EFFECTS OF INNOVATION TOWARDS MEETING CUSTOMER SATISFACTION: THE CASE OF CRDB BANK

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A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER DEGREE IN PROJECT MANAGEMENT OF THE OPEN UNIVERSITY OF TANZANIA

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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania, a dissertation entitled *Effects of Innovation Towards Meeting Customer Satisfaction: The Case Study of CRDB Bank* in partial fulfillment of the Requirements for Award of the Degree of Master of Human Resource Management of the Open University of Tanzania.

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Dr. Salvio Macha

(Signature)

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DECLARATION

I, **Olympia Qorro** do hereby declare that this thesis is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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DEDICATION

This research study is dedicated to my loving and caring family and close friends. Thank you for your guidance, support and inspiration throughout the entire MPM program and especially during this research project.

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ABSTRACT

Customers play a major role in any business. In recent years, the banking industry is facing multiple pressure to remain competitive in the market. The changing customer needs in the banking industry have necessitated the banks to invest in innovation in order to meet the diverse and changing needs of their customers. This research was carried out to establish the effects of innovation towards meeting customer satisfaction in CRDB bank. The researcher used questionnaires to collect data from selected branches of the bank. Fifty seven out of eighty customers approached provided the data that was used for analysis to come with the results. The data was analyzed using descriptive analysis methods and the results were then presented. The study revealed that adoption of innovation strategies has greater impact on customer satisfaction. It also highlighted the factors considered by customers in evaluation of satisfactory services to be reliability, accessibility, price of service, compatibility with lifestyle, perceived risk and ease of use. The study concludes that banks which continually invest in new technologies that meets the above factors have greater chance of achieving customer satisfaction. The study recommends that innovation strategies are indispensable to banks in order to meet their customers' expectations, but the banks should also look at other factors that affect customers' satisfaction such as complaint handling, procedures and long queues in the banking halls and other service centres. The study results are limited within the selected branches of CRDB and therefore should not be generalized without further research.

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LIST OF ABBREVIATIONS

ATM	Automated Teller Machine
BOT	Bank of Tanzania
CRDB	CRDB Bank Plc
EFT	Electronic Funds Transfer
IT	Information Technology
JIT	Just in Time
POS	Point of Sale

CHAPTER ONE

1.0 INTRODUCTION AND BACKGROUND INFORMATION

1.1 Introduction

The study aimed at assessing the effects of innovation in customer satisfaction at a selected commercial bank in Tanzania, CRDB Bank Plc (CRDB). This chapter provides the background of the study, Statement of the Problem; Research questions, Objective of the study, Significance of the research and Organization of Report/Dissertation.

1.2 Background of the Study

Empirical and anecdotal evidence exists to support the contention that innovation is one of the primary drivers of firm growth and profitability (Giarratana, 2004, Jonash & Sommerlatte, 1999). Many profit oriented organisation, either aware of this research or instinctively believing that success depends on innovation, have added a strategic value to the innovation drive (Nambisan, 2002), such that it is not uncommon to see innovation as being in the mission statements.

This is a very general understanding applying to a broader category of organisations. Hence a danger might exist of wrongly adopting innovation without understanding the applicability in a subcategory of a business. CRDB was selected as one of the banks that had introduced several innovations in its services and also had widespread presence in Tanzania as a whole and Dar es Salaam in particular (CRDB Bank Plc, n.d.). This chapter explains the problem leading to the research and the resulting objectives, research significance and limitation.

1.2.1 Customer Satisfaction

Customer satisfaction in the banking industry come as a result of varying customer needs being met. In a study on customer satisfaction (Ahmad, 2011) it was found that adopting e-banking positively impacted bank customers in Jordanian banks. Satisfied customers would in turn inform other potential clients about their needs being met by the bank (Macharia, 2012). A study on Islamic banking and customer satisfaction in Pakistan (Raza et al., 2012) found "positive relationship between customer satisfaction and identified factors such as service quality, product quality, customers care and financial benefits to customers." The knowledge of the importance of customer satisfaction leads banks to look for ways of meeting customer needs. This is compounded by the rapid growth of technology and the competitive market, which makes all banks face the challenge of retaining their customers and attracting new ones (Ouma, et al., 2013).

1.2.2 Concept of Innovation

Most banks are introducing services aimed at easing customer experience, and this leads to many innovations being introduced (Ankrah, 2012). There is risk involved in innovations because there is no guarantee that all innovations will lead to success. This was the finding in an investigation of the effect of change in the financial sector (Santomero & Trester, 1998) where it was found that the banking sector's risky asset portfolio is increased as a result of the innovations. This therefore means that in order to introduce innovations that will satisfy customers, banks require a well-planned change process with good strategic leadership, competitive intelligence and management of technology (Guimaraes et al., 2009).

1.2.3 Banking sector in Tanzania

The Tanzania banking and financial sector report (TanzaniaInvest, n.d.), states that the banking industry in Tanzania is comprised of at least 27 banks characterized by a few big players and several small banks. The report continues to approximate that 90% of the bank deposits are in the hands of eight banking institutions comprising of both local and foreign banks. This means that the success of banking organizations in retention and recruitment of customers rests with the banks' success in meeting changing customer needs (Hasan et al., 2013).

1.2.4 CRDB

CRDB Bank Plc is one of the banks in Tanzania. It is a wholly-owned private commercial bank that was established in 1996 and has grown and prospered over the years to become innovative, first choice, and trusted bank in the country (CRDB Bank Plc, n.d.). The annual reports of CRDB (CRDB Annual Reports, n.d.), show that the bank has been recording progressive profit every year since its foundation. The Bank has been introducing several innovations in its quest to offer a compressive range of Corporate, Retail, Business, Treasury, Premier and Microfinance Services offered through several branches (some are mobile), ATMs, Point of Sales (POS) terminals, several Microfinance partner institutions, internet banking, Mobile Banking, SimBanking and agent banking services.

1.3 Statement of the Problem

The changing customer needs in the banking industry have necessitated the banks to be innovative by providing services aimed at satisfying the customers. In recent years the

banking industry is facing multiple pressures and the banks have to meet increasingly diverse and demanding customer expectations which are largely out of their control. Therefore the innovation strategies are indispensable to banks' future growth and sustainability (Kiiyuru, 2014). The banks need to identify and analyze the customer needs in order to make relevant improvements and monitor the performance of the innovation in relation to customer satisfaction. According to Ankrah(2012) banks must deliver innovative products and services in response to the market change in order to expand their customer base and gain a competitive advantage. CRDB has introduced a number of innovations over the years.

