UNIVERSITY OF CAPE COAST

CUSTOMER SWITCHING BEHAVIOUR IN THE MICROFINANCE INDUSTRY: EVIDENCE FROM TAMALE METROPOLITAN AREA

BY

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DECLARATION

Candidate`s Declaration

I hereby declare that this dissertation is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate`s Signature:…………………….. Date……………………..

Candidate's Name: REXFORD AKYEA ASARE

Supervisor`s Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with guidelines on supervision of thesis laid down by the University of Cape Coast.

Supervisor`s Signature:……………………… Date………………………….

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ABSTRACT

This study sought to examine customer switching behaviour among microfinance customers. The study adopted the causal research design and used nine variables from the customer switching model to determine the customer switching behaviour in the microfinance industry. The study used 250 respondents who were conveniently sampled for data collection. The data collected from respondents were analysed using descriptive and inferential statistics. The findings of the study showed that customer switching behaviour among customers of microfinance institutions is moderately high. The study found that price, core service failure, service recovery failure, service encounter failure, attraction by competitors, and switching cost were statistically significant with customer switching behaviour. However, reputation of microfinance institution and involuntary switching were found not be statistically significant to customer switching behaviour. Service inconvenience, core service encounter failure, and switching cost were most significant variables. This implies that microfinance companies must consider how these three important service challenges can be reduced in their quest to reduce churn.

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DEDICATION

To Mrs. Rosemary Akyea Asare and Rexford Akyea Asare Jnr.

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LIST OF ACRONYMS

AMA	Accra Metropolitan Assembly
FNGOs	Financial Non–Governmental Organizations
ILO	International Labour Organisation
NGOs	Non-Governmental Organizations
NBFI	Non-Bank Financial Institutions)

CHAPTER ONE

INTRODUCTION

Background to the study

The late 1970s saw a growth in financial services targeted to help the poor in developing countries through initiative introduced by Non-Governmental Organizations (NGOs) and other development partners and contributed in putting microfinance on the limelight (World Bank, 2001, Ziem & Bebelleh, 2014). Ghana over the years has focused on Poverty Reduction Strategy as one of the core development strategies as part of Vision 2020 (World Bank, 2001). This led to the development of policy frame work for microfinance informed by the poverty reduction strategy, which is to help the private sector develop and also improve the financial markets to keep interest rates low (World Bank, 2001). The regulatory framework under the Banking Law (1989) and the Non-Bank Financial Institutions (NBFI) Law (1993) allows for a tiered structure of licensed intermediaries (World Bank, 2001). There has been a tremendous increase in the number of financial institutions in Ghana over the years. The growth in the sector means the level of customer satisfaction must be met and also service firms must be able to attract and retain loyal customers (Boohene & Agyapong, 2011). Building long term relationships with existing customers is now considered as a strategy for most financial institutions in a very competitive financial market (Clemes, Gan & Zang, 2010). Financial institutions are facing increased competition due to the entrance of financial and insurance firms in the traditional banking market and the wide range of offered products and services to public

(Mavri & Loannou, 2008). Blankson, Cheng and Sprears (2007) also assert that the financial sector has been characterized by increased competition since the early 1980's, and as a results of deregulation, has revolutionized the distribution of financial services. A phenomenal increase in changes in the financial market over the last two decades in Africa has created a great challenge to marketing management of the financial service sector (Owusu–Frimpong, 1999). The managers of these financial institutions must understand their customers in order to meet their needs and prevent them from switching to other service providers (Chiu, Hsieh, Li & Lee, 2004).

Switching behaviour is seen as the process of being loyal to one service provider and switching to another service provider, due to dissatisfaction or any other problem (Sathish, Naveen & Jeevanantham, 2011). Over the last several years, researchers have established that viability and profitability of a firm is adversely affected because of customer switching behaviour (Bansal, Taylor & James, 2003). Service providers switching can have a significant impact on a firm (Bansal, Taylor & James, 2003; Reichheed & Teal, 2001). The ability and willingness of consumers to switch is critically important in every market (Xavier & Ypsilanti, 2008). The globalization of competition, saturation of markets and development of technology has enhanced a situation where long term success is no longer achieved through optimized price (Kuusik & Varblane, 2009). It can cost as much as six times more to win a new customer than it does to keep an existing one (Rosenberg & Czepiel, 1984).

Service switching or defecting customers sends a clear signal of a declined market share, profit reduction and also a loss of future revenue to the service provider and this is making service providers to become more and more concerned about customers who choose to take their patronage elsewhere (Grace & O'Cass, 2001). Intense competition is prevalent not only for truly new customers in the market, but for existing ones in the market place who are equally incentivized with attractive offers to switch providers (Malhotra & Malhotra, 2013). Switching consumer behavior is an important concept in the study of consumer loyalty which has an implication for business.

In Ghana, customer switching behavior is one of the most significant factors influencing customer retention (Agyapong, Boohene & Gonu, 2013; Narteh, 2013). The heightened competition has made customer retention, customer relationship and customer loyalty a very crucial survival option. Customer switching behavior is very high due to fluctuating increase and decrease in market share of financial service providers over the years. Over the years, microfinance companies in Ghana that have been vibrant with high customer base have folded up due to competition. This raises customer loyalty and relationship marketing issues in respect to how micro finance companies attract and retain customers. The increasing number of microfinance institutions in the Tamale metropolis notably Baobab Microfinance, Sinapi Aba Trust Savings and Loans, Multi-Credit Savings and Loans, Yoli Microfinance Ltd, Talent Microfinance, Express Savings and loans Ltd, Innovative Microfinance Ltd, Utrak Savings and Loans, First National Savings and Loans, Softbiz Microfinance among others has resulted in increased competition. This therefore makes the retention of customers a critical success factor among microfinance institutions.

Statement of the Problem

Customer switching has widely been researched in a wide range of sectors including insurance (Van Beest, Lako & Mirjam-Sent, 2012), automobile industry (Kathira & Sood, 2005), retail (Leszcyc & Timmermans, 1997), online services (Chen & Hilt, 2002; Keaveney & Parthasarathy, 2001; Yen, 2010). One of the most widely studied sector in terms of customer switching behavior is the banking sector (Colgate & Lang, 2001; Gerrard & Cunningham, 2004; Keaveney, 2005; Mavri & Loannou, 2008; Narteh, 2013) which presents to researchers and marketers a wide range of literature to improve on customer retention strategies.

