction in its perceived immediate and long-term expenses	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Sweeney and Soutar (2001) Lee et al. (2007), Eid (2015); Eid and El-Gohary (2015), Yang and Mattila (2016) and Deng et al. (2010)

	Quality Value	Drawn from the product's perceived quality and anticipated performance	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Sweeney and Soutar (2001), Lee et al. (2007), Yang and Mattila (2016) and Deng et al. (2010)
Dependent variable <b>(Customer Loyalty)</b>	Brand switching tendency	A shift in consumer purchasing behavior in which customers choose to switch to a different brand.	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Pritchard and Howard (1997), Hunter (1998) and Wong et al., (1999).
	Preferred products	To prefer one product or service above another or others; to prefer.	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Pritchard and Howard (1997), Hunter (1998) and Wong et al., (1999).
	Service frequency	The number of times a consumer uses a service in a certain time period.	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Pritchard and Howard (1997), Hunter (1998) and Wong et al., (1999).
	Positive referrals	The potential for their customers to refer others to them since they had a positive experience with them	Five-point Likert scale 1-Strongly Disagree 2-Disagree 3- Neutral 4-Agree 5-Strongly Agree	Pritchard and Howard (1997), Hunter (1998) and Wong et al., (1999).

**Source: Researcher (2023)**

## **2.7 Chapter Summary**

This chapter explored the ideas that support the study as well as the actual investigations that scholars have conducted on consumer perceived value and customer loyalty. Previous studies' research shortcomings have been summarized. The conceptual framework was created to demonstrate the interdependence of variables, and the operationalization table summarizes the description of variables and their measures.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the methodology that were employed in the research methods, data collection, and the methods used for data presentation and evaluation. It describes research philosophy, design, population, data collecting, data analysis, research quality, and ethical considerations.

#### **3.2 Research Philosophy**

The fundamental question of research philosophy is "How to research?" And the question "What to research?" The underlying "Why research?" perspective, which is critical in shaping a researcher's approach, is often overlooked. The research philosophy orientation of this study dictates the formation and nature of knowledge, primarily influencing how researchers perceive the world (Saunders et al., 2007). In this context, the study adheres to positivist research theory, emphasising observable realities and empirically based generalisations.

Positivism, similar to the natural sciences, emphasises observable phenomena in order to draw generalised conclusions about society. It emphasises the importance of relying on pure data and facts while minimising human interpretation and bias (Scotland, 2012; Saunders et al., 2012). This approach seeks to generate hypotheses based on theory that are then tested using empirical research methods (Easterby, Thorpe, & Jackson, 2008). Wilson (2014) defines positivism as a focus on quantifiable, observable results that steer researchers towards factual observations rather than subjective impressions.

For this study, the positivist research philosophy prioritises empirical evidence over subjective interpretations. It is consistent with a theory-based approach, with the goal of generating hypotheses for rigorous testing and emphasising observable facts over subjective impressions or interpretations (Saunders, Lewis, & Thornhill, 2009).

#### **3.3 Research Design**

Research is a careful and systematic approach to problem solving and collecting new knowledge (Bhattacharyya, 2006; Thomas et al., 2011). It is an investigation that provides

detailed guidance for research processes (Creswell, 2014). A descriptive cross-sectional survey design was used for this study. A descriptive research design determines and characterizes the properties of the variables while allowing data gathering and objective conclusions to be drawn (Cooper & Schindler, 2006). According to Mugenda and Mugenda (2003), a survey method is the act of collecting data from a sample group to determine the state of that group at that time in relation to one or more variables. The cross-sectional study entails collecting data at one point in time. The survey methodology allowed the researcher to show the characteristics of the sampled group while also administering questionnaires to collect statistical data for analysis. The descriptive research approach was used since the study attempted to describe the studied variables. The study was conducted between February and July 2023.

### **3.4 Population of the Study**

The study concentrated on the population of loyal customers at Nairobi's nine major commercial banks. Absa Bank Kenya Ltd, Stanbic Bank Kenya Limited, Equity Bank Ltd, Kenya Commercial Bank Ltd, NIC Bank Ltd, Standard Chartered Bank (K) Ltd, Diamond Trust Bank Kenya Ltd, National Bank of Kenya Ltd, and Co-operative Bank of Kenya Ltd are among the banks listed on the Nairobi Securities Exchange (NSE). According to CBK (2021), these institutions hold nearly 72% of the Kenyan banking market by the end of 2022, demonstrating their significant influence in the industry.

The decision to concentrate on this population stems from their significant market share and influence within Kenya's banking sector, representing a sizable portion of the country's banking clientele. According to Kamer (2022), the loyal customer base in these banks, individuals who have been with the bank for more than a year, is a critical segment for understanding the dynamics of customer loyalty in the Kenyan banking context.

According to the most recent projections based on United Nations data for Nairobi, the estimated population is 2,750,547 people. Given that 40% of Kenyan adults use banking services (Kamer, 2022), the total banking population is estimated to be 1,100,218. The study targeted approximately 792,157 individuals within this subset, with the nine leading banks commanding a collective market share of more than 72%, with the goal of exploring the dynamics of customer loyalty and perceived value within this influential segment of Kenya's banking landscape. Appendix II contains a comprehensive list of financial institutions in Kenya for your convenience.

### 3.5 Sampling Design

According to Kabir (2018), sampling is the process of selecting a sample to estimate population characteristics. It is the process of learning about a whole population by investigating a subset of it. The researcher used the Finite population formula, which is used to estimate the confidence interval for a population mean, to find the sample size for a population of 792,157 customers. According to the findings using 71% as population proportion, 310 or more respondents are required to have a 95% confidence level that the true value is within 5% of the surveyed value.

#### Sample Size Formula

$$n = N \times \frac{\frac{Z^2 \times p \times (1 - p)}{e^2}}{\left[ N - 1 + \frac{Z^2 \times p \times (1 - p)}{e^2} \right]}$$

Where:

- N = Population size,
- Z = Critical value of the normal distribution at the required confidence level,
- p = Sample proportion,

**Source: Pooja Borkar (2019)**

Researchers must prepare for the issue of non-response and then make up for it by recruiting more participants on top of the minimal sample size, typically by 20% to 30%, to avoid underestimating the sample size (Bujang, 2021). The necessary sample size had been increased from 310 to 388 by including an additional 20% allowance in sample recruitment due to a potential non-response rate. The researcher made use of the following formula below:

$$\text{Minimum Required Sample size} / (1 - (\text{allowance \%})) = \text{Adjusted Sample Size}$$

According to Kabir (2018), convenience sampling is a sort of non-probability sampling in which the sample is taken from a subset of the population that is close to hand. That is, a sample population chosen because it is easily accessible and convenient. The convenience sample advocated by Antoun et al., (2016) was used in this study to determine the respondent at all 9 commercial banks. This means that only customers that are conveniently and quickly accessible took part in the survey.

To ensure a fair representation of respondents, the researcher used each of the 9 bank's market share as detailed by CBK (2021) to calculate the minimum customers that were needed to be interviewed for each bank. The details are presented below.

**Table 3.1: Sample Size**

*Table 3.1: Sample Size*

Bank	Market Share (%)	% of 388	Sample Size
KCB	13.81	0.19	74
Equity	13.57	0.19	74
NCBA	9.72	0.14	54
Cooperative	9.42	0.13	50
Absa	6.37	0.09	35
Standard Chartered	5.7	0.08	31
Diamond Trust	5.64	0.08	31
Stanbic	5.21	0.07	27
National Bank of Kenya	2.31	0.03	12
<b>Total</b>	<b>71.75</b>	<b>1.00</b>	<b>388</b>

**Source: Researcher (2023)**

### **3.6 Data Collection Method**

McGuirk and O'Neill (2016) stated that questionnaires have various merits. For starters, they can shed light on societal trends, processes, beliefs, attitudes, and interpretations. Second, they are one of the more practical research instruments since they can be cost-effective, allowing for comprehensive research across a broad or geographically scattered population. This is especially true for online questionnaire surveys, where printing and distribution costs can be reduced (Sue and Ritter 2012). Finally, they are highly adaptable.