The research seeks to establish the correlation between the innovations and customer satisfaction.

1.4 Research Objectives

1.4.1 General Objective

The aim of this research is to assess the impact of service innovation towards meeting customer satisfaction in CRDB.

1.4.2 Specific Objectives

There were four specific objectives of the research as outlined below:

   i.   To identify the motivation for adoption of innovations in CRDB

  ii.   To determine the effect of CRDB's innovations on customer satisfaction

 iii.   To determine the factors contributing to customer satisfaction in CRDB

 iv.   To identify the relationship between customer satisfaction and CRDB's innovation

1.5 Research Questions

In order to address the objectives, the researcher was guided by the following four research questions:

  i.   What are the factors contributing to adoption of innovation in CRDB bank?

 ii.   What are the effects of CRDB's innovations on customer satisfaction?

iii.   What are the factors contributing to customer satisfaction in CRDB?

 iv.   What is the relationship between customer satisfaction and CRDB's innovation?

1.6 Research Justification

There is research evidence that introduction of innovations has been the mainstay of many big banks including CRDB. Although the introduction of innovation may be seen as having clear potential added benefits, the overall impacts of these innovations on customer satisfaction have not been properly documented. In some cases where research on customer satisfaction has been done, further research is recommended or deduced to establish impact on customer satisfaction. There is therefore need for further research to establish how innovations impact customer satisfaction.

The justification for carrying out this research is the limited documentation on the linkage of innovation and customer satisfaction in CRDB. The results can be used in reviewing and developing innovation strategies and also as data for further study in this field of research.

1.7   Scope of the Study

This study assesses the innovation in CRDB and its impact on customer satisfaction. For purposes of easy comparison and generalization of findings, this study is confined to few branches within Dar es Salaam as the case study.

1.8   Organization of the Study

This study comprises of three parts which are presented in three chapters. The first chapter introduces the research with the background of the research problem. Then the aim of the proposed research is presented with the research question and significance of the research. Chapter two is literature review of work already done in the areas of adoption of innovations and customer satisfaction. The focus was in research already conducted or which could be applicable in developing countries. In chapter three the research methodology that was used in carrying out the study is presented and contains the research philosophy, area of research, sampling design, variables and measurements, methods of data collection and data processing and analysis.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents theoretical and empirical literature that aims at developing an understanding of the existing relationship between innovation and customer satisfaction and sheds light on the specific aspects that were tested to validate the assumption that improvement in the innovation strategies by banks generally are likely to increase customer satisfaction. The hypothesis in this study was that there is a direct relationship between innovation and customer satisfaction.

The chapter is subdivided into six sections. First the conceptual definitions will be presented followed by a theoretical literature review. The theoretical literature review will be followed by both an empirical literature and the policy review and later the research gap will follow. Lastly the conceptual and detailed theoretical frameworks will be presented.

2.2 Conceptual Definitions

OECD (2005) defined innovation as the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations. The same innovation is defined by Rogers(1983) as an idea or a practice perceived as new. In both cases innovation is looked at as bringing something that was

not present in a particular situation and has been introduced with the aim of possibly improving the situation.

Oliver (1997) defined satisfaction as a judgment following a consumption experience. Kotler (2000) however presents satisfaction in reference to customers as the level of happiness with products and services provided. Satisfaction therefore would be defined as level of judgment given on a product. It can also be expressed as the extent to which consumers of a product or customers are happy with the service and product provided in the market by the organizations.

A bank is an entity that is engaged in a business of receiving funds from the general public through the acceptance of deposits payable upon demand or after a fixed period or after notice, or any similar operation through the frequent sale or placement of bonds, certificates, notes or other securities, and to use such funds, in whole or in part, for loans or investments for the account of and at the risk of the person doing such business (Bank of Tanzania Act, 2006). Banks perform the functions of financial intermediation by supplying surplus money to demanders of money and collect the money from those who have this surplus with them (Rasheed, 2012).

2.3 Theoretical Literature Review

2.3.1 Innovation

The Diffusion of Innovation (DOI) Theory developed by Rogers (1962) originated in communication to explain how, over time, an idea or product gains momentum and diffuses through a specific population or social system. The theory states that the end

result of this diffusion is that people, as part of a social system, adopt a new idea, behavior, or product. In the context of innovation a new idea or behavior will become an innovation if it is implemented. The theory suggests that innovations will be more easily adopted and implemented if they have a clear, unambiguous advantage over the previous approach. The degree to which the innovation fits with the existing values, past experiences and needs of potential adopters is referred as the compatibility while complexity is the degree to which an innovation is perceived as difficult to understand and use. According to Greenhalghet al., (2004)there is strong direct research evidence suggesting that the more compatible the innovation is, the greater the likelihood of adoption. They indicated that key players will easily adopt the innovation if it is simple to use.

New innovations require investing time, energy and resources and therefore innovations can be tried before being fully implemented and being more readily adopted. Trialability is the degree to which an innovation may be experimented with on limited basis. Further, the degree to which the results of an innovation are visible to the adopters is known as observability. If there are observable positive outcomes from the implementation of the innovation then the innovation is more adoptable.

The CRDB bank introduced different innovations to its customers such as ATM, mobile banking, Simbanking, EFT, agent banking and internet banking. The innovations took different time to be accepted and utilized by the customers; others were more easily adopted while some took longer to be utilized.

2.3.2   Customer Satisfaction

According to Kotler(1986), customer satisfaction or dissatisfaction is the feeling a customer has about the extent to which their experiences with an organization have met their needs. It is the customers' subjective judgment or feeling, about the extent to which their requirements have been met by the service provider. Customer satisfaction was also defined by Oliver (1997) as a judgment that a product or service feature, or a service itself, provided a pleasurable level or consumption related fulfillment, including levels of under or over fulfillment. Therefore, customer satisfaction is a relative concept based on the extent to which a product or service provided by an organization has met its customers' requirements. It can also be viewed as a customer's attitude based on the subjective performance of the organization.

