

## DEEQTOON SERVICES AND CUSTOMER LOYALTY IN BANKING: EVIDENCE FROM SALAAM SOMALI BANK

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### ABSTRACT

*The banking industry in Somalia recently experienced a drastic growth as many banks were opened in Somalia for the last one decade. Studies on the factors that effect on customer loyalty in banking sector have not conducted. Therefore, this study seeks to investigate how Deeqtoon Service (a mobile banking) provided by Salaam Somali influence customer loyalty in Banking industry in Somalia. A questionnaire was administered to a sample population consisting of 300 users of Salam banking services in Mogadishu, Somalia. Result of the study suggests that Deeqtoon services have significant influence on customer loyalty. The study also suggests that some recommendations that are particular importance to banking industry.*

**Keywords:** Deeqtoon Services, Salaam Somalia Bank, Customer loyalty, Somalia

### INTRODUCTION

Prior to the collapse of Somali central government in 1991, privately owned commercial banks had not existed in Somalia but all banks were owned and managed by the government of Somalia which believed socialism as the best appropriate economic system for the country (ORRMACS, 2012). However, Somali had two public commercial banks namely Somali Savings and Credit Bank and Somali Commercial Bank in which they were established after the nationalization of all foreign commercial banks in 1970 ( Warsame , 2016). Moreover, loans and other financing resources were also managed by these banks with restricted access by the ordinary Somalis but only political and business elite closer to the ruling party ( Kacan Party) had the unlimited access to the resources.

In the last decade, the Somali banking industry has witnessed unprecedented changes in the banking industry which led to the opening of number of banks in Mogadishu, Somalia. More than three banks including International Bank of Somalia, Premier Bank and Trust African bank of Somalia were among those recently opened in Mogadishu, Somalia. The major factor that contributed to the rise in the number of banks in Somalia is the decision taken by some money transfer agencies (Hawala) to change their money transfer companies to incorporating banks due to the challenges encountered by Hawala business from foreign countries as result of global fight against money laundering ( ORRMACS, 2012). Moreover, Somalia is expected to experience growth and expansion in the financial sector specially banking industry.

Without strong government control in the banking, a significant amount of success has been achieved by the financial sector in Somalia specially banks. Even though these banks provide limited number of services to its customers, banks such as Premier Bank, Dahabshil Bank and Salaam Somali launched internet banking services such as ATM, Visa and master cards and

phone banking for the first time in Somalia which helps customers connect with the rest of the world financially and manage their accounts easily. Yee and Faziharudean (2010) define internet banking (IB) as delivery of banking services via secure website operated by the bank. Besides that, banks in Somalia provide short term loan to its clients mainly less than year with Islamic method of financing (Murabaha).

Apart from the success achieved by the banking industry in Somalia, it is true that banks did not provide yet the necessary services which are vital to the development of the economy and wellbeing of the society. Such challenge not only faced by banks in Somalia but it is common in many countries in the continent. Senbet & Otchere, (2006) as cited in Fosu (2013) argue that there are a lot to be achieved despite the record of success across the continent and issues such as saving mobilization and credit allocation have not improved in comparison with the expectations.

Banks in Somalia operate as Islamic banks rather than conventional banks. A study by Warsame (2016) suggests that the introduction of Islamic Banking in Somalia has long existed due to Somali's strong Islamic identity and the fact the only functioning institutions currently operating in the country are Hawala companies which only provide money remittance services. Ramdhony (2013) defines Islamic banking as the provision of banking services in compliance of Islamic laws and principles referred as shariah. The primary sources of sharia are Qur'an and Sunnah, the saying of the prophet Muhammed. Somali extremely needs a financial system which has strong social justice and financial inclusion and this makes clear that islamic banking system is more suitable to the financial services need of Somalia.

The rise in the number of banks in Mogadishu led to the creation of intense competitive environment in which every bank is willing to get enough market shares in order to stay in the market. Therefore, this requires attracting customer by putting in place all the mechanisms for meeting customer needs and expectations about the services provided by the bank. In particular, this intense competitive environment urges each bank to identify the factors that influence customer loyalty on their services.

Different scholars have noted the importance of customer loyalty for business in general and banking in particular. Filip and Anghel (2007) argue that customer loyalty is one of the most important indicators employed for evaluating the quality of services provided by the organization. Manickavasakam (2012) notes that to survive in today's complete environment faced by the bank, customer loyalty and customer retention is an important tool that banks can adopt to gain strategic advantage. Finally, Mandhachitara et al., (2012), organization's growth and survival depends on the loyalty of its customers and building customer loyalty is an important basis for developing a sustainable competitive advantage.