The study collected primary data through a structured questionnaire with closed ended questions. Questionnaires were self-administered utilizing the drop and pick later approach. Trained research assistants assisted in data collection and followed up with the respondents to improve on the response rate.

Structured questions included a 5-point Likert scale to assess various elements of the variables under investigation and were used to collect quantitative data. The questionnaire was divided into three sections: Section A included demographic information from respondents, Section B included questions on perceived value dimensions, and Section C included expressions about customer loyalty.

### **3.7 Data Analysis**

According to Yin (1989), data analysis consists of several processes, including evaluating, categorizing, tabulating, or otherwise recombining the information to answer the study's initial purpose. Data was collected, sorted, and modified to ensure completeness and consistency. Data was examined using descriptive and inferential statistics using the Statistical Package for Social Sciences (SPSS) software. Descriptive statistics included mean and standard deviation. Correlation analysis was used to establish the suitability of the study variables for further investigation, while regression analysis was used to determine the relationship between the study variables.

The researcher made use of SPSS, Microsoft excel and google sheets for data entry. The researcher then coded the questionnaire by first categorizing the questionnaire according to the dimensions as shown below in Table 3.2 and then the researcher calculated the weighted average mean score using the formula below.

$$\frac{\sum wx}{\sum w}$$

Where  $\sum$  is the sum of, w is the weights and x are the value. The researcher than categorized the mean scores as show below in Table 3.3. Findings were presented in tables and charts.

**Table 3.2: Weighted Average Mean Score**

*Table 3.2: Weighted Average Mean Score*

The average between	Interpretation of respondents' opinion
4.21-5.00	The most
3.41-4.20	At much
2.61-3.40	Moderate
1,81-2.60	Less
1.00-1.80	At the least

**Source: Koobgrabe et al., (2008)**

The results from the questionnaires were utilized to answer the research questions and identify the relationship between customer perceived value and customer loyalty of the customers of the 9 identified Kenyan commercial banks. The results will be disseminated to the 9 identified Kenyan commercial banks by request and a published copy of this research will be available at the Strathmore University Library.

### **3.8 Quality of Research**

The pilot test was critical for fine-tuning survey instruments and aligning them with Saunders, Lewis, and Thornhill's (2012) approach. It aimed to improve data reliability by ensuring respondent comfort and validating the inquiry. Validity was confirmed using rigorous methods, including expert evaluation of content validity and construct validity, which aligned variables with established models and literature. A sample questionnaire from a non-sample bank aided in item clarification and relevance, increasing overall questionnaire validity.

### 3.8.1 Validity Test

Validity indicates if the surveys truly measure what they are supposed to assess or how dependable the results are (Golafshani, 2003). Face (content) validity, concurrent validity, predictive validity, concept validity, and convergent validity are all types of validity in research (Babbie, 2010). To demonstrate content validity, the questionnaire was provided to the Strathmore University supervisor and other experts in the research field for guidance and representativeness to guarantee it assesses the variables. Construct validity was achieved by extracting study variables from sound theoretical models and relevant literature. A sample questionnaire was distributed to respondents in similar categories at two commercial banks who were not included in the final sample population to ensure its clarity and relevance. This allowed the researcher to revise or remove any items that were confusing or irrelevant, so improving the quality of the questionnaire and raising the research's validity.

### 3.8.2 Reliability Study

Mugenda (2008) defines reliability as the degree to which research tools produce consistent outcomes or data after repeated trials. In the study, the test-retest procedure was used. Cronbach's Alpha, which assesses internal consistency, was used to assess the questionnaire's reliability. The alpha coefficient has a value between 0 and 1 and can be used to describe the reliability of components retrieved from dichotomous or multi-point formatted questionnaires or scales. A greater value indicates a more dependable generated scale. Cooper and Schindler (2008) determined that 0.7 is an acceptable reliability coefficient, hence 0.7 was used as the cutoff point in this study.

**Table 3.3: Summary of Study's Reliability Results**

*Table 3.3: Summary of Study's Reliability Results*

<b>Variable</b>	<b>Component</b>	<b>Cronbach's Alpha Coefficient</b>	<b>No. of Items</b>	<b>Interpretation for the study</b>
Quality Value	Reliability	0.615	6	Questionable
	Relevance			
Emotional Value	Emotions	0.914	5	Reliable
	Feelings			
Price Value	Price Sensitivity	0.901	4	Reliable

	Price Stability			
Social Value	Relationship Building	0.924	4	Reliable
	Societal Standing			
Customer Loyalty	Brand switching tendency	0.703	12	Reliable
	Preferred products			
	Service frequency			
	Positive referrals			

### 3.9 Ethical Consideration

The Principles of Research Ethics define the core values and beliefs of the research community, and ethics in research signals scientific ethical ideals (Hasan, 2021). The researcher facilitated data collection by obtaining permission from respondents to participate in the study and scheduling appointments. Questionnaires were distributed to individuals who had agreed to take part in the study. The surveys were accompanied by an introductory letter that explained the objective of the data collection as well as the confidentiality of the data obtained.

The Strathmore University code of ethics regulated the conduct of this research. Permission to carry out the research was obtained from the university. In addition, ethics approval and a license from NACOSTI was acquired. Those who provided verbal agreement were interviewed. To avoid plagiarism, full acknowledgement of all published and unpublished material utilized to prepare this thesis was included. As a result, the information acquired in this study was treated with strict confidentiality, and no disclosure will be made other than for the purposes of this study.

### 3.10 Chapter Summary

This chapter discussed the research philosophy and design, study population, sample design, data gathering method and analysis, and ethical considerations.

## CHAPTER FOUR

### DATA ANALYSIS AND FINDINGS

#### 4.1 Introduction

This chapter not only gives a thorough examination of the research findings, but also useful insights on respondent demographics, shedding light on the diverse characteristics of those who participated in this study. In essence, this chapter serves as a compass, guiding us through the intricate web of how consumer perceived value influences customer loyalty, bridging the theoretical and empirical data gaps.

#### 4.2 Response Rate

The intent of this research was to survey 388 customers from Kenya's nine NSE-listed commercial banks. Finally, responses were collected from 336 people, yielding an 86.6% response rate. This response rate is thought to be significant and representative of the target population. A response rate of 60%, according to Mugenda and Mugenda (2003), is sufficient for analysis and provides a reliable representation of the population. As a result, the obtained response rate of 86.6% exceeds this threshold, ensuring a robust and representative dataset consistent with the study's goal of gathering comprehensive insights into perceived value and its relationship with customer loyalty among customers of the nine commercial banks.

*Table 4.1: Response rate*

<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Completed Questionnaire	336	86.6%
Not Completed Questionnaire	52	13.4%
<b>Total</b>	<b>388</b>	<b>100%</b>

**Source: Researcher (2023)**

##### 4.2.1 Gender versus Age of Respondents

The researcher sought to ascertain the association between respondents' gender and age. The outcomes are shown in Table 4.2 below.