Research on customer switching behaviour has attempted to look at a number of factors influencing customer switching. Customer switching behavior in the banking industry is influenced by customer service, service problems, usage cost (Sathish, Kumar, Naveen & Jeevanantham, 2011), service encounter failures, price failures, and electronic failures (Narteh, 2013). Customer switching factors are also attributed to pricing, inconvenience, core service failures, service encounter failures, employee responses to service failures, attraction by competitors, switching cost (Anwad & Neimat, 2010). Colgate and Lang (2001) looked at factors such as availability and attractiveness of alternatives, service recovery as major factors affecting customer switching. Switching behaviour is also attributed to factors supporting switching behaviour and factors repressing switching behaviour which include change in service personnel, search and evaluation cost, leaving cost, percentage risk, price failure (Zikiene, 2012).

Most researches on customer switching behavior have used different factors that influence customer switching behaviours and this clearly indicates that there is no accepted theory that defines customer switching behaviour. This assertion is excellent where customer switching behavior is theorized using the General Systems Theory as an alternative framework for examining customer switching behavior (Njite, Kim & Kim, 2008).

Besides Keaveney's (1995) work, which applied grounded theory techniques to develop a consumer switching model, the other existing frameworks have extended existent theories from other disciplines to the study of customer switching (Njite et al., 2008). Keaveney (1995) proposed a theoretical framework for examining customer switching by using eight general categories, price, convenience, core service failure, service encounter failure, response to service failure, competition, ethical issues, and switching cost. Bansal and Taylor in 1999 proposed a service provider switching model (SPSM) and applied the Theory of Planned Behaviour (TPB) as an integrating part for the service industry. Their research was more of the influence of service quality on customer switching behavior but from non-existing marketing models like human migration (Njite et al, 2008). Another framework of consumer switching is the three component model of customer commitment to service providers by Bansal, Living and Taylor (2004) which applied commitment theory.

Following all these research in customer switching, it is evident that most research looked at the phenomenon as a cause-effect type of relationship. Factors such as customer-service provider relationship (length) and the issue of customer loyalty can be looked at as major factor in the Ghanaian financial market. Research has been conducted on customer relationship and customer loyalty as influencing factors of customer switching (Bell, Auh & Smalley, 2005; Caruana, 2004; Serkan & Gokham, 2006). In Ghana, customer relationship and customer loyalty are considered as retention factors in the financial market (Boohene & Agyapong, 2011; Koi-Akrofi, Koi-Akrofi & Welbeck, 2012). However a lot has been done in the banking industry (Mahmoud, Tweneboah-Kodua & Danku, 2011; Narteh, 2013) but not in the Microfinance sector. This presents an opportunity to contribute to theory and marketing practice by researching on customer switching behavior in the microfinance sector since this will provide strategic options for microfinance companies on how to retain customers in a very competitive environment.

Purpose of the study

The purpose of this research is to assess the factors that influence customer switching behaviour in the Microfinance industry in Ghana.

Objectives of the study

To achieve the research purpose, the following objectives are set to

1. analyse the factors influencing customer switching behaviour among Microfinance customers in the Tamale Metropolis.
2. examine the relationship between other customer switching factors and customer switching among clients of microfinance companies in the Tamale metropolis.

Research Questions

1. What are the factors that influence customer switching behaviour of microfinance customers in the Tamale Metropolis?
2. What is the relationship between other customer switching factors and customer switching of microfinance customers in the Tamale Metropolis?

Research Hypotheses

This research sought to test the following hypotheses in order to examine the relationship between customer switching factors and customer switching among microfinance clients.

H_1: There is a significant relationship between customer switching factors and customer switching behaviour among microfinance clients in Ghana.

H_2: There is a significant relationship between other customer switching factors and customer switching among microfinance clients in Ghana.

Significance of the Study

This research seeks to contribute to literature on customer switching behaviour and to marketing practice in how Microfinance companies in Ghana can identify factors influencing customer switching behaviour and how customer loyalty and customer relationship can be used to manage this situation. Also, the results of the study will therefore be of great benefit to the management of microfinance institutions in Ghana since it will bring to light the strategies of dealing with factors influence customer switching behaviour. This study will be significant for providing an insight into how microfinance institutions in Ghana can effectively streamline their customer service strategies to maintain valued customers. In looking at the customer loyalty and customer relationship issues in the microfinance sector, the research examined loyalty and relationship in the Ghanaian microfinance sector.

The study extends the customer service switching behaviour model by introducing customer loyalty and customer relationship concepts to the model. The study will provide insight into marketing strategies which can be adopted by Microfinance companies to retain customers. Finally, the findings of this study will contribute and complement the already existing knowledge and literature.

Delimitations of the study

The study basically sought to understand the factors that affect customer switching behaviours in the microfinance sector in the Tamale metropolis. The scope of study for microfinance is very wide but this study focused on customer switching as a major challenge to micro finance companies due to increased competition. The study was limited to customers in the Tamale metropolis to help researchers and practitioners understand the phenomenon of customer switching. The increase in the number of microfinance companies in the Tamale metropolis is an indication of growth in the sector in the region.

Limitations of the study

This study encountered the following limitations. This study was conducted in an area where there is high illiteracy rate. The research questionnaires needed to be translated to some respondents for understanding. The researcher did not have access to a sample frame which comprised data on current and former clients of microfinance companies within the study area.

Organisation of study

Chapter one introduces the study, the objectives of the research and the rationale for focusing on the study. Chapter one of the study consisted of background of the study, statement of the problem, purpose of the study, research objectives, research questions/ hypothesess, delimitations, limitations of study, and organisation of work. Chapter two reviewed theoretical and empirical literature which was done with reference to the objective of the project discussed earlier. Key concepts on the existing studies are reviewed and presented for readers understanding. Chapter three presented the most suitable methodology for carrying out the research. The design of the research including sampling method, data collection procedure and data analysis approaches is further developed to examine the research. The information collected was analysed and results outlined. Chapter four compared the findings from the study with existing literature in the area of financial services. Analysis of the antecedents of customer switching behavior in the microfinance sector were also examined and discussed. The Chapter concluded with the results obtained from the study. The Chapter five provided summary, drew conclusions and provides appropriate recommendations as well as direction for future studies.