Salaam Somali Bank is taken as case study in this study and it is one of the first pioneers in the banking sector in Somalia. The bank offers different services to its clients which have significant importance to the economy of Somalia. In respect to this study, Deqtoon service is one of the services provided by the bank to its clients. Deqtoon service allows customers to access their account through mobile money transfer for withdrawal and deposit at any time anywhere in Somali ([www.salaambank.so](http://www.salaambank.so)).

Therefore, this study attempts to explore Deqtoon services and customer loyalty in banking industry in Somalia using Salaam Somali Bank as case study in this study.

## OBJECTIVES OF THE STUDY

This study is designed to identify the relationship between the use of Deeqtoon services and customer loyalty on banking service in Somalia. In a particular, the study examines the influence of factors such as Technology security and information quality, and technology convenience on customer loyalty on banking services in Mogadishu, Somalia. The findings of the study will be useful for managers in understanding how Deeqtoon services influences customer loyalty on banking services in order to avoid customers switching to competitors.

## METHODOLOGY

The study employs case study research design. The study also applies convenience sampling method for selecting target population which is the users of banking products and services. Convenience sampling is, also called accidental or haphazard sampling, a sampling method designed to collect information from people who are most conveniently available. Three hundred (300) questionnaires were distributed to the targeted population of Users of Salaam Bank. The questionnaire was divided into two major sections that consist of independent variable, dependent variable and demographic questions. Data analysis was done using Statistical Package for Social Sciences (SPSS).

## CONCEPTUAL FRAMEWORK

The study aims at exploring how Deeqtoon services provided by Salaam Somali Bank influences customer loyalty of the bank.

Asfour and Haddad (2013) carried out study to measure the impact of using banking services via mobile to effect on customer e-satisfaction. The study employed seven dimensions: reliability, flexibility, privacy, accessibility, ease of navigation, efficiency, safety. The finding of the study suggests that there is a statically significant impact of the overall dimensions of mobile banking service on customer E-satisfaction. In addition to that, the study performed a simple regression and found that privacy and accessibility are more influential comparing of the rest of the mobile banking dimensions.

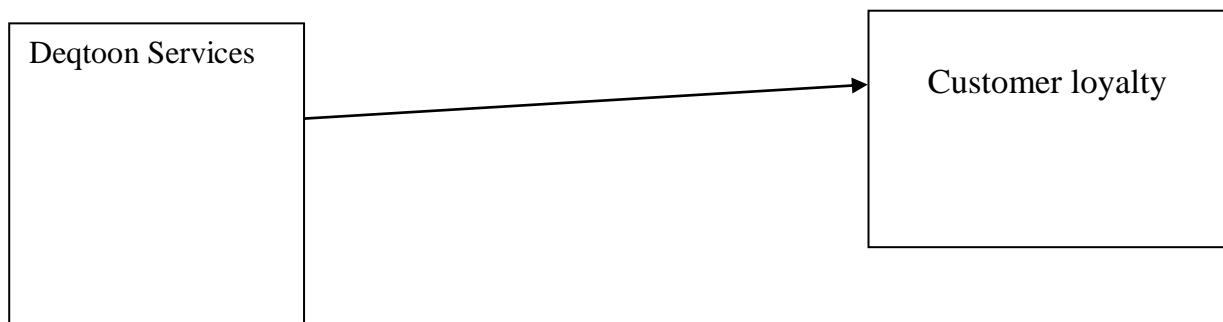


Figure 1. Research Model

H1: There is a significant relationship between Deeqtoon services and customer loyalty

## REVIEW OF RELATED LITERATURE

Numerous studies have been conducted to examine factors affecting customer loyalty in banking sector. Cer Cin and Chaipoopirutana (2014) examined factors affecting customer loyalty on banking. Their study employed cases study method in which Kanbawza (KBZ) Bank in Yangon, Myanmar was taken the case investigated. The study concluded that technology security & information quality, technology convenience, technology usage

easiness & reliability, service personal values, customer service, customer satisfaction have positive and significance effect on customer loyalty.

Similar studies on factors influencing customer loyalty on banking was conducted by Ali, et al (2014) , Afsar, et al (2010) and Zafar , et al (2012) in Pakistan. The result of the first study shows that service quality, trust and reputation have positive influence on customer loyalty. The study also found that there is positive correlation among all the factors effecting customer loyalty. The second study indicates that Perceived quality, satisfaction, trust, switching cost and commitment are the factors which influence the loyalty of the customers and these factors influence each other. The result of third study shows that there is a positive and significant relation between customer satisfaction and paradigms of service such as tangibility, reliability, competence conflict handling. Furthermore, study inferred that customer satisfaction is positively significant related to customer loyalty.