Table 4.2: Gender versus Age of Respondents

		Age			
		18 - 25 Years	26- 35 Years	Over 36 Years	Total
Gender	Female	45	82	62	189
	Male	27	58	62	147
Total		72	140	124	336

Source: Researcher (2023)

Respondent demographics reveal a predominance of participants between the ages of 26 and 35, totaling 140 people, with 82 females and 58 males. Furthermore, there were 124 females and 62 males in the age group above 36. The most recent cohort, aged 18 to 25, included 45 females and 27 males. Overall, female respondents outnumbered male respondents by 189 to 147, respectively. The survey revealed a gender disparity among Kenya's nine commercial banks' customers. The high proportion of respondents aged 26 to 35 indicates a mature and experienced demographic capable of understanding and making informed decisions about perceived value. The inclusion of this demographic benefits the study by leveraging their experience and understanding in assessing the perceived value of their banks and its correlation with customer loyalty, which aligns with the research objective of investigating the link between perceived value and loyalty among knowledgeable banking customers.

#### 4.2.2 How long the customer has been with their bank?

The researcher also aimed to identify the commercial banks with the oldest customers in terms of time with the institution. The outcomes are shown in Table 4.3 below:

Table 4.3: How long the customer has been with their bank Versus Commercial Banks

		Commercial Bank									Total
		KC B	Equit y	NCB A	Coopera tive	Absa	Standard Chartered	Diamon d Trust	Stanbi c	National Bank of Kenya	
How long	1-2 Years	17	13	4	5	3	0	4	10	1	57

<b>have you been a customer of your bank?</b>	3-4 Years	22	22	20	2	9	7	12	11	1	106
	Over 5 Years	31	34	18	29	21	18	11	8	3	173
<b>Total</b>		<b>70</b>	<b>69</b>	<b>42</b>	<b>36</b>	<b>33</b>	<b>25</b>	<b>27</b>	<b>29</b>	<b>5</b>	<b>336</b>

**Source: Researcher (2023)**

Table 4.3 shows a diverse representation of customers across banks and tenure. A significant number of respondents (173) have been loyal customers for more than 5 years, which is especially prevalent in banks such as Kenya Commercial Bank (KCB). Furthermore, 106 respondents reported a tenure of 3-4 years, while 57 reported a tenure of 1-2 years. Notably, banks such as Equity, KCB, Cooperative Bank, Standard Chartered, ABSA, and the National Bank of Kenya have a majority of long-term customers who have been with them for more than 5 years. In contrast, NCBA, Diamond Trust, and Stanbic had a higher proportion of customers with a tenure of 3-4 years. These findings highlight a comprehensive representation from all banks surveyed, providing insights into the evolution of perceived value among long-standing customers and its interrelationship with customer loyalty, aligning with the research's objective to investigate the relationship between perceived value and loyalty across various bank tenures.

### **4.3 Descriptive Statistics**

The study used descriptive statistics in this section, such as frequencies, percentages, mean, and standard deviation. According to Aggresti (2012), a mean of 1.00 to 2.49 is considered extremely weak, 2.50 to 3.49 is considered weak, 3.50 to 4.49 is considered strong, and 4.50 to 5.00 is considered very strong. A standard deviation more than 0.5 was considered to imply homogeneity, while a standard deviation less than 0.5 indicated data heterogeneity. In a study, heterogeneity means that the sample produced a variety of results. It demonstrates a significant level of variation among the people in the study sample (Lorenc et al., 2016). If the data is homogeneous, it suggests that the respondents had a comparable comprehension of the subject and responded similarly (Lorenc et al., 2016).

### 4.3.1 Quality Value Dimension

The study sought to ascertain how quality value influenced customer loyalty in Kenyan commercial banks. The results are shown in Table 4.4.

Table 4.4: Descriptive Statistics for Quality Value

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
This bank is well made, well organized.	336	4.28	3.82
This bank has consistent quality.	336	4.17	3.72
This bank has an acceptable standard of quality.	336	4.27	3.80
This bank has performed consistently.	336	4.17	3.71
This bank has poor workmanship.	336	2.13	1.84
This bank has not lasted a long time.	336	2.10	1.89
<b>Average Score</b>		<b>3.52</b>	<b>3.13</b>

Source: Researcher (2023)

The study's findings, as shown in Table 4.4, show that the majority of respondents agreed with the statements "This bank is well made, well organized, and has an acceptable standard of quality," with a mean statistic value of 4.28 and 4.27, respectively. This may also be observed in the fact that the majority of respondents (52% and 58%) agreed with these claims. The majority of respondents also agreed with the statements, "This bank has consistent quality, and this bank has consistently performed," with both having a mean value of 4.17. The statements, "This bank has poor workmanship" and "This bank has not lasted a long time" had weak means of 2.13 and 2.10, indicating that the majority of respondents disagreed with the statement.

The high average mean score of 3.52 emphasizes the importance of perceived quality in customer perceptions. This implies that banks should capitalize on their perceived quality in order to increase customer loyalty. These findings highlight the importance of maintaining and improving customer perceptions of quality in order to foster greater loyalty and satisfaction with banking services.

### 4.3.2 Emotional Value Dimension

The study sought to ascertain how emotional value influenced customer loyalty in Kenyan commercial banks. The results are shown in Table 4.5.

Table 4.5: Descriptive Statistics for Emotional Value

	<b>Total</b>	<b>Mean</b>	<b>Std. Deviation</b>
This bank is one that I enjoy.	336	4.21	3.76
This bank makes me want to visit it.	336	3.82	3.43
This bank is one that I feel relaxed about visiting.	336	3.89	3.48
This bank makes me feel good.	336	3.93	3.51
This bank gives me pleasurable services.	336	3.97	3.55
<b>Average Score</b>		<b>3.97</b>	<b>3.54</b>

**Source: Researcher (2023)**

According to the data in Table 4.5, respondents strongly agreed with statements about the emotional aspects of their banking experience. The statement "This bank is one that I enjoy." received the highest mean value of 4.21, followed by "This bank gives me pleasurable services" and "This bank makes me feel good." with mean values of 3.97 and 3.93, respectively. Similarly, respondents expressed feelings of relaxation and a desire to visit the bank, as evidenced by mean values of 3.89 and 3.82 for "This bank is one that I feel relaxed about visiting" and "This bank makes me want to visit it."

These mean values indicate that respondents strongly agreed with the provided statements, emphasizing the importance of emotional connections in their banking experiences. The findings highlight the importance of banks taking customer emotions into account when making operational decisions. Furthermore, the data indicates that banks actively encourage and consider customer feedback, emphasizing the importance of customer input in shaping service delivery strategies. This customer-centric approach demonstrates a willingness to cater to and address their clients' emotional needs and preferences.

### **4.3.3 Price Value Dimension**

The study sought to ascertain how price value influenced customer loyalty in Kenyan commercial banks. The results are shown in Table 4.6.

Table 4.6: Descriptive Statistics for Price Value

	<b>Total</b>	<b>Mean</b>	<b>Std. Deviation</b>
This bank is reasonably priced.	336	3.98	3.55
This bank offers value for money.	336	4.02	3.57
This bank is a good destination for price.	336	3.93	3.50
This bank is economical.	336	3.87	3.46
<b>Average Score</b>		<b>3.95</b>	<b>3.52</b>

**Source: Researcher (2023)**

The statement "This bank offers value for money." got the highest mean value of 4.02, followed by "This bank is reasonably priced, this bank is a good price destination, and This bank is economical." with mean values of 3.98, 3.93, and 3.87, respectively. These mean values show that the respondents agree with the statements. According to the research, customers think banks' services are adequately priced. This also shows that most customers perceive that they are getting value for their money.

#### **4.3.4 Social Value Dimension**

The study sought to ascertain how social value influenced customer loyalty in Kenyan commercial banks. The results are shown in Table 4.7.