2.4   Empirical Literature Review

2.4.1 Innovation

Introduction of innovation in a business is not new. The motivation for innovation for businesses is to bring more success in the business through improved delivery. There are many specific definitions of innovation (OECD, 2005, Rogers, 1983, Thompson, 1965) that can lead to different application. However a central theme for all of them is coming up with a product or service that is new or unique (Baregheh & Rowley, 2009) and with the aim of introducing it on the market (Wang et al., 2010). This is a macro view of innovation but when introducing innovation the idea is usually viewed in its micro form. It could be new technology, new method of operation or medium of service delivery, and new management method. The definitions of innovation therefore would often seem contradictory depending on the viewpoint of an author (Baregheh & Rowley, 2009). It is

therefore very important for the innovation idea to be defined very clearly from the outset in order to ensure success. In their paper on absorption capacity, Cohen and Leventhal (1990) argue that in order to successfully be innovative, a firm needs to have an ability to recognize new, external information and assimilate it for commercial success. They further argue that prior related knowledge and use of already existing ideas is prime to coming up with successful innovations.

There have been many innovative ideas that have revolutionalised businesses. The just in time (JIT) inventory principle in the production industry is one such innovation that changed production approaches leading to more efficiency, cost effectiveness and customer responsiveness (UPS, 2005). The service industry is not exceptional in as far as innovation is concerned. Commercial banks have thus embraced innovation by utilizing new technology, coming up with new method of operation or mediums of service delivery, and also making changes in management (Wang et al., 2010, Kiiyuru, 2014).

The innovation concept was not smoothly acceptable in the industry due to the cost involved in its implementation and was sometimes viewed as a costly component and another "item" on profit erosion. However, profitability in the service industry was also affected by the customer satisfaction as the result of meeting their needs which led to customer retention and recruitment of new customers.

2.4.2 Customer Satisfaction

In the past, when competition for customers was not key as customers were frequently seeking after scarce services, most companies pursued product oriented strategies in their business. This approach has drastically changed as companies increase their attempt to replace product orientated with customer oriented strategies (Schemeisser et al., 2008) as more players for service provision come on board increasing competition. Differentiated customer experiences have gained prominence in modern day service provision (Baran et al., 2014) leading to widespread embracing of customer-driven innovation as service providers become more flexible and adaptable in order to satisfy a demanding generation of customers. With the world becoming a global village in this age of technology (Reese, 2009), customers have become more demanding as they become more aware of available services. Customer satisfaction therefore has become more a part of the success strategy for most organisations.

In general, satisfaction can be expressed as a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance to expectations. If the performance falls below the expectations, the customer is dissatisfied; if it matches the expectations, the customer is satisfied; and if it beats expectations, the customer is highly satisfied.

2.4.3 Customer Satisfaction and Service Quality

Customer satisfaction is broader in scope than service quality, which is only one component of customers' level of satisfaction. People can make quality opinion about a product or service based on advertising, word of mouth or reputation of the organization

but in order to make a satisfaction judgement a product must be experienced (Hill et al., 2007).

2.4.4 Customer satisfaction, Customer Retention and Customer Loyalty

Quality bank services play a major role in customer retention and the retained customers are more willing to refer the bank to other people (Ouma, et al., 2013). Business organisations that incorporate customer needs in their strategies are more likely to retain their customers who are satisfied with the products and services provided; the satisfied customers buy more of the products and spread a positive word of mouth (Odunlami, 2014). Customer loyalty is created when customers become advocates of an organisation without any incentive (Oliver, 1997). Customer loyalty is a vital element for the continued existence and operating of a firm's business (Chen & Hu, 2010).Mcllroyand Barnett (2000) explained customer loyalty as 'a customer commitment to do dealing with a particular firm, buying their products and services and referring it to colleagues'.

2.5 Policy Review

2.5.1 The Banking and Financial Institutions Act, 2006 (Tanzania)

The Banking and Financial Institutions Act of the United Republic of Tanzania (Bank of Tanzania Act, 2006), consolidates the law relating to business of banking, to harmonize the operations of all financial institutions in Tanzania, to foster sound banking activities, to regulate credit operations and provide for other matters incidental to or connected with those purposes.

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The Act is in place to provide for comprehensive regulation of banks and financial institutions; to provide for regulations and supervision of activities of savings and credit co-operative societies and schemes with a view to maintaining the stability, safety and soundness of the financial system aimed at reduction of risk of loss to depositors; to provide for repeal of the Banking and Financial Institutions Act, (Cap. 342) and to provide for other related matters.

2.6 Research Gap

In Tanzania few studies has been done to assess the effect of innovation towards meeting customer satisfaction in commercial banks. Through this gap the researcher looked to explore the study by looking at the customers of commercial banks in Tanzania by focusing on one bank.

Figure 2.1 shows the conceptual framework.

Independent Variable   *Dependent*
Variable
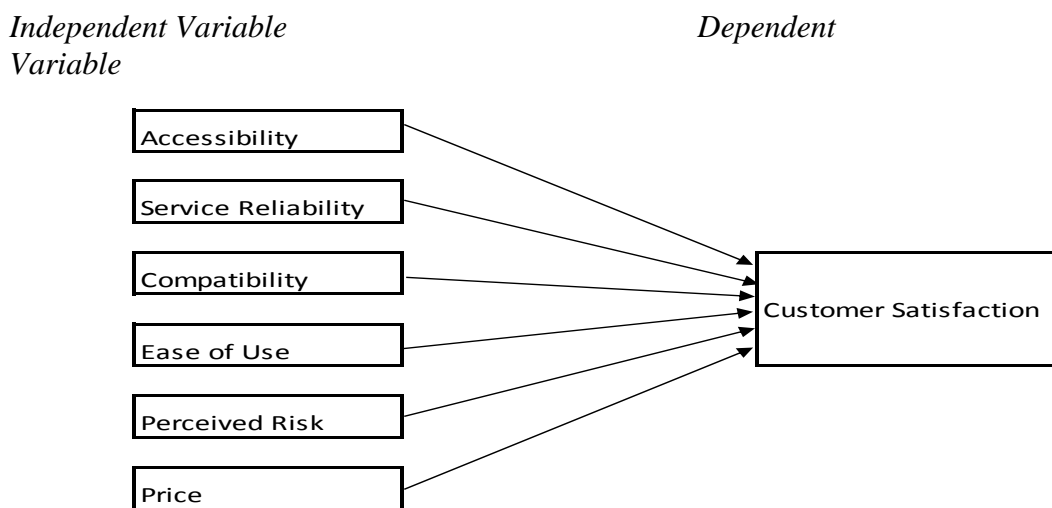
Figure 0.1Customer satisfaction framework

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology which was employed during the study. In light of this, the areas of the study and reasons which underpin the choice of area are explained. In this chapter explanations on research design and approach, the population, sample and sampling procedures, data collection methods used during data collection are provided. Explanations are also provided on how instruments were validated and how data was collected and analysed.

