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AN EVALUATION OF THE INFLUENCE OF CUSTOMER RELATIONS ON CUSTOMER ATTRACTION TO BANKS: A STUDY OF PRUDENT BANK

By

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ABSTRACT

This paper is an empirical evaluation of customer relations activities of banks, and the role of such activities in determining customer attraction. Prudent Bank (Nig) Plc was used for this study. The paper is aimed at determining the extent to which the customers believe that the bank provides efficient customer relations services, and how that influences their disposition towards the bank. Survey design was employed for data collection for the study and the respondents comprise the customers of Prudent Bank. The findings of the study show that customers consider good customer relations in the form of favourable response from members of staff of the bank to be a determinant for their attraction to the bank.

INTRODUCTION

The banking sector is undeniably one of the most important players in the economy of any nation. An economy without a viable banking set up is no doubt an unhealthy one. Banks play an important role in regulating the amount of money in circulation in the country and they also issue new currencies. The banking sector supports the entire nation by providing financial backings for major national projects, industries, small and medium sized businesses. They also serve as a place for safe-keeping of money and other valuables of private citizens.

According to Afolabi (1990), banking is the business of accepting monies from outside sources as deposits. Banks deal with money and its transference from person to person, from business to business and from country to country (LipsCombe 2002). From the above, it becomes obvious that a bank is any institution, whose business consists mainly of accepting deposits of money, granting loans, financing projects etc.

Towards the end of the 19th century, monetization of the Nigerian economy was beginning to develop side by side with barter trade. By 1890, the use of cash had grown sufficiently through out West Africa to present serious physical problem. The trend led to a process that birthed the Bank of British West Africa (BBWA), the first bank in Nigeria, in May 1893 (Asabia 1992). The banking system has since then grown to form the crux of the nation's economy, Anyanwaokoro (1999) describes the banking system as the most important component of the Nigerian financial system.

However, the banking system in Nigeria has witnessed some major challenges that have shaken the industry greatly among which liquidation tops the list. The history of financial distress in the Nigerian banking system dates back to the 1930s when about 21 bank failures were recorded prior to the establishment of the Central Bank of Nigeria in 1958. Another financial crisis started in 1989 with the identification of seven distress banks, and things worsened gradually until 1993 when it led to the collapse of the inter-bank market.

Banks were also heavily criticized by the public and the media for lack of consideration (LipsCombe: 2002). This indicates the inability of the banks to effectively manage their publics, hence the crisis at hand. This image problem therefore created the need for banks to become public sensitive by adopting the strategies of public relations, and more specifically, customer relations. This study therefore evaluates the role of public relations in determining customer patronage in banks. For the sake of this study, Prudent Bank Nig. Plc has been selected.

Literature review and theoretical frame work

Evolution of Banks in Nigeria

In May 1893, the formation of the Bank of British West Africa (BBWA) was announced in Nigeria following the initiative for the establishment of a bank which was taken by people who were merchants and who were without any special knowledge of banking. The initiative was taken in the Lagos office of Elder Dempster Company and was supported by the colonial government.

In 1956, the bank was renamed Bank of West Africa (BWA) to reflect the new independent status of West African countries it served (Asabia: 1992). Changes in the ownership structure of the parent company in the UK in 1969 again led to the bank being renamed as Standard Bank of Nigeria Limited (SBNL). Basic changes in the equity structure of the bank leading to majority equity holding by Nigerian institutions and individuals during the period 1973-1979 necessitated another change of name. Therefore, in 1979 the company was renamed First Bank of Nigeria Limited.

In 1948, the Paton Inquiry made the recommendation that led to the emplacement of The Banking Ordinance in 1957 to regulate banking practices and protect depositors by laying down minimum capital ratio. This was necessitated by the unfortunate event of several closures and liquidations of banks that led to patrons distrusting the banking system. However, there was still no real and effective regulation of the banks until the Central Bank of Nigeria was set up in 1959. The Central Bank of Nigeria (CBN), being the principal agency of government for the control and supervision of the banking industry, discharges its responsibilities in close association with the Federal Ministry of Finance.