Table 4.7: Descriptive Statistics for Social Value

	<b>Total</b>	<b>Mean</b>	<b>Std. Deviation</b>
I think that this bank gives its customers social approval.	336	3.93	3.52
I think this bank helps me feel acceptable.	336	3.83	3.43
I think this bank improves the way I am perceived by others.	336	3.67	3.30
I think this bank makes a good impression on other people.	336	3.73	3.35
<b>Average Score</b>		<b>3.79</b>	<b>3.40</b>

**Source: Researcher (2023)**

According to Table 4.7, respondents strongly agreed with statements regarding social perception and acceptance in their banking experiences. The statement "I think that this bank gives its customers social approval." received the highest mean value of 3.93, followed by "I think this bank helps me feel acceptable, I think this bank makes a good impression on other people, and I think this bank improves the way I am perceived by others." with mean values of 3.83, 3.73, and 3.67, respectively.

These mean values show a high level of agreement among respondents, indicating that they agree with the statements provided. Customers perceive bank services to be socially acceptable, according to the findings. Furthermore, it is clear that being a bank customer is associated with improving one's social self-concept and positively contributing to one's overall impression among others. This feature emphasizes the significance of social perceptions and how customers associate their banking experiences with social approval and a positive self-image.

#### 4.3.5 Customer Loyalty

The study sought to find out whether Kenyan commercial bank customers are loyal to their banks. The results are shown in Table 4.8.

*Table 4.8: Descriptive Statistics for Customer Loyalty*

	<b>Total</b>	<b>Mean</b>	<b>Std. Deviation</b>
I do not mind switching my current bank for another bank.	336	3.34	3.07
I am willing to change my bank if another bank has good promotions	336	3.44	3.17
I am willing to change my bank if another bank offers me similar services at a lower price	336	3.51	3.23
I prefer my bank's services over any other bank's services.	336	3.91	3.49
I trust my bank over others	336	3.92	3.49
I feel like a valued customer to my bank	336	3.97	3.55

I regularly make use of the different services offered by my bank.	336	4.04	3.61
I have made use of my bank's services in the last 6 months	336	4.21	3.75
I have visited my bank in the last 6 months	336	3.79	3.45
I would refer others to my bank.	336	4.14	3.70
I have given a positive referral in the last 6 months	336	3.67	3.31
I have in majority a positive image of my bank	336	4.11	3.67
<b>Average Score</b>		<b>3.84</b>	<b>3.46</b>

**Source: Researcher (2023)**

The data in Table 4.8 highlights customers' perceptions of their bank's services as well as their loyalty indicators. The statement "I have used my bank's services in the last 6 months" received the highest mean of 4.21, followed by "I would refer others to my bank, I have a majority positive image of my bank, and I regularly use the various services offered by my bank." with mean values of 4.14, 4.11, and 4.04, respectively.

Statements such as "I feel like a valued customer to my bank, I trust my bank over others, and I prefer my bank's services over the services of any other bank," received mean values of 3.97, 3.92, and 3.91. Statements like 'I am willing to change my bank if another bank has strong promotions' and 'I do not mind transferring my current bank for another bank' had mean values of 3.44 and 3.34, respectively, at the low end of the scale.

Overall, these findings indicate that customers place a high value on their bank's perceived value, indicating high levels of loyalty. Emotions, social standing, pricing stability, and dependability have all been identified as important factors in driving consumer loyalty in commercial banks. Elements such as brand switching tendencies, service frequency, positive referrals, and preferences all play a significant role in determining customer loyalty in the commercial banking industry.

**Table 4.9: Summary of Descriptive Statistics***Table 4.9: Summary of Descriptive Statistics*

<b>Area of Focus</b>	<b>Item Description</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Customer Perceived Value</b>	Quality Value	336	3.52	3.13
	Emotional Value	336	3.97	3.54
	Price Value	336	3.95	3.52
	Social Value	336	3.79	3.40
<b>Average Score</b>			<b>3.81</b>	<b>3.40</b>
<b>Customer Loyalty</b>		336	<b>3.84</b>	<b>3.46</b>

**Source: Researcher (2023)**

Weighted averages were calculated for individual statements within each customer perceived value dimension using SPSS, taking response significance into account. To calculate the overall average for each dimension, these averages were added together and divided by the number of statements. The standard deviation (STD) was also calculated to assess the spread of responses around these averages. These statistical measures shed light on respondents' overall perception as well as the level of agreement or variance across each customer perceived value dimension.

According to Table 4.9, emotional value is the strongest influencer on customer loyalty, with the highest mean value of 3.97. This widespread agreement among respondents suggests that emotional factors such as pleasurable services, customer enjoyment, and service convenience have a significant impact on driving customer loyalty. Following closely behind, pricing value has a significant weight, with a mean value of 3.95, confirming that pricing has a significant influence on customer loyalty within commercial banks.

The mean social and quality values are 3.79 and 3.52, respectively. These figures show a moderate impact on customer loyalty, indicating a high level of agreement among respondents about the importance of these variables. Overall, the total means for customer perceived value and customer loyalty, at 3.81 and 3.84, respectively, highlight the importance of customer perceived value in fostering customer loyalty in the commercial banking sector. These findings strongly emphasize the importance of emotional and pricing factors in shaping customer

loyalty, shedding light on the nuanced factors that drive customer loyalty in the banking industry.

#### 4.4 Inferential Statistics

The study intended to determine how the variables connected to consumer loyalty. A correlation analysis was performed to evaluate how and to what extent the research variable was related, and the results are provided in Table 4.11 below. Correlation analysis is critical for evaluating the prevalence and correlations between variables, as well as forecasting occurrences based on current data and knowledge (Curtis et al., 2016).

**Table 4.10: Correlation of independent and dependent variables**

*Table 4.10: Correlation of independent and dependent variables*

	<b>Quality Value</b>	<b>Emotional Value</b>	<b>Price Value</b>	<b>Social Value</b>	<b>Customer Loyalty</b>
<b>Quality Value</b>	1.000				
<b>Emotional Value</b>	0.088	1.000			
<b>Price Value</b>	0.039	0.573	1.000		
<b>Social Value</b>	0.058	0.556	0.275	1.000	
<b>Customer Loyalty</b>	-0.060	0.444	0.432	0.209	1.000

**Source: Researcher (2023)**

Table 4.10 shows a rather low positive link between emotional value, price value, and customer loyalty, with correlation coefficients of 0.444 and 0.432, respectively. There was a negligible correlation between social value, quality value and consumer loyalty, with a coefficient correlations of 0.209 and -0.060. These findings indicate that customer loyalty could be influenced by the customers emotions toward their bank and the pricing of the banks' services. However, social and quality values revealed a negligible link, indicating that the values do not have significant influence on consumer loyalty on their own.

#### 4.4.1 Regression Analysis

Quality, emotional, price, and social values were the independent factors in this study, while customer loyalty was the dependent variable in the regression model. The researcher constructed regression equations for each objective and a model equation for the multiple regression model based on the findings of the simple regression displayed in each of the tables below. Multiple regression analysis was employed to investigate the link between a single dependent variable, customer loyalty, and a number of independent (predictor) factors.

#### 4.4.2 Quality Value and Customer Loyalty

The study attempted to determine the extent to which quality value influences customer loyalty. Table 4.11 displays the outcomes.

Table 4.11: Regression Model for Quality Value and Customer Loyalty

<i>Regression Statistics</i>						
Multiple R	0.060					
R Square	0.004					
Adjusted R Square	0.001					
Standard Error	0.497					
Observations	336					
ANOVA						
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>	
Regression	1	0.299	0.299	1.212	0.272	
Residual	334	82.336	0.247			
Total	335	82.635				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>

Intercept	4.045	0.191	21.170	0.000	3.669	4.421
Quality Value	-0.059	0.054	-1.101	0.272	-0.165	0.047

**Source: Researcher (2023)**

Table 4.11 depicts the link between the independent variable, quality value, and the dependent variable, customer loyalty. The coefficient of determination between quality value and customer loyalty is unremarkable ( $R=0.0601$ ). Furthermore, the table shows that the coefficient of determination was insignificant ( $R\text{ Square} = 0.0036$ ). This meant that quality value accounted for 0.36% of the variation in consumer loyalty.