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CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter drew from available literature on customer switching conducted by researchers. These studies provided strong theoretical bases for understanding the concept of microfinance and identifying the factors influencing customer switching among microfinance institutions. The review of literature was crucial in developing a conceptual framework for the study and also providing understanding on methodology.

Theoretical Underpinnings

Customer Switching Behaviour – Keaveney (1985) Model

Service switching is a process which involves a customer replacing or exchanging the current service provider with a new service provider (Colgate & Lang, 2001; Keaveney, 1995; Bansal, Taylor & James, 2003). Keaveney (1995) developed one of the first generalized models of consumer switching behavior that investigated a number of factors that influenced customers to switch service providers. Keaveney's (1995) exploratory research provided an initial insight into causal factors that influences service switching (Colgate & Lang, 2001). This exercise is important in addressing the major breakthrough of service switching as proposed by Keaveney (1995). The study proposed initially an eight-category switching antecedents including pricing, inconvenience, core service failure, service encounter failure, response to service failure, ethics, competition and involuntary switching.

Pricing

The pricing category included switching behaviours that involved prices, rates, charges, surcharges, service charges, penalties, price deals, coupons or price promotions. The study revealed that pricing category was the third largest switching category. (30%) of respondents mentioned price as a switching factor. Out of this, (9%) of respondents mentioned price as the only reason for switching but (21%) mentioned price as one of the two or more reasons why they switched. The price subcategories had high prices, prices increases, unfair pricing and deceptive pricing. These categories can be found in almost all service sectors. The respondents believe prices were sometimes too high relative to their internal reference prices, to high relative to the value of the service, and finally some felt they were being cheated by service providers **(**Keaveney, 1985).

Inconvenience

The second category classified under the study includes all factors or incidents in which the customer felt inconvenienced by the service provider's location, hour of operation, waiting time for service, or waiting time to get appointment. The study revealed that, more than (20%) of respondents said that at least one of their reasons for service switching is due to service inconvenience. The number of respondents that reported inconvenience as switching factor attributed it mainly to location, and long waiting times for delivery and appointments **(**Keaveney, 1985).

Core Service Failure

This represented the largest service switching category mentioned by (44%) of respondents as the main cause of service switch. Core service failure includes critical incidents as a result of technical problems with the service itself. The study showed more than (11%) of respondents mentioning it as the only factor affecting customer switch behavior. 33% mentioned core service failure as one of two or more reason why they switched provider. The respondents attributed core service failure to three main sub categories such as mistakes, billing errors, and service catastrophes **(**Keaveney, 1985).

Service Encounter Errors

Service encounter errors occurred through interactions with customer and service employees. Service encounter errors were the second largest category of service switching, which was mentioned by (34%) of respondents. Out of these, 9% attribute service encounter errors as the only cause of switching and an additional 25% of respondents said at least one or two or more reasons for switching. This category includes employee behavior such as uncaring, impolite, unresponsive, or unknowledgeable **(**Keaveney, 1985).

Attraction by Competitors

This category included critical switching incidents in which customers choose to move to better service provider rather than from an unsatisfactory provider. About (10%) of respondents mentioned that competitors' actions attracted them to switch due to issues such as those which were more personable, more reliable, provided higher quality etc. many respondents switched to new service providers even though the services they provided were expensive **(**Keaveney, 1985).

Employee Responses to Service Failure

The employee response to service failure is critical factor in the sense that the failure on the part of service employee to handle a service failure situation appropriately leads to customer switching. Over (17%) of respondents mentioned it as a cause of switching due to unsatisfactory employee response to service failure. Respondents reported issues such as employees feeling reluctant to respond, failure to respond and patently negative responses **(**Keaveney, 1985).

Ethical Problems

The ethical problem category considered switching incidents such as illegal processes and behaviours, immoral, unsafe, unhealthy, or other behaviours that do not conform to norms. About (7 %) of respondents cited unethical service provider behavior as at least part of the reasons for switching services. This percentage increases almost (9%) if deceptive pricing are added. Behaviours such dishonesty, intimidation, unsafe or unhealthy practices, and conflicts of interest were reported by customers as reasons for switching **(**Keaveney, 1985).

Involuntary Switching and Seldom – Mentioned Incidents

The involuntary switching category includes factors that are largely beyond the control of customer or service provider. About (6%) of respondents reported stories of service providers moving from locality, customer moving, or the third party had changed alliances with service provider. Finally, a category was created for Reponses mentioned only once or twice. These include some factors such as tangibles, crowding, and problem with other customers. Fewer than (5%) of these responses were seen as other factors affecting switching.

The concept of microfinance

Microfinance refers to small financial transactions between institutions and poor households and micro – businesses, employing unorthodox approaches (Brafu–Insaidoo & Ahiakpor, 2011). The concept of microfinance has grown over the years to be one of the most effective tools used for fighting poverty and the establishment of such institutions was justified on the grounds that it is probably the best strategy to bridge the gap between the poor and the financial market (Oteng–Abayie, Amanor & Frimpong, 2011). Ledgerwoods (1998) states that microfinance has evolved as an economic development approach to help low – income clients by providing financial services such as small loans, informal appraisal of borrowers, collateral substitution, access to repeat loans, streamlined loan disbursement and monitoring, and secure savings product. This definition includes both financial and social intermediation. Microfinance is not simply banking but can be said to be a developmental tool (Ledgerwood, 1998).

Steel and Andah (2003) define microfinance as small financial transactions with low–income households and microenterprises (both urban and rural), using non–standard methodologies such as character–based lending, group guarantees and short term repeat loans. From this perspective, the concept simply implies that clients being served typically lack the characteristics (e.g., titled property as collateral) required by commercial banks (Steel & Andah, 2003). Microfinance strategies and activities represent an innovative way to reach markets that are not being served by formal commercial banks (Mathison, 2005; Mohan & Potnis, 2010; Steel & Andah, 2003). Microfinance according to Khandelwal (2007) can be termed as “banking for the poor” which implies that most transactions under microfinance involve small amounts of money. The International Labour Organisation (ILO) considers microfinance activities as an economic development approach that involves providing financial services through institutions to low income clients.