The policies made by the Central Bank were geared towards restoring the confidence of the customers in the banking system. This they did by establishing regulations for the operation of banks. On July 6, 2004, the Central Bank of Nigeria increased the minimum shareholders' funds requirements for all banks to N25.0 billion; an increase of 1,150% over the previous minimum capital requirement of N2.0 billion. Several steps were taken by banks to meet the deadline of December 2005 set by the apex bank. Some banks consolidated their existing operations while others resorted to the capital market to raise additional capital by way of Public Offers, Rights Issues and Private Placements. Prior to this period, bank customers were simply grateful for merely having an opportunity to transact their businesses, but at that period, they started to develop ideas of how banking should and should not be done and also started to pay more attention to how they believe customers should be treated. Those ideas developed into concrete perceptions and became formidable forces that banks must contend with if they must succeed. Banks also realized that trust was particularly relevant to bank services since no customer wants to lose his money in the event of liquidation.

Today, about 124 years after the first bank was established in Nigeria, the monopoly of banks have been broken and customers have now acquired great power of determining their preferences among the several banks that exist. According to Yusuf (2001), deregulation, technology and increased local and global competition are changing the rule of survival in the Nigerian banking sector. Factors such as the beauty of the bank building, as well as its location or the number of branches are no longer directly proportional to the level of loyalty a customer has for a bank. Yusuf notes that the significantly increasing number of players in the industry offering the same products and for the same rates has forced banks to rethink their strategy for survival in the financial arena.

As far as the customer is concerned, this simply means "more choices." Gone are the days when customers were forced to endure bad customer services from banks because that bank was the only one that offered a particular kind of service or was the only bank within reach. This study is interested in finding out how much of this rethinking has taken place in Prudent Bank Plc as perceived by their customers.

Theoretical Frame Work

In order to form a solid frame work for this study and thereby provide a strong knowledge base on which it will be founded, we shall consider two theories. These theories are the Systems theory and Action theory. These theories are ones that consider the receiver (here being the customers) to be actively involved in the information process.

Systems Theory

Systems theory was proposed in the 1940's by Ludwig Von Bertalanffy, a biologist, who emphasized that a real system is open to as well as interacts with its environment (What is Systems Theory?, 2007). In 1983, Littlejohn defined it as the interrelation of a set of objects or entities with one another to form a whole. The systems theory has since been widely applied to various other disciplines (Flint, 2007).

This theory is specifically useful to this study because it provides a way for us to think about relationships between banks and their customers. According to Baskin et al (1997: 54), "It captures the notion of parts and wholes, allows us to look at structure and provides insight into how the parts are related." It is pertinent for every organization to understand the relationship among its various parts and the process of formation of the whole. Every organization, no matter how big, remains only a part of a larger entity; the remaining part is made up of the various publics of the organization which are located in its task environment. These publics may include the customers, the host community, the government, trade unions, etc. Various constraints are imposed by the environment on an organization and they can be in form of customers boycotting products, legal actions, banks choosing not to lend out money to the organization etc. In view of this, it is important that organizations become more adaptive to their environments rather than become more rigid. It is indeed easier to adapt the organization to the environment than vice versa. Hence, the Systems theory provides a way for us to examine the relationship between Prudent Bank Plc and its customers.

Action Assembly Theory

Baskin et al (1997) observed that all behavior is considered logical by the person behaving. If that is true, then to understand a person's behavior, we have to understand how he thinks. Action assembly theory provides a frame work for this study through which we can examine the cognitive as well as the behavioral disposition of banks customers. Greene (1984) as cited by Baskin et al (1997) believes that thinking can be explained at an abstract level by three constructs: structures, contents, and processes.

1) Cognitive structure: this defines the form that our thought takes. It is referred to by some people as script or schema, and others call it a frame. Cognitive structure can be simply described as a storyboard that defines how we expect a story to unfold. This structure is achieved as a result of a set of expectations that we have built over time.

2) Content: this refers to the basic characters, elements, details, and plot twists within the basic structure.

3) Cognitive processes: these refer to the operations that we employ for taking in, transforming and storing information, i.e. content.

The processes above clearly describe the involvement of the customers in determining what they find attractive and what they do not find attractive. Belch and Belch (2001) describe attractiveness as encompassing similarity, familiarity and likeability. Similarity represents the resemblance that customers perceive between the source of a message and the receiver of that message, familiarity refers to knowledge of the source through exposure, while likeability represents the affection of the sources as a result of behaviour or personal trait. In this study, our concentration will revolve around likeability, which is the affection or lack of it that the customers feel towards Prudent Bank as a result of the behaviour exhibited by its staff in the process of rendering their services.

Statement of the Problem

In almost all the definitions of the word "bank," there is an overwhelming emphasis on people, that is, the customers who patronize the bank. This crystallizes the fact that without the customers, there will definitely not be a bank. The banks are established to service the needs of their customers be it individuals or organizations.