3.2 Research Design

Research design is the conceptual structure within which research is conducted and includes the collection and analysis of data which are relevant to the research (Kothari, 2004). It is the plan showing the approach and strategy of investigation chosen to obtaining valid and reliable data that achieved the research objectives and answered research questions. The researcher employed a case study design because the case study design places emphasis on a full contextual analysis of a fewer events or conditions and their interrelations. Kothari (2004) has explained case study as complete and careful observation form of a qualitative analysis of a social unit that places more emphasis on the full analysis of a limited number of events or conditions and their interrelations. Saunders and other authors (2009), argued that an existing theory can be challenged by a simple and a well-constructed case study despite the suspicious of its unscientific feel.

This study therefore used case study since it places emphasis on a full contextual analysis of a fewer events or conditions and their interrelations. The time and financial constraint factors were also considered in selecting this research design. The design was also selected due to its nature of having in-depth, contextual analysis of similar situations in other organizations as the one being researched in. This study takes into consideration in-depth analysis of the matters pertaining to innovations and customer satisfaction in CRDB including compatibility, accessibility, timeliness, security, risk, value for money and satisfaction level.

3.3 Research Approach

This research follows a mixed method of quantitative and qualitative approach. This approach allows for the concurrent analysis of both quantitative and qualitative data. According to Kothari (2004) qualitative approach is a function of a researcher's perception and impressions whereby he gives his subjective assessment of attitude, opinions and behaviors while quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion.

Quantitative research approach was largely employed during the study. Qualitative data collection was provided for through provision of comment sections in an otherwise close-ended questionnaire where the respondents gave additional information to add depth to responses given quantitatively.

The respondents in this study gave their impression of lived experience based on a Likert-type scale provided in the questionnaire to enable quantitative interpretation. The quantitative data was then analysed in relation to the additional qualitative data collected thus addressing the issue of lack of depth that sometimes arises when only quantitative approaches are employed with no explanations on the quantitative data. Dawson (2002) indicates that the quantitative approach reaches more respondents and the contact is much quicker than the qualitative approach whereby the contact with the respondent tends to last a little longer. She further states that no method is superior to the other, and both have their strength and weaknesses.

3.4 Area of Study

The research population consisted of customers who have accounts with CRDB and located in Dar es Salaam. The customers were invited to participate in the research survey by filling the questionnaires that were provided to them.

3.5 Study Population

A population is the totality of the objects under the investigation. It is a set of all cases of interest. With respect to this study, the target population was 80 CRDB customers at selected branches in Dar es Salaam. Table 3.1 in section 3.6 below shows the branches.

3.6 Sampling Design and Procedure

According to Lind et al. (2006) a sample is a portion of the respondents drawn from the population of interest, and in many cases, sampling is more feasible than studying the entire population. Although no sample can be guaranteed to be fully representative, it

serves the purpose of obtaining a result that is representative of the whole population being sampled without going to the trouble of asking everyone(Fisher et al., 2010).

For the case of this study, the sample was made up of 80 respondents from different branches of CRDB in Dar es Salaam. The researcher specifically targeted Dar es Salaam branches due to time, personnel and financial constraints and also considering that branches in Dar es Salaam are likely to have more customers being a highly populated metropolitan area.

The researcher adopted simple random sampling to give potential respondents an equal chance of being involved in the study. Only those potential respondents that were willing and believed to be able to deliver the required data were approached. In the process of sampling, the researcher kept in mind different groups of customers to meet the objective of the study such as employees, corporate, students and business people of different age groups. This was achieved by making a judgement through observation concentrating on outlook appearance of the potential respondents.

Table 0.1 Number of expected respondents by Branch

SN	Branch Name	Number of respondents selected
1	Mlimani City	20
2	Tegeta	20
3	Azikiwe	20
4	Holland	20
	Total	80

Source: Designed and Compiled by the researcher

3.7 Data Collection Methods and Instruments

In conducting the study, the researcher was applying both primary and secondary data collection techniques. These techniques were employed by the researcher to get in-depth information on the customer satisfaction in CRDB's innovation strategies.

3.8 Primary Data

Primary data are information collected specifically for the purpose of investigation under study. The researcher used researcher administers interview and respondent self-administered questionnaires in collecting data. In both methods the same set of questions were administered.

3.8.1 Interview

Interview is a method of collecting information through oral or verbal communication between the researcher and the respondents.

3.8.2 Questionnaires

Questionnaire was designed for scheduled interview, most of them were self-administered with both open and closed ended questions to the bank customers. The purpose of the questionnaire was to compare the reviewers' comments and the authors' perception of the problems. The questionnaire focused on meeting the research objectives and answering the research questions.

3.9 Data Validity and Reliability

In this study data validity and reliability was tested by distributing eight questionnaires to the CRDB customers prior to the collection of data. The researcher checked if the questions were understood by the respondents and the reliability of the data provided.

3.10 Data Analysis Procedures

Data analysis is an important step towards finding a solution to a problem under study.

2.10.1 Data Analysis

In this study, the required information gathered was analyzed using qualitative and quantitative data analysis techniques. Data was edited, entered into a data analysis software application, cleaned and coded, ready for analysis.

3.10.2 Editing

Data editing is the procedure that improves the quality of data coding. The information from the study was carefully checked to ensure completeness, accuracy, clarity and uniformity.

3.10.3 Data Entry

The data was entered in a computer and analysed using Statistical Package for Social Science (SPSS) software.

2.10.4 Coding

During coding, data collected are categorized and transformed into symbols that may be tabulated and accounted as used. Based to the result from the questionnaire and data

entry, the data was kept in the format which yields the best SPSS outputs. After coding,

the data was ready for analysis.