Evolution of microfinance in Ghana

Microfinance has gone through four (4) phases : from phase one which saw government providing subsidies in the 1950s ; phase two where NGOs provided microcredit to the poor in the 1960s and 1970s ; phase three where there was formalization of microfinance institutions in 1990s ; and finally phase four which is characterized by commercialization of microfinance institutions (Dary & Issahaku, 2013). The late 1970s saw a growth in financial services targeted to the poor, through initiatives introduced by NGOs such as Grameen Bank in

Bangladesh and the affiliates of ACCION International in Latin America and these initiatives were followed in the 1980s by networks such as Women's World Banking (World Bank, 2001). This is as a result of a conscious attempt by development practitioners who have been trying to improve the lives of billions of people who lack access to productive capital because of the perceived high cost and risk associated with formal financial lending (Issahaku, Dary & Ustarz, 2013).

Microfinance is not a new concept in Ghana since it has always been a common practice for people to save or acquire loans from individuals and groups in order to embark on small businesses or farming ventures (Bank of Ghana, 2007). Prior to formal banking system in Ghana, traders depended on informal banking services and semi – formal saving and loans schemes (Egyir, 2010). Evidence suggests that the first case of micro credit union in Africa was probably established in Northern Ghana in 1955 by the Canadian Catholic missionaries (Bank of Ghana, 2007). It is believed that Susu, which is a major microfinance scheme in Ghana originated from Nigeria (Brafu–Insaidoo & Ahiakpor, 2011). The state of microfinance in Ghana has seen a tremendous improvement due to various financial sector policies and programs such as the PNDC Law 328 of 1991 that allowed for establishment of different types of non – bank financial institutions such as rural banks, savings and loans, finance houses and credit unions (Brafu–Insaidoo & Ahiahpor, 2011). In 1993, the government of Ghana enacted the Non-bank Financial Institutions Law to create an alternative financial market to provide the needs of clients that were not being served by traditional financial institutions (Ledgerwood, 1998).

Microfinance and Development

According to Ledgerwood (1998) and Bank of Ghana (2007).microfinance is growing due to several reasons:

First, the promise of reaching the poor. This is due to the fact that government and international agencies are using microfinance as a means of supporting low income generating activities for small medium enterprises. It is against this background that developing countries have embraced the concept of microfinance. The poor needs access to productive resources, with financial services being a key resource, individuals will be able to work and improve their condition of life. Second, the potential to build on traditional system. Microfinance activities sometimes apply traditional systems such as (rotating savings and credit associations). This offers greater flexibility and at more affordable price which enables microenterprises to gain access to funds.

Third, the availability of better financial products as a result of experimentation and innovation. The major evidence proving that microfinance institutions are innovative is the ability to solve the problem of lack of collateral by using group – based and character – based approaches.

Three Broad Types of Microfinance Institutions in Ghana

There is not much knowledge on which institutions provide financial services to clients in Ghana. Currently, there are three broad categories of microfinance institutions in Ghana. These are: formal suppliers of microfinance (i.e. rural and community banks, savings and loans companies, commercial banks); semi-formal suppliers of microfinance (i.e. Credit unions, financial non–governmental organizations (FNGOs), and cooperatives); informal suppliers of microfinance (i.e. Susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs) traders, moneylenders and other individuals).

The framework of microfinance

The key microfinance stakeholders comprise: microfinance institutions including the Rural and Community Banks, savings and loans companies, financial NGOs, primary societies of credit union association (CUA), Susu Collectors Association of GCSCA, development and commercial banks with microfinance programs and linkages, and micro–insurance and micro–leasing services. Also, microfinance Apex Bodies, namely; Association of Rural Banks (ARB), ARB Apex Bank, Association of Financial NGOs (ASSFIN), Ghana Cooperative Credit Unions Association (CUA), and Ghana Cooperative Susu Collected Association (GCSCA). Further, end users including economically active poor who are clients of microfinance products and services. Additionally, Technical Service Providers made up of microfinance and small loans center (MASLOC) including the Ghana microfinance institutions network (GHAMFIN), development partners and international non–governmental organizations, and universities, training and research institutions. Finally, government institutions including Ministry of Finance and Economic Planning, Ministries, Departments, Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs) (Bank of Ghana, 2007).

Increased competition in the financial market

The dynamic nature of financial markets is an indication to financial managers that understanding and reacting to changes of customer behavior is an inevitable aspect of surviving in a competitive market. The financial market is very competitive with banks, non–banks and other financial institutions competing against each other as a result of products and services losing their key differentiations due to brand parity.

Marketing of Microfinance in Ghana

Marketing as a business activity must not be understood as just selling and advertising. This has narrowed the understanding of the marketing concept. Marketing "is the activity, set of institutions, and processes for creating , communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large"(Accra Metropolitan Assembly, (AMA), 2013). This definition reechoes the need to consider marketing not just selling and advertising but means of satisfying the needs of customers. Microfinance institutions must therefore understand customer needs, develop products and services that provide value for clients. This can be done by adopting a marketing orientation concept. Kohli and Jaworski (1993) identified that a marketing oriented organization will have the following characteristics: top management emphasis on marketing orientation with departments engaging in activities geared towards developing an understanding of current and future needs; sharing of information across departments and gathering of marketing intelligence by tracking changing market situations and responsiveness to market needs.

One of the major marketing activities of microfinance in Ghana is marketing communication (Brafu-Insaidoo & Ahiakpor, 2011). Marketing communication strategies used by microfinance institutions identified by Brafu – Insaidoo and Ahiakpor (2011) includes: Advertising- using mass media like TV, radio, press, outdoor and transport media to reach audiences. One common method of advertising is specialized vehicles, point of sale displays, sales literature etc. Also, personal selling-face-to-face communication by representations of microfinance institutions to customers which may include the use of supporting materials for presentations, display etc. Moreover, sales promotion–this usually are done through organized events with short term objectives using mass media such as TV, radio etc. promotions such as reduction in interest on loans, customer competitions, giving away home appliances and other accessories in return for deposits. Finally, public relations- the microfinance institutions create and maintain positive corporate image through news stories, engaging in developmental activities. This is done through corporate social responsibility programmes. The practice of marketing activities is seen to be centered on strategies to win customers.