The significance of the regression model was tested using Analysis of Variance (ANOVA).  $F=1.2123$ , and significance of  $F = 0.2717$  which is greater than 0.05 thus meaning this is not a good model as it is statistically insignificant in predicting how quality value affects the loyalty of customers in commercial banks. The quality value has a negative coefficient of -0.0592 which shows a negative relationship meaning as quality increases, the customer loyalty decreases and vis-versa, this contrasts with the study's objective. The p value is 0.2717 which is greater than 0.05 meaning that quality value is not a good variable.

#### 4.4.3 Emotional Value and Customer Loyalty

The study attempted to determine the extent to which emotional value influences customer loyalty. Table 4.12 displays the outcomes.

*Table 4.12: Regression Model for Emotional Value and Customer Loyalty*

<i>Regression Statistics</i>	
Multiple R	0.444
R Square	0.197
Adjusted R Square	0.195
Standard Error	0.446
Observations	336

ANOVA						
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>	
Regression	1	16.305	16.305	82.103	1.1122E-17	
Residual	334	66.330	0.199			
Total	335	82.635				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	2.706	0.127	21.281	4.063E-64	2.456	2.956
Emotional Value	0.285	0.031	9.061	1.112E-17	0.223	0.347

Source: Researcher (2023)

Table 4.12 depicts the link between the independent variable, emotional value, and the dependent variable, customer loyalty. The coefficient of determination between emotional value and customer loyalty is remarkable (R=0.444). Furthermore, the table shows that the coefficient of determination was significant (R Square = 0.197). This meant that emotional value accounted for 19.7% of the variation in consumer loyalty.

The significance of the regression model was tested using Analysis of Variance (ANOVA). F= 82.103, and significance of F = 1.1122E-17 which is less than 0.05 thus meaning this is good model as it is statistically significant in predicting how emotional value affects the loyalty of customers in commercial banks. The emotional value has a positive coefficient of 0.285 which shows a positive relationship meaning as the emotional value increases, the customer loyalty also increases. The p value is 1.112E-17 which is less than 0.05 meaning that emotional value is a good variable. Consequently, a 1% increase in emotional value results in a 28.5% increase in customer loyalty.

As a result, the regression equation is:

$$Y = 2.706 + 0.285E.$$

Where:

Y -Customer Loyalty (Dependent variable)

E - Emotional Value (Independent Variables).

#### 4.4.4 Price Value and Customer Loyalty

The study attempted to determine the extent to which price value influences customer loyalty.

Table 4.13 displays the outcomes.

Table 4.13: Regression Model for Price Value and Customer Loyalty

<i>Regression Statistics</i>						
Multiple R	0.432					
R Square	0.187					
Adjusted R Square	0.184					
Standard Error	0.449					
Observations	336					
ANOVA						
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>	
Regression	1	15.429	15.429	76.677	1.0229E-16	
Residual	334	67.206	0.201			
Total	335	82.635				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	2.702	0.132	20.485	5.544E-61	2.442	2.961
Price Value	0.287	0.033	8.757	1.023E-16	0.223	0.352

Source: Researcher (2023)

Table 4.13 depicts the link between the independent variable, price value, and the dependent variable, customer loyalty. The coefficient of determination between price value and customer loyalty is remarkable (R=0.432). Furthermore, the table shows that the coefficient of

determination was significant (R Square = 0.187). This meant that price value accounted for 18.7% of the variation in consumer loyalty.

The significance of the regression model was tested using Analysis of Variance (ANOVA).  $F = 76.677$ , and significance of  $F = 1.0229E-16$  which is less than 0.05 thus meaning this is good model as it is statistically significant in predicting how price value affects the loyalty of customers in commercial banks. The price value has a positive coefficient of 0.287 which shows a positive relationship meaning as the price value increases, the customer loyalty also increases. The p value is  $1.112E-17$  which is less than 0.05 meaning that price value is a good variable. Consequently, a 1% increase in price value results in a 28.7% increase in customer loyalty.

As a result, the regression equation is:

$$Y = 2.702 + 0.287P.$$

Where:

Y -Customer Loyalty (Dependent variable)

P - Price Value (Independent Variables).

#### 4.4.5 Social Value and Customer Loyalty

The study attempted to determine the extent to which social value influences customer loyalty.

Table 4.14 displays the outcomes.

*Table 4.14: Regression Model for Social Value and Customer Loyalty*

<i>Regression Statistics</i>	
Multiple R	0.209
R Square	0.044
Adjusted R Square	0.041
Standard Error	0.486
Observations	336

ANOVA						
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>	
Regression	1	3.615	3.615	15.282	1.1214E-4	
Residual	334	79.019	0.237			
Total	335	82.635				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	3.397	0.116	29.385	1.277E-94	3.170	3.624
Social Value	0.116	0.030	3.909	1.1214E-4	0.058	0.175

**Source: Researcher (2023)**

Table 4.14 depicts the link between the independent variable, price value, and the dependent variable, customer loyalty. The coefficient of determination between price value and customer loyalty is remarkable (R=0.209). Furthermore, the table shows that the coefficient of determination was significant (R Square = 0.044). This meant that social value accounted for 4.4% of the variation in consumer loyalty.

The significance of the regression model was tested using Analysis of Variance (ANOVA). F= 15.282, and significance of F = 0.00011214 which is less than 0.05 thus meaning this is good model as it is statistically significant in predicting how social value affects the loyalty of customers in commercial banks. The social value has a positive coefficient of 0.1161 which shows a positive relationship meaning as the social value increases, the customer loyalty also increases. The p value is 0.0001121 which is less than 0.05 meaning that social value is a good variable. Consequently, a 1% increase in social value results in a 11.6% increase in customer loyalty. As a result, the regression equation is:

$$Y = 3.3970 + 0.1161S.$$

Where:

Y -Customer Loyalty (Dependent variable)

S - Price Value (Independent Variables).

#### 4.4.6 Regression Analysis for Customer Perceived Values and Customer Loyalty

To evaluate the association between customer perceived values and customer loyalty, a multiple regression analysis was performed. The findings are shown in the table below:

Table 4.15: Regression Model summary for Customer Perceived Values and Customer Loyalty

<i>Regression Statistics</i>						
Multiple R	0.504					
R Square	0.255					
Adjusted R Square	0.245					
Standard Error	0.431					
Observations	336					
ANOVA						
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>	
Regression	4	21.031	5.258	28.250	3.3426E-20	
Residual	331	61.604	0.186			
Total	335	82.635				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	2.740	0.214	12.830	7.295E-31	2.320	3.160
Quality Value	-0.095	0.047	-2.027	0.0434313	-0.187	-0.003
Emotional Value	0.208	0.043	4.817	2.218E-06	0.123	0.293
Price Value	0.173	0.039	4.485	1.007E-05	0.097	0.249
Social Value	-0.020	0.032	-0.643	5.208E-1	-0.083	0.042

Source: Researcher (2023)

Table 4.15 shows a direct relationship between the study's dependent and independent components. This demonstrates a pretty good correlation between customer perceived value and customer loyalty ( $R = 0.50448698$ ). Furthermore, the table shows that the coefficient of determination was significant ( $R\text{ Square} = 0.25450711$ ,  $P < 0.05$ ). This meant that quality, emotional, price, and social values accounted for 25.5% of the difference in consumer loyalty.