CHAPTER FOUR

4.0   FINDINGS AND RESULTS

4.1   Introduction

The previous chapter discussed the research methodology giving details of the design, sampling methodology and other research considerations. This chapter presents the interpretation and presentation of the findings based on the general objectives of the study which was to determine the effects of innovation towards meeting customer satisfaction in CRDB. Data was analyzed using frequencies and percentages and then presented in form of tables, pie charts and graphs.

3.2   Responses from the Bank Customers

Questionnaires were served to prospective respondents as shown in Table 4.1below. The study was conducted focusing in the CRDB customers in different categories from students, employees, enterprises and corporate customers. The Table shows the questionnaire distribution and response rate in selected CRDB branches. About 80 questionnaires were distributed to the prospective respondents and among them, 57 questionnaires received positive response. This represented 71% response rate which was considered sufficient for analysis and reporting as advocated that a response rate of 50% is sufficient for research purposes (Mugenda and Mugenda, 2003).

3.3   Background Characteristics of Respondents

In order to put the results of the study in perspective, the profile of the respondents are presented. It provides brief description of some demographic characteristics of the

sampled respondents, specifically gender, age, education level, banking experience and customer category.

Table 0.1 Respondents and Questionnaire Distributed

SN	Branch Name	No. of Respondents	Response attained	Response Rate (%)
1	Mlimani City	20	16	80
2	Tegeta	20	17	85
3	Azikiwe	20	13	65
4	Holland	20	11	55
	Total	80	57	71.25

Source: Researcher's findings (2015)

4.3.1 Age of Respondents

Respondents were required to fill their age according to the age group provided. The majority of the respondents were aged between 31 – 35at 33.3 percent, followed by 26 – 30 at 22.8 percent and 36 – 45 at19.3 percent. Thus generally the sample was comprised of customers with 75.4 percent of the respondents aged between 26 – 45 years as shown in table 4.2 and figure 4.1 below.

Table 0.1 Age of Respondents

Age group	Frequency	Percentage
up to 25	6	10.5
26 to 30	13	22.8
31 to 35	19	33.3
36 to 45	11	19.3
above 45	8	14
Total	57	100.0

Source: Researcher's findings (2015)

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Figure 4.1 Customer Category

Customer category

- Student
- Employed
- Micro enterprise
- SME
- Large Enterprise
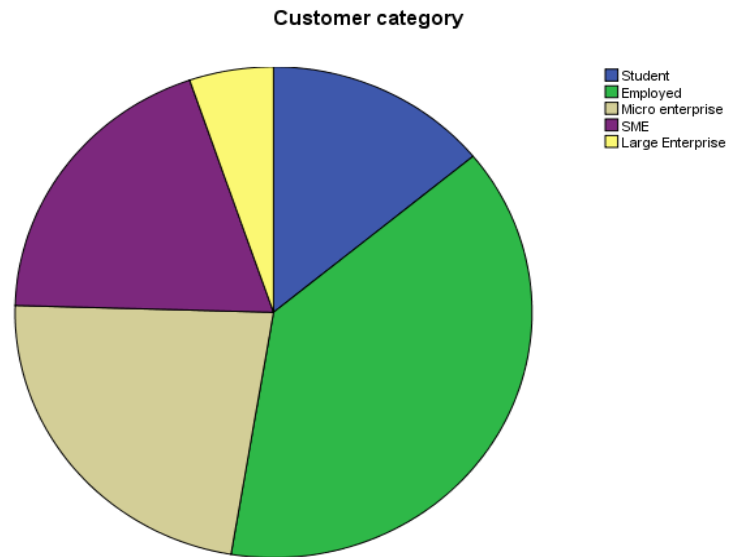
Figure 0.1 Customer category

4.4 Specific Findings and Discussions

4.4.1 To assess what could be the motivation for adoption of innovation by CRDB

Adoption of innovation could have a strong impact on customer satisfaction in both manufacturing and service industry. The respondents were asked to give their view on how some of the factors were relevant in choosing the service that provides them with satisfaction. For every factor, the respondents were able to give opinion on the factor's relevance by putting a weight basing on their perception and experience. In responding to how the factors were relevant in choosing the service that provide them with satisfaction, participants were asked to indicate whether the factors fell in one of the following: not relevant; less relevant; indifferent; relevant; and highly relevant. The respondents' results are shown in the Table 4.3 below.

Table 0.1 Motivational factors for adoption of innovation by the CRDB

		How relevant accessibility is in choosing satisfactory service	How relevant reliability is in choosing satisfactory service	How relevant compatibility is in choosing satisfactory service	How relevant ease of use is in choosing satisfactory service	How relevant perceived risk is in choosing satisfactory service	How relevant price is in choosing satisfactory service
N	Valid	56	56	56	56	56	56
	Missing	1	1	1	1	1	1
Mean		4.55	4.75	4.21	3.79	4.07	4.38
Median		5.00	5.00	4.00	4.00	4.00	5.00
Mode		5	5	5	4	4	5
Skewness		-.222	-1.187	-.424	-1.701	-.113	-.816
Sum		255	266	236	212	228	245

Source: Researcher's findings (2015)

Table 4.3 enlighten the results regarding the factors that the bank can consider in adoption of innovation. Reliability indicated the highest mean of 4.75, followed by accessibility with mean of 4.55 and price which indicated a mean of 4.38. Also, the highest mode of 5 was observed in the accessibility, reliability, compatibility and price factors. Following the observations from the customers' response, service reliability was the most relevant factor followed by accessibility and price in choosing the service that provides customers with more satisfaction. This was ranked due to having both highest mean and mode. CRDB can therefore maximize customer satisfaction by investing in innovations that are more reliable and accessible at a reasonable price.

4.4.2 To examine the effects of CRDB's innovation on customer satisfaction

According to Kottler (2000) customer satisfaction is a person's feeling of pleasure or displeasure in relation to a product's perceived performance in relation to his or her expectations. In the questionnaire, the respondents' opinions about their satisfaction and dissatisfaction levels were collected regarding the bank services.

Tables 4.4 to 4.9 show the customers' satisfaction level with the service innovations currently in place.

Table 0.1 Satisfaction Level with ATM services

		Frequency	Valid Percent
Valid	Satisfied	25	44.6
	Highly satisfied	31	55.4
	Total	56	100.0
Total		57	

Source: Researcher's findings (2015)

Table 4.4 above indicates that the majority of the customers are highly satisfied with the ATM service provided by the CRDB. This was deduced through the 31 respondents who were highly satisfied and 25 who were satisfied by the service giving satisfaction rates equivalent to 54.4 and 43.9 percentage respectively.