Customer Switching Behaviour in Financial institutions

Keaveney (1995) used a generalized approach when investigating the antecedents of service switching and hence studies in the banking and financial services must narrow the operationalization of antecedents of switching to suit the sector. A number of researchers seem to agree with Keaveney's (1995) categorization of service switching antecedents (Clemes, Gan & Zang, 2010; Colgate & Lang, 2001; Gerrard & Cummingham, 2004). Previous studies have used broad constructs such as service quality and satisfaction (such as SERVQUAL) as basis for customer switching (Bitner, 1990; Zeithaml, Berry & Parasuraman, 1996). In order to really acknowledge the important drivers that affect customer switching in the service sector, there was the need to shift away from a focus on broad concepts of service provision and rather placing more emphasis on classifying the specific problems. It is on this background that researchers have tried to build upon the exploratory research conducted by Keaveney (1995).

Colgate and Lang (2001) however, on building on Keaveney's (1995) study postulated three major antecedents affecting customer switching in the Banking or financial service provider. Colgate and Lang (2001) found that service failure, pricing problems and denied service resulted in customer switching. According to them, dissatisfied customers may exit the financial service provider rapidly or gradually over time. They found that about 23.7 percent left within three months after becoming dissatisfied and some customers representing 46.9 percent left the service provider after two years. With core service failure, they found that this variable accounted for about (52%) of customer switching. Also, service failure included items such as mistakes, errors and inconvenience issues. The second highest switching variable is as a result of pricing problems. The items discussed under the pricing variable are related to the general concept of fees and charges. These include bank fees, charges, interest rates on savings and borrowing (Colgate & Lang, 2001). The third factor identified as causing customer switching is service recovery. A similar study conducted by Clemes, Gan and Zang (2010) on the antecedents of switching behaviour revealed that out of 29 variables submitted for factor analysis, seven factors were extracted. These factors identified include Price, Reputation, Service quality, Effective advertising competition, involuntary switching, distance, and switching cost.

Gerrard and Cummingham (2004) in investigating customer switching behavior in the Asian Market acknowledged the fact that Keaveney's (1995) exploratory work on customer switching presented a basis for the study. The study came up with classifications such as service failure, pricing, inconvenience, reputation, promotions, involuntary, and recommendations. These previous literature on customer switching behavior in the financial service sector presents to the study the classifications that was used to assess the phenomenon among customers of microfinance institutions in the Northern region of Ghana.

Factors influencing customer switching and hypothesized relationships

From available literature of customer switching behavior, key factors were evident from studies that were reviewed. The following factors therefore will be hypothesized to indicate their relationship with customer switching.

Price

Price is an attribute that must be given up to or sacrificed to obtain certain kinds of products or services (Zeithaml, 1988). A number of studies on customer switching have considered price as an important variable (Colgate & Lang, 2001; Gerrard & Cummingham, 2004); Keaveney, 1995; Narteh, 2013). Price in terms of it being a switching factor in financial service refers to fees, higher bank charges, low interest rate paid on credit accounts, higher interest rate paid on loans (Gerrard & Cummingham, 2004). Keaveney (1995) looked at price increases, higher prices, deceptive prices and unfair pricing strategies as major reasons why customer's switch service providers. Keaveney (1995) explains that pricing includes rates, fees, charges, surcharges, service charges, penalties, price deals, coupons or price promotions. Gerrard and Cummingham (2004) classified pricing as second most important switching factor in their research in the financial sector. In the Ghanaian context these reasons can be said to have an impact on customer switching intentions and behaviour (Narteh, 2013). Therefore the following hypothesis can be proposed;

H_1. There is a positive relationship between unfavourable perception of price and customer switching in micro–finance institutions.

Core Service Failures

Keaveney (1995) explained that, core service failure is the main determinant of customer switching. Core service failure included all critical incidents that were attributes to mistakes or technical problems with the service itself. Nartey (2013) attributed the failure to meet client's needs, difficulty to access loans and overdraft, mistakes on accounts and improper records as main issues with core service failure in the Ghanaian Banking sector. Clemes, Gan and Zang (2010) also attributed core service failure to incidents of mistakes and other technical problems with the service. Gerrard and Cummingham (2004) stated that core service failure is related to product failure in terms of offering an inferior range of services, being relatively backwards in the financial service industry's use of technology. A number of studies have rated core service failure the major service switching factor (Colgate & Lang, 2001; Keaveney, 1995; Narteh, 2013). These findings lead to the core service failure hypothesis

H_2. There is a positive relationship between customer's perception of core service failure and customer switching among Microfinance clients.

Service Encounter Failures

Keaveney (1995) defined service encounter failures as personal interactions between customers and employees of service firms. This exploratory study revealed that, service encounter failure is the second largest category of service switching. Employee behaviours such as being uncaring, impolite, unresponsive, and unknowledgeable accounts for service switching (Keaveney, 1995). Colgate and Lang (2001) stated that service encounter failures were as a result of problems with interactions between service employee and customer in the Australian and New Zealand banking sector. Narteh (2013) attributed service encounter failures to staff being unsympathetic and unwilling to help, staff appearing rude and snobbish, and staff not competent and knowledgeable. This finding in the Ghanaian among banking clients presents to the study a hypothesis of service encounter failure.

H_3. There is a positive relationship between service encounter failure and customer switching among Microfinance clients.

Involuntary Switching

Keaveney (1995) explained that this category included responses that described switching because of factors largely beyond the control of either the customer or the service provider. These include service switching because the service provider has moved, the customer had moved, or the third party (agent) has been changed alliances (Gerrard & Zang, 2004). Customers may switch from service provider upon moving house, changing job, or retail branches closing down (Clemes, Gan & Zang, 2010). These studies acknowledges the fact that, involuntary switching may be uncontrollable but presents to service providers a valuable strategic information tool to assess the probability of involuntary switching. These lead to the following hypothesis.

H_4. Involuntary customer switching affects customer switching Microfinance institutions.

Attraction by Competitors

Keaveney (1995), attribute this category of service switching to moving from current service provider to new provider. Clients moved to other providers who they believe are more personable, having friendly staff, more reliable, and provided higher quality service. Colgate and Lang (2001) introduced the advertising a major switching and retention factor from the study of Cengiz Ayyildiz and Er (2007). The study suggests that, advertising informs potential customers of service quality and plays an important role in attracting customers. Effective advertising by competitors captures the attention of customers and enhances customer loyalty. Advertising service is positively associated with consumers' expectations of benefits, and guides their purchasing behavior. The following hypothesis is proposed:

H_5. There is a positive relationship between competitor's actions (effective advertising) and service switching in Microfinance.