Analysis of Variance (ANOVA) was used to determine the significance of the regression model. The results of this test are shown in Table 4.16, where  $F = 28.250388$ , and  $p < 0.05$ . According to the findings of the study, the significance value is  $3.3426E-20$ , which is less than 0.05, indicating that the model is statistically significant in predicting how customer perceived values effect customer loyalty in Kenyan commercial banks. Given that  $p < 0.05$ , the model is significant at 95% confidence, and the variables in the equation are significant. This suggests that the regression model may effectively predict customer loyalty using the study's customer perceived values variables (Quality, Emotional, Price, and social values).

Table 4.15 shows that the regression weights of three of the independent variables were significant. Unstandardized coefficients were utilized in the researcher regression because they are easier to figure out and comprehend, and they are also preferable for use in calculations and analysis (Siegel, 2016). Thus, the coefficient for quality value was  $-0.095055844$  and  $p < 0.05$ , the coefficient for emotional value was  $0.208022643$  and  $p < 0.05$ ; the coefficient for price value was  $0.172923672116269$  and  $p < 0.05$ ; and social value had a coefficient of  $-0.02040993$  with  $p < 0.05$ .

The standardized coefficients represent the corresponding change in the dependent variable when the independent variable is changed by one unit. Thus, a 1% rise in quality value results in a 9.505% loss in customer loyalty; a 1% increase in emotional value results in a 20.802% advance in customer loyalty; a 1% increase in pricing value results in a 17.2923% increase in customer loyalty; and a 1% rise in social value results in a 2.041% loss in customer loyalty.

Thus, the regression equation is:

$$Y = 2.740169066 - 0.095055844Q + 0.208022643E + 0.172923672P - 0.02040993S$$

Y - Customer Loyalty (Dependent variable)

Independent Variables

Q - Quality Value.

E - Emotional Worth

P - Price Value.

S - Social Value.

#### **4.5 Chapter Summary**

The chapter presented data collection outcomes, such as descriptive statistics, regression analysis, and correlation. Each variable's means and standard deviations are also presented. The chapter explained the study's conclusions and findings, which are displayed on tables with thorough explanations beneath each table.

## **CHAPTER FIVE**

### **DISCUSSIONS, CONCLUSION AND RECOMENDATIONS**

#### **5.1 Introduction**

This chapter gives an overview of the study's key findings, discussion, and conclusion. Furthermore, the study makes recommendations for further research on this topic to help fill in the gaps left by the study's scope constraints.

#### **5.2 Discussion of Findings**

The objective of this study was to investigate how customer perceived value influenced customer loyalty in Kenyan commercial banks. A structured questionnaire was used to collect primary data, and the data set was subjected to regression analysis. The results were as follows:

##### **5.2.1 Quality Value on Customer Loyalty**

The study intended to ascertain the impact of quality value on customer loyalty in Kenyan commercial banks. In general, commercial banks' perceived value in Kenya is characterized by elements of quality value in their customer loyalty, and correlation results show that quality value has a negligible correlation with customer loyalty, and the combined regression model confirms that the influence quality value has on customer loyalty is insignificant and that it has a negative correlation to customer loyalty.

Sweeney and Soutar (2001) define a product's quality value as its perceived quality and expected performance. In this study quality value involves service reliability and relevance. This study's findings were congruent with those of Izogo (2017), who found that service assurance does not influence customer loyalty directly. Radder and Han (2013) discovered that quality has an indirect (through satisfaction) as well as a direct effect on visitors' behavioral intentions.

This study's findings contradict those of Auka (2012), who explored how service quality, perceived value, and customer satisfaction influence customer loyalty in Kenyan commercial banks. The findings revealed a positive and statistically significant relationship between service quality, customer happiness and value, and customer loyalty. Eskildsen et al. (2004) found a direct link between product quality and repurchase intentions, performance, customer loyalty,

and satisfaction. Great product quality, according to Chumpitaz and Paparoidamis (2004), always leads to consumer delight, which leads to loyalty.

This study's findings are congruent with those of Surahman et al. (2020). The study's findings revealed that the quality of service had a considerable negative impact on customer loyalty. According to that study, the greater the quality of service, the lower the customer loyalty, but not dramatically. Their research data was gathered using a questionnaire instrument and a survey method as well.

### **5.2.2 Emotional Value on Customer Loyalty**

The study intended to ascertain the influence of emotional value on customer loyalty in Kenyan commercial banks. Overall, commercial banks in Kenya have shown an aspect of emotional value in their customer loyalty, and regression analysis demonstrates that there was a strong coefficient of determination with customer loyalty, and the combined regression model verifies the significant link. According to descriptive analysis, the majority of respondents agreed that their banks respect their clients' emotions when making decisions. Furthermore, respondents strongly agreed that their bank is one that they enjoy.

Feelings or emotive moods offered by a service or product provide emotional value (Sweeney and Soutar, 2001). Emotions and feelings were included in this study's emotional value. Customers are more likely to commit to a long-term connection with brands that have strong corporate ideals (Theng, Parsons, and Yap 2013). This study's findings are corroborated by a study by Cardinale, Nguyen, and Melewar (2016), who discovered that a positive winery experience promotes both emotional attachment and eventual loyalty to the vineyard. According to Kirimi's (2022) research, brand trust, brand communication, and emotional attachment all have a significant effect on loyalty.

The findings of this study contradict the conclusions of Maheshwari et al. (2014), who indicated that while feelings of continued commitment engage the customer in a brand connection, these sensations are insufficient to instill feelings of loyalty in the consumer's thinking. According to the conclusions of this study, emotional value has a strong coefficient of determination with customer loyalty since it positively benefits the bank's organization by how they care for their clients' options and feelings.

### **5.2.3 Price Value on Customer Loyalty**

The study intended to ascertain the impact of pricing value on customer loyalty in Kenyan commercial banks. In general, commercial banks confirmed elements of price value in their customer loyalty, and the results of the correlation model show that price has a significant coefficient of determination with customer loyalty, and multiple regression confirms that price has a significant influence on customer loyalty.

According to Paiva et al. (2009), the pricing dimension is connected with the customer's positive cost-benefit relationship, which promotes an increase in the customer's proclivity to acquire and use the bank's products and services. The perceived level of product quality in relation to the price paid is known as pricing value (Nisio & Battista, 2010). Pricing is one of the most critical factors impacting consumer adoption, satisfaction, and loyalty to fintechs, according to Ahn and Lee (2019), especially because customers of this business model are pulled in by value propositions centered on self-service ease and low cost.

This study's findings are congruent with those of Wantara and Tambrin (2019), who concluded that price had a large and beneficial impact on consumer satisfaction and loyalty. Despite the fact that service quality, customer service, corporate image, and network coverage were all positively associated with consumer pleasure, Jere and Mukupa (2018) discovered that there was no evidence to support the expected negative association between price level and customer contentment.

This study's conclusions differ from those of Lie et al. (2019), who concluded that price has a negative but not statistically significant effect on consumer satisfaction. According to Mahmud (2013), the results of his study do not prove that the price paid by the client necessarily affects the level of happiness that they experience. It suggests that just because prices have risen does not imply that customers are dissatisfied. On the other hand, just because the price has dropped does not mean that the buyer is satisfied. As a result, price variations do not have a significant impact on customer satisfaction.

#### **5.2.4 Social Value on Customer Loyalty**

The study intended to ascertain the impact of social value on customer loyalty in Kenyan commercial banks. In general, commercial banks in Kenya have shown significant elements of social value in their customer loyalty, and the correlation model results show that social value has a negligible positive correlation with customer loyalty, and the multiple regression model confirms that the influence is insignificant.

According to Moliner et al., (2007), it is well recognized that social value can influence individual satisfaction when reporting a pleasant experience, knowing that the appropriate choice was made). Social value, on the other hand, may act as a normative feature (Ferguson et al., 2010). Customers examine the opinions of their social reference group after evaluating the service obtained at all stages and aspects (Carlos et al., 2013).