The satisfaction level of mobile banking services indicated that the majority of the bank customers were satisfied with 29 respondents or 50.9 percent, indicating that they were satisfied. In addition, 7 more respondents or 12.3percentage were highly satisfied, giving a combined satisfaction level total of 63.2 percentage. This is well indicated in the Table 4.5below.

Table 0.2 Satisfaction level with mobile banking services

		Frequency	Valid Percent
Valid	None	1	1.8
	Indifferent	19	33.9
	Satisfied	29	51.8
	Highly satisfied	7	12.5
	Total	56	100.0
Missing	System	1	
Total		57	

Source: Researcher's findings (2015)

The SimBanking services also enlighten a satisfaction to the CRDB customers by having
the response of 29 who are satisfied and 14 who are highly satisfied. This is an
equivalent of 50.9 and 24.6 percentage respectively, making a total satisfaction level of
76.5 as indicated in Table 4.6 below.

Table 0.3 Satisfaction level with SimBanking services

		Frequency	Valid Percent
Valid	None	1	1.8
	Indifferent	12	21.4
	Satisfied	29	51.8
	Highly satisfied	14	25.0
	Total	56	100.0
Missing	System	1	
Total		57	

Source: Researcher's findings (2015)

The satisfaction level for internet banking services indicated a majority of customers that
were indifferent with a frequency of 27, which is 47.4 percentage, followed by 15
respondents who are satisfied with the services, that is 26.3 percentage as shown in table
4.7below.

Table 0.4 Satisfaction level with internet banking services

		Frequency	Valid Percent
Valid	None	12	21.8
	Indifferent	27	49.1
	Satisfied	15	27.3
	Highly satisfied	1	1.8
	Total	55	100.0
Missing	System	2	
Total		57	

Source: Researcher's findings (2015)

The EFT service also indicated a majority of customers that were indifferent with 36 respondents or an equivalency of 63.2 percentage. This was followed by 15 respondents which is equivalent to 26.3 percentages that were satisfied with the service. The results are presented in Table 4.8.

Table 0.5 Satisfaction level with EFT services

		Frequency	Valid Percent
Valid	None	4	7.3
	Indifferent	36	65.5
	Satisfied	15	27.3
	Total	55	100.0
Missing	System	2	
Total		57	

Source: Researcher's findings (2015)

The study indicated 24 customers who were indifferent and 22 that were satisfied with agent banking services. This is equivalent to 42.1 and 38.6 percentage respectively as indicated in Table 4.9 below.

Table 0.6 Satisfaction level with Agent banking services

		Frequency	Valid Percent
Valid	None	1	1.8
	Indifferent	24	42.9
	Satisfied	22	39.3
	Highly satisfied	9	16.1
	Total	56	100.0
Missing	System	1	
Total		57	

Source: Researcher's findings (2015)

4.4.3 To determine the factors contributing to customer satisfaction in CRDB

In the study, the researcher looked at how the different factors contribute to the customer satisfaction in CRDB. Factors such as accessibility, reliability, perceived risk and price of service were assessed in each service provided by the bank. The customers were asked to give their view on the effects of those factors.

The accessibility factor received favorable response from the customers. There were 31 respondents agreeing that accessibility is highly relevant while 25 respondents said it is relevant. This is equivalent to 54.4 and 43.9 percentage respectively as indicated in Table 4.10 below. In their response to how reliability is relevant, Table 4.9 indicated that 42 customers or 73.7 percentage responded by saying it is highly relevant and 14 customers, equivalent to 24.6 percentage said it is relevant.

Table 0.1 Relevance of accessibility factor in choosing satisfactory service

		Frequency	Valid Percent
Valid	Relevant	25	44.6
	Highly relevant	31	55.4
	Total	56	100.0
Missing	System	1	
Total		57	

Source: Researcher's findings (2015)

Table 0.2 Relevance of reliability factor in choosing satisfactory service

		Frequency	Valid Percent
Valid	Relevant	14	25.0
	Highly relevant	42	75.0
	Total	56	100.0
Missing	System	1	
Total		57	

Source: Researcher's findings (2015)

Table 4.12below enlighten the relevance of perceived risk where 26 customers, which equals to 45.6 said it is relevant and 17, that is 29.8 said it is highly relevant. While only 13 customers, which is equal to 22.8 were indifferent. The following Table 4.13shows34 customers indicating price of service to be highly relevant, and 9

customers to be relevant, which is equivalent to 59.6 and 15.8 percentage respectively. Also 13 customers, equivalent to 22.8 percentage were indifferent.

From the observations the accessibility, reliability, perceived risk and price of service have proved to be relevant factors in choosing the services that provide satisfaction to the CRDB customers.

Table 0.3 Relevance of perceived risk factor in choosing satisfactory service

		Frequency	Valid Percent
Valid	Indifferent	13	23.2
	Relevant	26	46.4
	Highly relevant	17	30.4
	Total	56	100.0
Missing	System	1	
Total		57	

Source: Researcher's findings (2015)

Table 0.4 Relevance of price factor in choosing satisfactory service

		Frequency	Valid Percent
Valid	Indifferent	13	23.2
	Relevant	9	16.1
	Highly relevant	34	60.7
	Total	56	100.0
Missing	System	1	
Total		57	

Source: Researcher's findings (2015)

4.4.4 To identify the relationship between customer satisfaction and CRDB innovation

CRDB has brought about several innovative strategies to remain competitive in the market by meeting its customer needs. Among the innovations introduced by the bank are ATM, mobile banking, SimBanking, Internet banking, Electronic Fund Transfer and Agent banking (also known as FahariHuduma in Tanzania). In addressing the relationship between CRDB's innovation and customer satisfaction, the customers were requested to give their opinion on whether the bank is moving at the right pace towards innovation in meeting their satisfaction. The customers responded by indicating whether they strongly agreed, they agreed, they were indifferent, they disagreed or they strongly disagreed with the statement.

The Table 4.14 and Figure 4.2 below show the respondents' opinion on the relationship between CRDB's innovation and customer satisfaction. The majority of the respondents indicated that they were satisfied with bank's innovation. This is supported by the statistics where 43 respondents which is 75.4 percentages agreed and 9, that is15.8 percentage strongly agreed that the bank is moving at the right pace in meeting customer satisfaction, while 5 of the respondents were indifferent. None of the respondents showed disagreement to the statement.