Other researchers conducted studies to identify determinants of customer loyalty on E-banking services. Kaur and Kiran (2015) investigated how the e-banking consumers' perceive the e- banking services of public, private and foreign sector banks operating in the Indian banking sector. The result of the study shows that improving the quality of the service would increase customer loyalty. Moreover, Yee and Faziharudean (2010) studied Factors Affecting Customer Loyalty of Using Internet Banking in Malaysia. The result indicated that factors such as trust, habit and reputation have a significant influence on customer loyalty towards individual Internet banking websites in Malaysia. The study also found that reputation is the strongest influence but service quality and perceived value are not significantly related to customer loyalty. Finally, Al-Agaga and Nor (2012) also found that Trust, customer satisfaction, and sense of belonging were found to have a significant impact on customer e-loyalty in internet banking.

Magasi (2016) examined factors affecting customers' loyalty in Sub-Saharan African banking industry. The finding of the study indicates perceived quality, customer satisfaction, and trust are the major determinants of customer Loyalty in Sub-Saharan African Banking Industry. A study by Hasan, Kiong and Ainuddin (2014) concluded that perceived value and trust showed positive and significant effects on customer loyalty.

Onditi and et al (2012) also examined implications of service quality on customer loyalty in the banking sector and concluded that service quality has a significant impact on customer loyalty in the banking sector. In a similar study, Auka, Bosire and Matern (2013) also found that the dimensions of service quality have a positive and significant influence on customer loyalty in retail banking. Alobaad (2015) examined interrelationships between service quality, emotional satisfaction, and image on loyalty of Islamic bank customers by employing exploratory Study for collecting data for the study. The study concluded that emotional satisfaction is the only significant variable affecting the loyalty. Finally, Lee (2010) also found that service quality; perceived value and customer satisfaction positively affects customer loyalty

## **DATA ANALYSIS AND DISCUSSION**

### **Demographic Profile of the Respondent**

The table below shows the demographic profile of the respondents. Regarding the age of the respondents, 61.7% of the respondents were between 20 and 30 years old, 20% were aged between 31 and 41, 14% were between 41 and 50 while the remaining 4.3 were more than 51 years old. 68.3% of the respondents were male while the rest (31.7%) were female. On the educational level of the respondents, 16% of them finished primary school, 35% have

secondary leaving certificate, and 30.7% hold a university degree and the remaining (18.3%) have no formal education. Concerning the marital status of the respondents, 40% of them are single and the rest is married. Finally, respondents were also questioned about their income level and showed that 14% of the respondents earn less than 400 USD and 32.66% receive a monthly income between 400 and 800 USD. Moreover, 25% of the respondents receive a monthly earning between 800-1200 USD, 20.66% receive an income between 1200-1600 USD and 7.66 % earn more than 1600 USD per month.

**Table 1. Profile of the respondents**

<b>Variable</b>	<b>Frequency</b>	<b>%</b>
<b>Age</b>		
20-30	185	61.7
31-40	60	20
41-50	42	14
More than 51	13	4.3
<b>Total</b>	<b>300</b>	<b>100</b>
<b>Gender</b>		
Male	205	68.3
Female	95	31.7
<b>Total</b>	<b>300</b>	<b>100</b>
<b>Educational Level</b>		
Primary	48	16
Secondary	105	35
University degree	92	30.7
Others	55	18.3
<b>Total</b>	<b>300</b>	<b>100</b>
<b>Marital status</b>		
Single	120	40
Married	180	60
<b>Total</b>	<b>300</b>	<b>100</b>
<b>Income level</b>		
Less than 400 USD	42	14
400-800 USD	98	32.66
800-1200	75	25
1200-1600	62	20.66
More than 1600 USD	23	7.66
<b>Total</b>	<b>300</b>	<b>100</b>

## DISCUSSION OF THE RESULTS

The main purpose of the study was to examine the relationship between Deeptoan services provided by Salaam Somali bank and customer loyalty. A questionnaire was administered to

300 users of Deeqttoon services. As was indicated in the introduction section, Deeqttoon services is mobile banking which Deeqttoon service allows customers to access their account through mobile money transfer for withdrawal and deposit at any time anywhere in Somali ([www.salaambank.so](http://www.salaambank.so)).

After testing the hypothesis stated in the conceptual framework section of the study, it is found that Deeqttoon services have significant influence on customer loyalty. Despite other factors affecting customer loyalty, the easy access to bank services by the customers from their mobile while they are at home or at work contributed significantly to customer's preference on Salaam Somali Bank and customer's loyalty to the bank.

## CONCLUSION AND RECOMMENDATIONS

The study concludes that Deeqttoon services significantly influences customer loyalty. Since this study was limited only to analyzing the relationship between Deeqttoon services and customer loyalty using Salaam Somali Bank as case study, the study recommends future researchers carry out study on determinants of customer loyalty in banking industry. This may help identify other factors affecting customer loyalty other than Mobile banking (Deeqttoon services). Secondly, this study also suggests that, due to in rise in the financial sector and in banking industry in particular, researchers attempt study on the role of these banks in fostering the economic development in Somalia.

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