The findings of this study agreed with those of Chalomba et al. (2019), who concluded that while both functional and social values positively influenced satisfaction, only functional values positively influenced continuation intention, while social values had a negative impact on continuation intention. Omoregie et al. (2019) discovered that, surprisingly, corporate image had a significant impact on satisfaction and trust but not on loyalty.

This study's findings contrasted with those of Kipkirong and Rabach (2013), who discovered that in order to strengthen customer loyalty, Kenyan mobile telecommunications providers should place a greater emphasis on the value provided to customers as well as the demands of social units such as family, friends, and colleagues. Furthermore, telecommunications businesses should invest in a positive brand image in order to gain the benefits of customer loyalty.

#### **5.3 Conclusion**

This study aimed to assess the impact of various perceived values on customer loyalty within Kenyan commercial banks, in accordance with the specific objectives. The findings highlight the significant influence of emotional and price values on customer loyalty, which is consistent with the study's initial objectives. However, unexpected results regarding the independent effects of quality and social values on customer loyalty emerged, calling the initial hypotheses into question. These findings call into question the assumed impact of these variables and

highlight the nuanced dynamics influencing customer loyalty in the banking industry. The study highlights the need for further investigation into how quality and social values interact with customer loyalty, urging further research in this area to fully understand the drivers of customer loyalty within this context.

This study's findings are congruent with those of Kusumawati et al. (2020), who discovered that consumer perceived value has a significant impact on customer satisfaction and loyalty. According to Hsin and Wang (2011), e-service quality and customer perceived value drive customer happiness, which in turn influences customer loyalty. Furthermore, clients with a high perceived value have a higher association between satisfaction and customer loyalty than customers with a low perceived value.

However, the findings of this study differ from those of other researchers: According to Xu et al. (2007), social advantages, special treatment benefits, and trust, as customer perceived social benefits, have a favorable impact on customer satisfaction and loyalty. Customers rank trust as the most significant assessment criterion, followed by social perks and special treatment benefits. This is also consistent with the findings of Hennig-Thurau et al. (2002), who recommended that managers of Chinese securities businesses should regard trust as an important factor in developing relationships with clients. Customer interviews indicate that when an organization has structured transaction processes that are transparent rather than a black box, customers see it as trustworthy.

## **5.4 Implications of Research**

The study's findings have significance for a variety of stakeholders because they provide insights that can influence various decision-making processes. Management, policymakers, and knowledge seekers can use the findings of the study to meet their specific needs and objectives.

### **5.4.1 Contribution to Policy**

Banks are critical to a country's economic prosperity. They collect people's idle savings and then turn it accessible as an investment. Commercial banks play an essential and active role in a country's economic development if the banking system is effective, efficient, and disciplined; this results in rapid growth in the many sectors of the economy. As a result, the sort of services

provided, the extent of operations, and performance become policy concerns. Based on the study's results that commercial bank clients value emotional and price value, the Central Bank of Kenya (CBK) can act with policies that encourage and provide resources for research and development, price sensitivity, and emotional inventiveness.

According to the study's findings, consumer perceived value influences commercial banks in Kenya. Furthermore, commercial banks provide their customers with loyalty programs. In addition, the study discovered that, despite the programs provided by commercial banks, clients were still not completely participating in some critical decision-making processes. This has an impact on customer loyalty since not considering the client's needs impacts their loyalty because their expectations are not fully satisfied. Based on these findings, deliberate policy initiatives targeted at incorporating customers in decision making will improve commercial banks' services. Policymakers in the industry can help enact regulations that allow customers' opinions to be incorporated in decision-making processes.

#### **5.4.2 Contribution to Management**

According to the study findings, commercial banks in Kenya that want to flourish in this dynamic market must adopt consumer perceived values that ensure greater customer loyalty. They should consider adopting emotional and price values for service delivery, which will increase client loyalty. Quality and social value studies suggest that organizations should continuously monitor the external environment and respond to changes. All of these will help commercial banks increase customer loyalty.

The study will aid the management of Kenyan commercial banks by finding instances of perceived value in their customers and classifying individual perceived values based on the potential influence generated from the study. Determining values is the first stage in properly managing customer expectations, especially when activities such as innovation and customer interaction.

#### **5.4.3 Contribution to Knowledge**

The study looked at consumer perceived value in terms of values, quality, emotional, pricing, and social values, as well as customer loyalty in terms of brand switching tendency, preferred items, service frequency, and positive recommendations. In both cases, the study results

revealed statistically significant connections, with emotional and monetary values outweighing quality and social values. Sweeney and Soutar's (2001) PERVAL measurement scale gave insights into the relationship between customer perceived value and customer loyalty, which can be used to assess the value acquired by consumers following a transaction. Scholars will utilize the findings to guide future research in order to broaden their knowledge.

The outcomes of this study confirm the hypothesis that customer perceived value has a statistically significant impact on customer loyalty. This is similar with the findings of Park et al. (2006), who discovered that while determining whether or not to return to a service provider, a consumer always evaluates the extent to which he obtained 'value for money'. They concluded that consumer perceived value is related to loyalty intention towards commercial bank services. This means that in commercial banks, loyalty is highly dependent on client value. As a result, it was established that there is a strong correlation between perceived value and future intention to stay with the bank. The research builds on Homans' (1958) Social Exchange Theory and Bolton and Lemon's (1999) Equity Theory.

### **5.5 Limitations of the study**

The study had limitations, one of which was that customer perceived value was conceptualised using Sweeney and Soutar's (2001) PERVAL scale, which comprises perceived values, emotional, social, price, and quality values. Other scholars, such as Sánchez et al. (2006), have classified perceived values differently. The study's measure of consumer loyalty was also limited to four metrics: brand switching tendency, preferred items, service frequency, and positive recommendations. Alternative scholars have embraced alternative metrics of customer loyalty, such as brand disposition and purchase amount. The response rate was largely affected by the adoption of technological advancements such as mobile banking which limited the researcher's interactions with the respondents and prolonged the process of getting the respondents.

### **5.6 Suggestions for further study**

The study advises additional research on the influence of customer perceived value on customer loyalty of the remaining commercial banks and other institutions, as this study only focused on 9 commercial banks in Kenya. The study also suggests that alternative research designs, particularly qualitative research, be employed in conducting research because characteristics

of perceived of value must be examined over time because they can be influenced by events such as organizational performance.

The study also suggests that commercial banks promote engagement activities that will help them better understand their clients. Furthermore, commercial banks ought to ensure that their customers' perceived values are in accordance with their organization's objectives, procedures, and regulations.

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## APPENDICES

### APPENDIX I: LETTER OF INTRODUCTION

Ole Sangale Rd, Madaraka Estate,  
P.O Box 59857 00200, Nairobi, Kenya.  
Cell: +254 703 414/6/7, Twitter: @SBSKenya

Email: [info@sbs.ac.ke](mailto:info@sbs.ac.ke) or visit [www.sbs.strathmore.edu](http://www.sbs.strathmore.edu)



21<sup>st</sup> March 2023

To Whom It May Concern,

#### RE: FACILITATION OF RESEARCH – MELISSA MUSHAMALIRWA

This is to introduce Melissa Mushamalirwa who is a Master of Commerce (MCOM) Student at Strathmore University Business School, admission number MCOM/ 083169. As part of our MCOM Programme, Melissa is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MCOM course. To this effect, Melissa would like to request for appropriate data from your organization.

Melissa is undertaking a research paper on “**The Effect of Customer Perceived Value on Customer Loyalty: A Case of Customers of Commercial Banks in Kenya.**” The information obtained shall be treated confidentially and shall be used for academic purposes only.

Our MCOM Programme seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

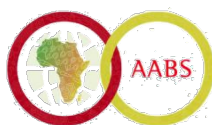
Yours sincerely,

A handwritten signature in black ink, appearing to read 'Njoki Kiagiri'.