Table 0.1 Customer perception on CRDB innovations

		Frequency	Valid Percent
Valid	Strongly agree	9	15.8
	Agree	43	75.4
	Indifferent	5	8.8
	Total	57	100.0
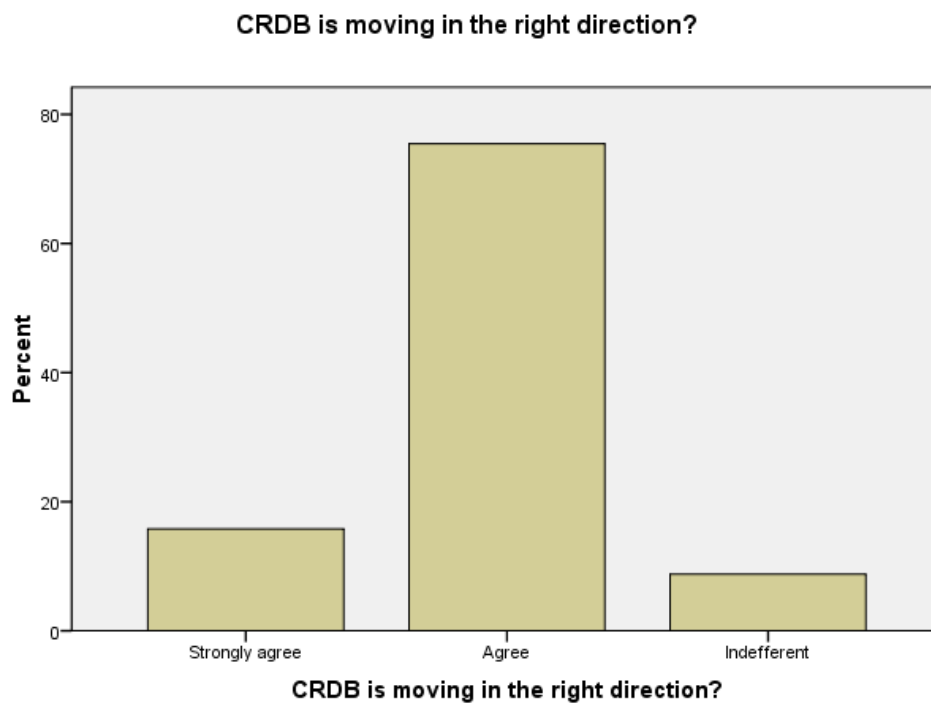
Figure 0.1 Customer perception on CRDB innovations

3.5 Discussion of the Findings

In assessing the effects of CRDB's innovation, it has been revealed that customers from

the selected branches are satisfied with the products and services provided by the bank.

Most of the customers indicated their satisfaction with the bank services provided, that

are ATM services, mobile banking, SimBanking, internet banking, EFT and agent

banking. This supported the findings by Baran et al. (2014) who argued that service

providers invest in flexible and adaptable customer driven innovations in order to satisfy the customer needs.

From the findings, majority of the customers were very satisfied with the ATM services provided by the bank. They showed their confidence in the minimum level of perceived risk, less efforts required in using the service, accessibility of the services, reliability and their satisfaction with the price charged for the services. This was also indicated by having the majority of the respondents stating that they have used the ATM service most frequently compared to other services. The finding concurred with Wang et al. (2010) who indicated that commercial banks come up with innovations by utilizing new technology and coming up with new methods of service delivery and operations.

The customers also indicated their satisfaction with SimBanking, agent banking and mobile banking services. The satisfaction level slightly decreased in the EFT and internet banking.

The factors which highly contributed to the satisfaction level were noted to be reliability and accessibility, followed by price of service, perceived risk and compatibility with lifestyle. Reese (2009) indicate that, in this age of technology customers become more demanding as they become more aware of available services. The findings of this study also indicated that the majority of the customers are happy with the bank's timing in the service innovations to meet their needs.

On the other area, the study also looked at other factors which contributed to customer satisfaction. The findings revealed other factors such as customer service, complaint

handling, network reliability, time taken to receive the service and procedures for opening an account, accessing loans and fund transfer. The respondents suggested improvement in those areas which also have impact in the customer satisfaction.

CHAPTER FIVE

5.0 CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents the summary of the findings of this study, conclusions arrived at or derived from the data, as well as limitations observed or experienced during the study. The chapter also provides recommendations and suggestions for further research aimed at improvement of customer satisfaction in the presence of innovation strategies.

5.2 Summary of Main Findings

The study established that adoption of innovation strategies in CRDB affects customer satisfaction to a great extent. Innovation strategies have enabled organizations to meet the needs and wants of their existing customers and attracting new ones by offering products and services that meet their expectations.

It has been revealed that from the selected branches of CRDB, the majority of the respondents were satisfied with the bank services. Most customers have indicated their satisfaction with the bank services that are ATM, SimBanking, mobile banking, EFT, internet banking and agent banking. The factors that have contributed to their satisfaction with the services were noted to be reliability of services, accessibility, price of service, compatibility, ease of use and risk involved.

The study also revealed customers' satisfaction with the banks innovations by the majority of them agreeing to the strategies of introducing different services. This

indicates that the bank endeavors to solve the challenges by meeting its customers' needs in time by putting strategies in place to ensure those needs are met or exceeded.

4.3 Conclusion

The objective of this research was to establish the effect of innovation on customer satisfaction in CRDB. The researcher used descriptive method in data analysis. After analyzing the data, the following conclusion was drawn;

It was established that the bank's innovation had strong impact on the customer satisfaction. The banks which are able to continually invest in new innovations that are reliable, easily accessible, compatible, easy to use, affordable and with relative lower risk have greater positive effect on customer satisfaction.

The use of IT innovations such as ATM, internet banking, EFT and agent banking promotes development and improvement of services. The innovations have contributed to the availability and accessibility of service, there by having a major impact on customer satisfaction. Satisfied customers tend to be loyal and can easily be retained through improved services.

Most of the technological innovations involve less interaction between the service provider and the customers. However, personal interactions are inevitable at some point and care must be taken to ensure customers are satisfied whether they are served personally or through the use of technology. The respondents have indicated their concerns about long queues in the bank, complaint handling, the procedures in opening

an account and accessing loans and reliability of network when accessing the services. These factors also have an effect towards customer satisfaction and could reflect dissatisfaction if they cannot be properly and timely addressed.