Service recovery Errors

Employee service recovery failures include incidents in which customers switched, not because of service failure, but because service provider failed to correct or handle a mistake appropriately (Keaveney, 1995). Service problems due to the failure of the service firm to resolve previous complaints may lead to service switching. Narteh (2013) attributed the slow response rate of complaints, unsatisfactory handling of complaints and not resolving conflicts and complaints to service switching clients in the Ghanaian banking sector. The inability of service providers to resolve service failure incidents will lead to customer switching. The following hypothesis is proposed:

H_6. There is a positive relationship between service provider's inability to handle failure and service switching among Microfinance clients.

Reputation

Reputation is all about customers, employees and the public's experiences, perceptions and opinions about an organization's qualities, characteristics and behavior (Vyas & Raitani, 2014). Vyas and Raitani (2014) explained that, reputation is considered as banks image related measure which looked at the trustworthiness and financial stability of institution. This was supported by Gerrard and Cummingham (2004) where customers attributed this to the integrity of the bank and its senior executives and the perceived financial stability. A good reputation can help strengthen customers trust and confidence in the financial institution, while an unfavourable reputation can increase the probability of the decision to switch therefore the hypothesis of reputation and customer switching can be proposed:

H_7 There is positive relationship between an unfavourable microfinance company reputation and customer switching.

Switching Cost

This involves the financial and non – financial cost incurred in changing service providers. Clemes, Gan and Zang (2010) asserted that switching cost is a major factor that prevents customers from switching service providers. They further reveal that a unit decrease in switching costs has the maximum impact on the probability that a customer will switch banks. Switching cost is an important variable in the study of customer switching since it serves as a switching barrier to make the switching process more involving and less attractive to customers.

According to Bansal and Taylor (1999) switching cost plays an important role in customer switching than customer satisfaction. They argued that because switching cost of switching inhibits customers from engaging in switching behavior, it may be an appropriate strategy for the service provider to increase the cost associated with switching. There is evidence of banks that have penalties in place to discourage people from switching to a different service provider. Berry and Parasuraman (1991), explains that, switching cost can be raised once customers increase their dependency on a long-term relationship. Clemes, Gan and Zang (2010) gave an example of how banks link their customer's portfolio investment to their bank accounts and instruct customers to notify managers of their intention to switch to another bank. Switching cost can also be the extra benefit extended to loyal customers such as offering discounts which encourages them to use a wide range of financial services. Switching cost may be used to prevent customer churn through building of loyalty. The following hypothesis can therefore be proposed:

H_8 There is a positive relationship between low switching cost and customers switching in Microfinance Company.

Empirical Review

A number of studies have identified relationship between customer switching factors and customer switching in financial sector. Most of these studies were in the banking sector and therefore can be used as a basis for studying microfinance customers. Most of the studies used the customer switching factors.

One of major antecedents of customer switching is switching cost. This variable has been studied by numerous researchers. There are therefore abundant empirical findings on the relationship of switching cost and customer switching. According to Clemes, Gan ang Zang (2010), a unit decrease in switching cost results in a (15.1%) percent probability that a customer will switch financial service. Bansal, Irving and Taylor (1999) in a study on switching behavior attributed (28%) of service switching to switching cost. Vyas and Raitaini (2014) identified that managers of financial services use switching cost as a barrier to prevent customers from moving to different service provider. Studies have also identified pricing as an antecedent of customer switching in the financial market. According to Vyas and Raitaini (2014), price perceptions can cause customers to switch banks. It was also identified as the third highest reason by customers switched service providers (Keaveney, 2005). Keaveney (2005) identified that about 30 percent of customer switching is attributed to pricing problems. Colgate and Lang (2001) using regression analysis identified that, pricing problems resulted in (27%) percent of customer switching. Gerrard and Cummingham (2004) also found out that (32%) of switching is attributed to pricing. Clemes, Gan and Zang (2010) also identified that a unit increase in price would result in a 12.63 percent increase in customers' probability to switch banks. This study also supports the fact that price is the second most important factor influencing bank customers' switching behavior.

The highest category identified by Keaveney (2005) as influencing customer switching is core service failure. According to him, (44%) percent of respondents mentioned core service failure as a reason for switching. Colgate and Lang (2001) again identified service failure as the number one reason for switching. They found that 32 percent of respondents had switched banks due to service failure. Narteh (2013) related core service failure to electronic banking failures. Frequent breakdowns in banking systems pose a number of challenges to service providers. He said Core service failure therefore involves the inability of the banks to attend to all the banking needs of customers promptly. Narteh (2013) in an attempt to found out whether banks are able to meet the needs of customers identified that about (55%) of customers' respondents that banks have not been able to satisfy their needs. Also, switching as a result of difficulty in securing loans and overdraft was cited by Narteh (2013) as a core service failure which resulted in about 39 percent of customer switching in the banking sector. In all, core service failure represented a mean of 3.698 Apart from core service failures, service recovery failures were also identified to be an antecedent of customer switching. About (17%) of respondents mentioned service recovery failure as a reason for switching. According to He further indicated that service recovery failures in relation to slow complaint resolution, inability of the banks to solve complaints satisfactorily, and sometimes failures on the part of the banks to act accordingly. Narteh (2013) found that, these three service recovery issues had a correlation value of 0.765, 0.687, and 0.645 respectively with service switching.

Marketing communication tools such as advertisements are used to attract customers from competitors. Studies have found a relationship between promotions (advertisements). Gerrard and Cummingham (2004) again found that 3 percent of customers may switch from one bank to the other due to promotional activities. Attraction by competitors is seen as critical switching incident which represented (10%) percent of responses by customers. The reputation of the financial institutions has also been seen as a major antecedent of customer switching. Unlike other factor, Clemes, Gan and Zang (2010) later however, ranked reputation as the sixth factor affecting customer switching. Reputation accounted for (5%) of customer switching among respondents.