Njoki Kiagiri

Manager – Graduate Programmes Strathmore University Business School.

Association of African  
Business Schools



Strathmore Business School is a Proud member of;



AACSB

## APPENDIX II: QUESTIONNAIRE

### EFFECT OF CUSTOMER PERCEIVED VALUE ON LOYALTY

This questionnaire will be used strictly for academic purposes and each response will be treated with confidential status. Your response would be highly appreciated, as it will help the researcher obtain the research objectives.

This questionnaire has 3 parts, the first section addresses the general information, second section deals with the customer perceived value and the third section addresses customers' loyalty.

#### SECTION A: Demographics data

1. Do you or have you made use of any banking services?

- a. Yes
- b. No

2. Which bank are you a customer of?

- a. Absa Bank Kenya Ltd
- b. Stanbic Bank Kenya Limited
- c. Equity Bank Ltd
- d. Kenya Commercial Bank Ltd
- e. NIC (NCBA) Bank Ltd
- f. Standard Chartered Bank (K) Ltd
- g. Diamond Trust Bank Kenya Ltd
- h. National Bank of Kenya
- i. Co-operative Bank of Kenya Ltd

3. Please specify your gender:

- Female
- Male

4. Please indicate your age bracket:

- a. 18 - 25 years
- b. 26 - 35 years old
- c. 36 and older

5. What educational level have you obtained?

- a. High school diploma
- b. College Degree
- c. Undergraduate
- d. Master's and over

6. How long have you been a customer?

- a. 1 to 2 years
- b. 3 to 4 years
- c. Over 5 years

## SECTION B: Customers Perceived Value

This section will measure the customer perceived value. In this context, perceived value is how a customer perceives their banks features and value. Please put a cross (X) on your choice of answer.

### Part 1: Quality Value

No.	Questions	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
1	This bank is well made, well organized.					
2	This bank has consistent quality.					
3	This bank has an acceptable standard of quality.					
4	This bank has performed consistently.					
5	This bank has poor workmanship.					
6	This bank has not lasted a long time.					

### Part 2: Emotional Value

No.	Questions	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
1	This bank is one that I enjoy.					
2	This bank makes me want to visit it.					

3	This bank is one that I feel relaxed about visiting.					
4	This bank makes me feel good.					
5	This bank gives me pleasurable services.					

**Part 3: Price Value**

No	Questions	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
1	This bank is reasonably priced.					
2	This bank offers value for money.					
3	This bank is a good destination for price.					
4	This bank is economical.					

**Part 4: Social Value**

No	Questions	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
1	I think that this bank gives its customers social approval.					
2	I think this bank helps me feel acceptable.					

3	I think this bank improves the way I am perceived by others.					
4	I think this bank makes a good impression on other people.					

**SECTION C: Customer Loyalty**

This section will measure customer loyalty. In this context, customer loyalty is a measure of a customer's inclination to do business with their bank again and again. Please put a cross (X) on your choice of answer

**Part 1: Brand Switching Tendency**

No.	Questions	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree	Strongly Agree
1	I do not mind switching my current bank for another bank.						
2	I am willing to change my bank if another bank has good promotions						
3	I am willing to change my bank if another bank offers me similar services at a lower price						

**Part 2: Preference**

No.	Questions	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
1	I prefer my bank's services over any other bank's services.					
2	I trust my bank over others					

3	I feel like a valued customer to my bank					
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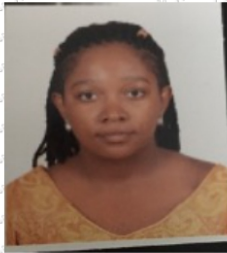

**Part 3: Service Frequency**

No.	Questions	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
1	I regularly make use of the different services offered by my bank.					
2	I have made use of my bank's services in the last 6 months					
3	I have visited my bank in the last 6 months					

**Part 4: Positive Referrals**

No.	Questions	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
1	I would refer others to my bank.					
2	I have given a positive referral in the last 6 months					
3	I have in majority a positive image of my bank					

### APPENDIX III: NACOSTI PERMIT

 <b>REPUBLIC OF KENYA</b>	 <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
Ref No: <b>928772</b>	Date of Issue: <b>04/June/2023</b>
<b>RESEARCH LICENSE</b>	
	
<b>This is to Certify that Miss.. Melissa Chinama Mushamalirwa of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: THE EFFECT OF CUSTOMER PERCEIVED VALUE ON CUSTOMER LOYALTY: A CASE OF CUSTOMERS OF COMMERCIAL BANKS IN KENYA for the period ending : 04/June/2024.</b>	
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**APPENDIX IV: LIST OF COMMERCIAL BANKS IN KENYA**

<b>Commercial Banks &amp; Mortgage Finance Shareholding Information</b>	
Foreign owned not locally incorporated	
<b>1</b>	Bank of India
<b>2</b>	Citibank N.A. Kenya
<b>3</b>	Habib Bank A.G. Zurich
<b>4</b>	Habib Bank Ltd.
	Total 4
Foreign owned but locally incorporated institutions (Partly owned by locals)	
<b>1</b>	Bank of Baroda (K) Ltd.
<b>2</b>	Barclays Bank of Kenya Ltd.
<b>3</b>	Diamond Trust Bank Kenya Ltd.
<b>4</b>	K-Rep Bank Ltd.
<b>5</b>	Standard Chartered Bank (K) Ltd.
<b>6</b>	Ecobank Ltd
<b>7</b>	Gulf Africa Bank (K) Ltd
<b>8</b>	First Community Bank
	Total 8
Foreign owned but locally incorporated institutions	
<b>1</b>	Bank of Africa (K) Ltd.
<b>2</b>	UBA Kenya Bank Limited
	Total 2
<b>Institutions with Government participation</b>	
<b>1</b>	Consolidated Bank of Kenya Ltd.
<b>2</b>	Development Bank of Kenya Ltd.
<b>3</b>	Housing Finance Ltd.
<b>4</b>	Kenya Commercial Bank Ltd.
<b>5</b>	National Bank of Kenya Ltd.
<b>6</b>	Stanbic Bank Kenya Limited.
	Total 6
<b>Institutions locally owned</b>	

1	African Banking Corporation Ltd.
2	Jamii Bora Bank Ltd.
3	Commercial Bank of Africa Ltd.
4	Co-operative Bank of Kenya Ltd.
5	Credit Bank Ltd.
6	Charterhouse Bank Ltd.
7	Chase Bank (K) Ltd.
8	Dubai Bank Kenya Ltd
9	Equatorial Commercial Bank Ltd.
10	Equity Bank Ltd.
11	Family Bank Ltd.
12	Fidelity Commercial Bank Ltd.
13	Fina Bank Ltd.
14	Giro Commercial Bank Ltd.
15	Guardian Bank Ltd.
16	Imperial Bank Ltd.
17	Investment & Mortgages Bank Ltd.
18	Middle East Bank (K) Ltd.
19	NIC Bank Ltd.
20	Oriental Commercial Bank Ltd.
21	Paramount Universal Bank Ltd.
22	Prime Bank Ltd.
23	Trans-National Bank Ltd.
24	Victoria Commercial Bank Ltd.
	Total 24
<b>Institutions listed on the NSE</b>	
1	Barclays Bank of Kenya Ltd.
2	Stanbic Bank Kenya Limited.
3	Equity Bank Ltd.
4	Housing Finance Ltd.
5	Kenya Commercial Bank Ltd.
6	NIC Bank Ltd.

7	Standard Chartered Bank (K) Ltd.
8	Diamond Trust Bank Kenya Ltd
9	National Bank of Kenya
10	Co-operative Bank of Kenya Ltd
	<b>Total 10</b>

Source: CBK (2021).