Because of their service-oriented operations, banks thrive on the multitude of patronage. Unfortunately in many banks, the customers are not accorded their due respect; customers are made to stand on long queues for a long period of time. Also, some of the cashiers that are available execute their duties with non-chalant attitude. This makes it difficult for customers to predict how much time that they will spend at the bank, thereby making banking a dreaded experience for them. All of these reactions from the bank staff communicate certain messages to the customers, and those messages eventually determine the customers' reaction to the bank. The above factors therefore raise questions about the practice of customer relations in banks. Hence, this study is out to investigate the role of customer relations, which is one of the arms of public relations, in determining the attraction of customers to the services of Prudent Bank Plc.

Objectives of the study

The main purpose of this study is to determine whether or not the practice of customer relations in Prudence Bank plays any role in attracting customers to the bank. This will be evaluated by considering customers' perception of the disposition of the staff of Prudence Bank Plc towards them, and how it affects their own reactions.

Method of the Research

Research Design

This descriptive study adopted survey design. This method was adopted owing to the purpose of the study, which is to evaluate the role that customer relations play in determining customer attraction to Prudent Bank (Nig) Plc.

Study Population

The study population comprises the customers of Prudent Bank. The total number of the customers of the bank before the consolidation process was estimated to be between 2,000 and 2,500 in each bank at its Victoria Island Head Office, Lagos. Since this study was carried out before the consolidation, it was based on the above estimate. The choice of the Victoria Island Head Office was informed by its being a commercial area and also by the fact that it possesses a high concentration of banks, thereby giving customers a choice of patronage.

Instrumentation

For effective gathering of information, a questionnaire was designed for this study. There were two sections in the questionnaire; in the first section, respondents were asked to provide demographic data, while the second section contained questions related to customer satisfaction. The customer satisfaction survey consisted of 5 rank statements. The statements were selected from a pool of cleared statements selected after item analysis. The questionnaire asked customers to rate their satisfaction on issues such as quality of service received, accessibility of information, timeliness of response, and to what extent all these attract them.

Findings

Table 1

Summary of respondents' perceived efficiency of bank staff

They do not delay without reason

Response	**Percentage**
Strongly agree	65%
Agree	31%
Disagree	2%
Strongly disagree	2%
Total	100%
	N=100

Table 2

Summary of customers' satisfaction with customer relations activities of Prudent Bank

How satisfied are you with the customer relations activities

Response	**percentage**
Satisfied	85%
Not Satisfied	15%
Total	100%
	N= 100

Table 3

Summary of respondents' attraction owing to the level of services given to customers by bank staff

Their general response attracts customers to the bank

Response	**Percentage**
Strongly agree	74%
Agree	17%
Undecided	4%
Disagree	5%
Strongly disagree	-
Total	100%
	N= 100

Table 1 above shows that 100% of the respondents for this study responded to the statement "They do not delay without reason" using the five ratings as contained in the table. 65% of the respondents strongly agree that the staff of Prudent Bank don't delay without reason, 31% agree, while 2% and 2% disagree and strongly disagree respectively. In table 2, 85% of the respondents are satisfied with the customer relations activities of the bank while the remaining 15% are not satisfied. The last table which presents the respondents' response to the statement "Their general response attracts customers to the bank," shows that 74% and 17% of them strongly agree and agree respectively, 4% was undecided, while the remaining 5% disagree.

Discussion

The findings of this study show that the customer relations activities of Prudent Bank indeed influence the attraction of customers to the bank. 96% of the respondents gave a positive answer to the statement about the bank not delaying them without reason while only 4% reported other wise. The colossal difference between the responses portray to a large extent that the staff of Prudent Bank pay prompt attention to the customers. Since the staff of the bank have communicated to their customers that they are important by not keeping them waiting unnecessarily, it is therefore plausible that 85% of the respondents for this study is satisfied with the customer relations of the bank. The final table established the purpose for this study by showing that there is actually a relationship between the way the staff of the bank treat their customers, and how the customers are attracted to the bank; 91% of the respondents said that the general response of the staff of the bank attracts customers to the bank while only 9% disagree with this.

Conclusion

In general, the findings of this study indicate that organizations can not exist alone, but in relation to their environment. The relationship between a bank and its customers is permeated by messages sent back and forth defining the consequence of such a relationship. The study reveals that when the staff of a bank pay deliberate attention to the customers, the customers receive a favourable message, and are attracted to the bank. The implication of this is that banks will succeed in retaining their existing customers, as well as attract new ones when they put in more effort into their customer relations.

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