Conceptual framework of Customer Switching

The review of available literature revealed the factors affecting customer switching in the financial sector. The conceptual framework for this research is developed based on the hypotheses.

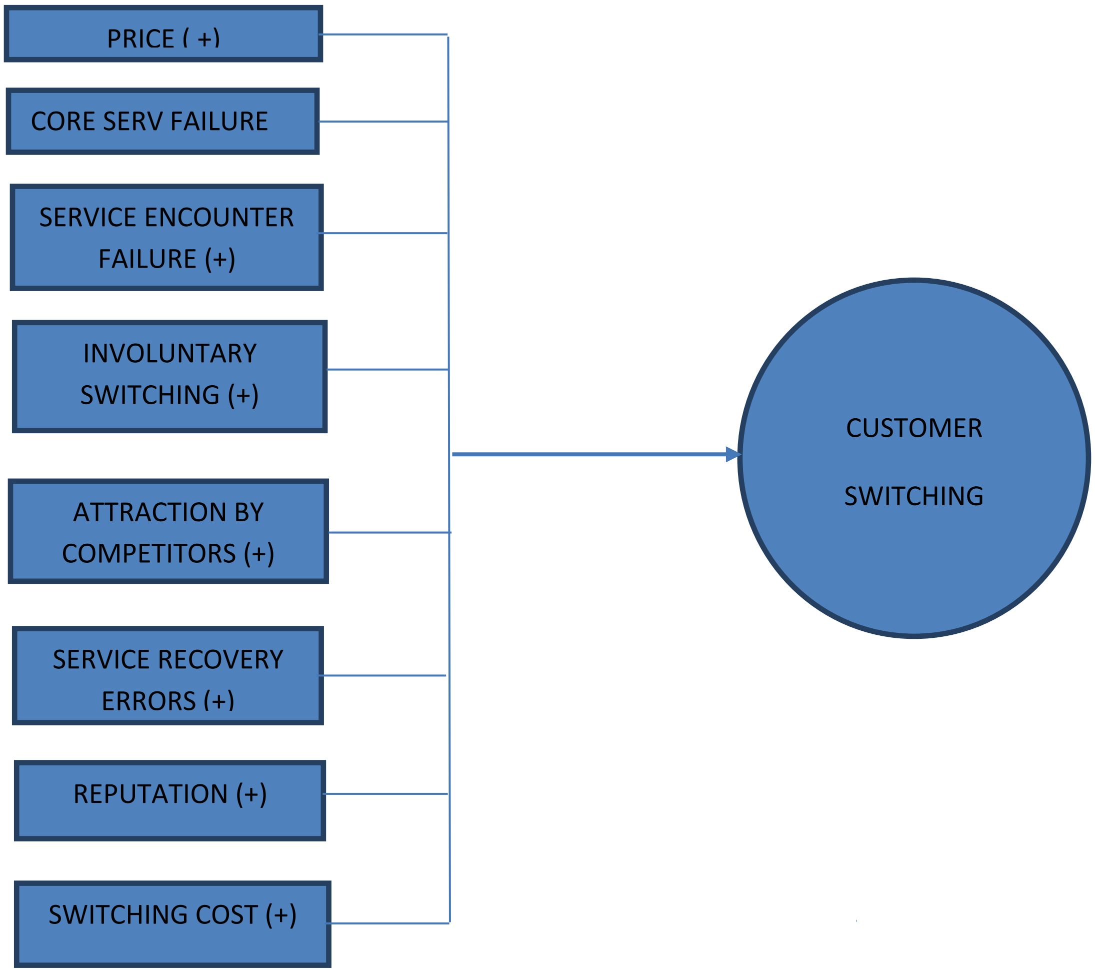

Figure 1. Factors influencing customer switching behaviour in Microfinance industry
Source: Adapted from Keaveney (2005).

The conceptual framework represents factors influencing customer switching behavior among Microfinance companies. Switching factors drawn from studies in the banking sector have been identified as having a relationship with customer switching. Switching factors include price, core service failure, service recovery failure, and service encounter failure, attraction by competitors, involuntary switching, and reputation and switching cost. Apart from switching cost, all the other factors have a positive relationship with customer switching.

Chapter Summary

The purpose of the above literature review was to review the studies relating to customer switching behaviour and the factors influencing it with focus on microfinance institutions in Tamale as a case study. Perspectives of different scholars and researchers were presented so as to establish what had already been done that was relevant for the study. On both the theoretical and empirical side, the literature revealed that studies have been done in the area, however strategies for dealing with customer switching behaviour with particular reference to microfinance institutions was not properly explored. Indeed, empirical studies on analysing customer switching behaviour and the factors influencing it with focus on microfinance institutions for developing countries cases including Ghana using quantitative approach have been very elusive.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter discusses the research methods used to carry out the study on customer switching behaviour in the microfinance institutions. The methodology seeks to provide into details how the research questions identified earlier were answered. The chapter comprised the research approach, research design and strategy, study area, target population, sample and sampling technique, research instruments, source of data collection, analysis of data, research ethics, and chapter summary.

Research Approach

This study adopted the deductive approach to research which is appropriate to objectives of the study. The choice of this approach is based on the fact much of the study is descriptive and also the study dwells on the existing theories to come out with a generalisation of the study findings using the scientific method. Thus, with the deductive approach to research a theory is adopted and subsequently a hypothesis is developed to test the relationship between the variables in the construct as used by this study. This approach adopts statistical tools and methods in analyzing its data. The deductive approach to research does not address specific problems or occurrences rather its outcome is generalized. Existing literature has described the quantitative approach as a deductive approach.

Research Design

A research design describes the plan in answering the research questions of a study. The study therefore adopted the explanatory or causal research design. This is justified by the research objective which sought to establish a causal relationship between customer switching behaviour factors influencing it as indicated in the conceptual framework. Saunders et al. (2007) refer to explanatory studies as a study which lays emphasis on studying a situation or a problem in order to explain the relationship between variables.

Study Area

The study focuses on the Tamale Metropolitan Area in the Northern region of Ghana. Tamale is a rapidly expanding city of about 1.2million residents two years ago (World Bank, 2002). Accra is administered by the Tamale Municipal Assembly (TMA). The city of Tamale is experiencing a shift from a compact city characterised by high density, mixed land use, concentration of settlements. Tamale was selected because the city is an urban area with a lot of microfinance institutions and people fully congested with business-related activities as seen in other parts of the country.