5.4 Recommendations

Innovation strategies are critically important if the company targets to win the competitive advantage in the market by meeting its customer's needs. The study recommended that banks must take immediate steps to assess the capabilities and performance of current innovations for further improvement and coming up with new innovations.

The study also recommends the involvement of customers in reviewing the impact of the innovations during the post study survey and revisiting the need for further improvement or abandonment of the introduced innovation. Factors such as accessibility, reliability, value for money, compatibility, risk and ease of use should be looked at in details as far as customer satisfaction is concerned. A slight difference in the market can lead to either improved or diminished customer retention and customer loyalty. The factors should be looked at in their totality in order to gain full advantage of the innovations.

Nevertheless, the innovations should align with the company's objectives and strive to ensure higher performance for further business growth. The cost of innovation as well as the political and business environment where the company operates should be considered during pre and post evaluation stages when the company decides to introduce innovations.

The study further recommends that the company should ensure that they adopt new innovations to cope with the fast changing technology across the globe. With the fast changing technology, the world has become a global village where information is easily exchanged, hence creating customer awareness on new products and services. The fast changing technology and easy flow of information also creates risks to both the company and service users. This creates inevitability for organizations to upgrade to current innovations that promise less risk.

Finally the study also recommends that the company should look into other factors that play a part in customer satisfaction such as customer service, complaint handling, network reliability, various procedures such as the procedure to open an account, to access loans and to transfer funds and the time taken to receive a desired service.

5.5 Study Limitation and Suggestion Area for Further Research

The objective of this study was to assess the impact of service innovation and the effects of the innovations in meeting customer satisfaction in CRDB. The study carried out a survey in four branches of the bank as at July, 2015. The study was inhibited in a number of ways. The first limitation of this study lies in the fact that the data were collected in four branches of the single bank, CRDB. A second limitation was that the findings only looked at the customers' perspective, which could miss out some important feedback from the organization's perspective. Another limitation refers to availability of resources during the study; the financial and time constraints limited the number of people in data collection as well as the number of customers reached.

However the mentioned drawbacks of the study suggest directions for further research. The study recommended that a similar study should be carried out in other commercial banks in Tanzania, with a larger sample size including branches in the regions and find out whether the same results would be replicated.

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APPENDICES

QUESTIONNAIRE FOR INTERVIEW

My name is Olympia Qorro a student at Open University of Tanzania (OUT), pursuing a Masters of Project Management. I am currently doing research as part of my curriculum and my topic is "Effects of Innovation towards meeting Customer Satisfaction; The case of CRDB bank" and I would like you to help me with the information to complete the research as one of the customers of CRDB. All information that will be provided shall be handled with strict confidentiality. Thank you for your help and valuable time which I in no way take for granted.

1. Gender (Please tick the correct box)

a)	Male	
b)	Female	

2. Age (years) (Please tick the appropriate box)

a)	Up to 25	
b)	26 - 30	
c)	31 - 35	
d)	36 - 45	
e)	Above 45	

3. What level of education have you completed? (Please tick the appropriate box)

a)	Primary Education and below	
b)	Secondary Education	
c)	Diploma	
d)	Degree and above	

4. How long have you banked with CRDB? (Please tick the appropriate box)

a)	Less than a year	
b)	Between 1 – 2 years	
c)	Between 2 – 5 years	
d)	Above 5 years	

5. Customer category (Please tick the appropriate box)

a)	Student	
b)	Employed	
c)	Micro enterprises (up to Tsh 5 mil investment)	
d)	Small and medium enterprise (Tsh 5 mil – 800 mil investment)	
e)	Large enterprise and Corporate (above Tsh 800 mil investment)	

	Less than once a month	Once a month	Twice a month	3 to 4 times a month	More than 4 times a month
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

6. How often do you use the following bank services?

	Not at all	Less helpful	Indifferent	Helpful	Highly helpful
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

7. How does the following services help in managing your finances effectively?

8. How are the following services compatible with your lifestyle?

	Not compatible	Less compatible	Indifferent	Compatible	Highly compatible
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

9. How are the following services accessible to you in terms of time and location?

	Not accessible	Less accessible	Indifferent	Accessible	Highly accessible
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

10. How do the following services help you to see the effect of transaction immediately?

	They do not help	Less helpful	Indifferent	Helpful	Highly helpful
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

11. In your opinion, how much mental effort does the following service require?

	No effort required	Little Effort required	Indifferent	Manageable effort required	Too much efforts required
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

12. In your opinion, how much technical skill does the following service require?

	No Skill required	Little Skill required	Indifferent	Enough skill required	Too much skills required
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

13. What is your satisfaction level in the following services?

	None	Less satisfied	Indifferent	Satisfied	Highly satisfied
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

14. What is your dissatisfaction level in the following services?

	None	Less dissatisfied	Indifferent	Dissatisfied	Highly dissatisfied
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

15. How confident are you that the PIN codes for the following services will not get

lost and end up in wrong hands?

	Not at all confident	Less confident	Indifferent	Confide nt	Highly confident
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

16. How confident are you that the information about your transactions would not be

tempered by others?

	Not at all Confident	Less confident	Indifferent	Confident	Highly confident
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

17. How confident are you that the information about your transactions may not be

known by others?

	Not at all Confident	Less confident	Indifferent	Confident	Highly confident
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

18. How would you rate the value delivered compared to the price for the following

services?

	Highly expensive for value	Slightly Expensive for value	Indifferent	Slightly cheap for value	Highly cheap for value
ATM					
Mobile Banking					
SimBanking					
Internet Banking					
Electronic Fund Transfer (EFT)					
Agent Banking					

19. How are the following factors relevant to you in choosing the service that

provide you with satisfaction?

	Not relevant	Less relevant	Indifferent	Relevant	Highly relevant
Accessibility					
Service reliability					
Compatibility					
Ease of use					
Perceived Risk					
Price					

20. Please state your opinion on the following statement

"CRDB is moving at the right pace towards Innovation in meeting customer satisfaction"

a)	Strongly agree	
b)	Agree	
c)	Indifferent	
d)	Disagree	
e)	Strongly disagree	

21. What should be done by CRDB to increase customer satisfaction?

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