Population

Target population is defined by Kitchenham (2002) as the group or the individuals to whom the survey applies. The target population for the study is the customers of microfinance companies in Tamale. The population size is about Seven Hundred and Fifty (750). Thus, the population of the study consisted of microfinance customers in Tamale to whom the research findings would be generalised. The choice of Tamale as the study area was the fact that it is now a business zone and a lot of microfinance companies are found there and it has the require microfinance companies for the this study.

Sample and Sampling Technique

The sample size for the study is Two Hundred and Fifty (250) respondents, which was determined using the Krejcie and Morgan (1970) sample size determination table. This sample size was chosen due to the nature of the population and the time within which the study was to be completed. For the purpose of this study, both probability and non-probability sampling techniques were used. Thus, purposive and simple random sampling techniques were used in selecting the sample or group of subjects from the population for the study. Saunders et al. (2012) defines simple random sampling as probability sampling procedure that ensures each case in the population has an equal chance of being included in the sample. This technique therefore affords each individual of the population to have an equal chance of being included in the sample.

In order to identify response to the questionnaire, the purposive sampling technique was adopted because there is no available sample frame for microfinance customers. The sample consisted of microfinance companies in the Tamale Metropolis. However this technique is prone to biases by the researcher since the study must use sample which is a representative of the total population (Saunders et al., 2007).

The sample size for the study constituted 250 account holders of microfinance institutions who provided information relating to their intention to switch or have switched from one micro finance company to the other and their experience which resulted to the decision. This sample size was selected because, at any alpha level, increased sample sizes produce greater power for the statistical test (Hair, Black, Babin & Anderson, 2010).

Research Instruments

The main research instrument for the collection of data was a questionnaire. This is a survey research and that using questionnaire was appropriate (Creswell, 2003). The measuring scales were adapted from similar articles in the relating to this study (Clemes, Gan & Zang, 2010; Colgate & Lang, 2001; Gerrard & Cummingham, 2001; Keaveney, 2005; Narteh, 2013). These measuring scales were nominal, ordinal, interval, and ratio.

The first part of survey questionnaires elicited information from respondents on their demographics. The second part of the questionnaires collected data on the perception of customers on the various customer switching factors. A five point Likert scale was used to collect data on these independent variables. The scales ranged from least agree (1) to strongly agree (5). The final part of the questionnaires included a 3-item questionnaire to collect data on the customer switching behaviour.

Sources of Data collection Method

The study used only primary data sources. Thus, the study used primary data collected across customers of microfinance institutions in the Tamale metropolis. With the source of information been the sampled customers, the data collection procedure adapted was the self administered questionnaire by the respondents. In this study, structured questionnaire as a primary data collection method was used to collect the data. Questionnaires were the data collection instruments enabled the researcher to pose questions to respondents for answers to the research questions. The questionnaires contained both closed and opened ended questions. A covering letter was attached to the questionnaire to assure respondents of their anonymity. A consent form was also attached to the questionnaire. In addition, the Likert scale format was be used. A Likert scale format involved the use of a special rating scale that asked respondents to indicate the extent to which they agree or disagree with a series of statements about a given subject. However, the questionnaires were pretested on a smaller size of the sampled respondents for the research. This was to ensure that the questionnaires designed solicited the appropriate responses from the respondents to answer the research questions for the achievement of research stated objectives. The use of closed-ended as well as opened-ended questions allowed the researcher to make easy categorization and analysis.

Analysis of Data

Returned questionnaires were edited to correct probable errors and to sort out misconceptions and misunderstandings to ensure credibility of the research.

The assessment of reliability measures the customer switching items intended to be tested for the use of the questionnaire was done through the use of Cronbach's alpha 'α'.

The Statistical Software for Social Sciences (SPSS) was used to process the data collected. The first part of the questionnaires was analysed to identify the demographic features of respondents using descriptive analysis. The measuring scales adapted in each of the customer switching variables developed by Keaveney (2005) were tested. A correlation analysis was used to determine the relationship between customer switching factor and service switching among respondents, the nature of the relationship (positive or negative), and the degree of association between the variables.

Ethical considerations

The study relied on the responses of account holders in the micro finance industry in its analysis. This study sought to comply with ethical standards devoid of any liabilities to the respondents and also administer clear questionnaire intended to derive the needed response. Thus, the study assured the respondents that whatever they would say by way of information would remain confidential. The researcher explained the purpose of the study to the respondents. This was done to avoid deception. Not only the above, the researcher also sought consent of the appropriate authorities before collecting the data. As a result, the respondents gave out information voluntarily for the study. The goal of ethics in research is to ensure that no one is harmed or suffered adverse consequences from participating in research activities.

Chapter Summary

This chapter presented the research methods appropriate for conducting the study. This study followed Clemes, Gan and Zang (2010), Colgate and Lang (2001), Gerrard and Cumminghamp (2001), Keaveney (2005), and Narteh (2013) to design the appropriate research instrument for the study. Questionnaire was used for collecting the data from the field. The study used primary data from the various cross-sections where a sample size of Two Hundred and Fifty (250) respondents was selected for the study. Both probability and non-probability sampling techniques were used. Furthermore, the study adopted the deductive and used a causal research design to study customer switching behaviour and factors influencing it. Lastly, the data were analysed using the Statistical Product for Social Sciences (SPSS) software.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presented the analysis and discusses quantitative information collected from respondents through survey. The broad objective of this study was to investigate customer switching behavior in microfinance institutions. A total of Two Hundred and Sixty (260) questionnaires were distributed to respondents of which Two Hundred and Fifty (250) were returned. Thus, the study recorded (96%) response rate. The chapter employed descriptive and correlation analysis tools to address the specific research questions of the study. The analysis and interpretation of the empirical data for the study are presented as follows.

Background Information of Respondents

This session sought to collect data on the demographic information in relation to respondents used for the study.

Age of Respondents

Majority of the respondents, 133 (53%) were found in the age category of 25 to 40 years. This was followed by 50 (20%) of the respondents who reported to fall in the range of 41 to 60 years, while 47 (19%) of the respondents were in the age category of 18 to 24. The least category represented in the study was 61 and above which constitution only (8%) of the total respondents. See Figure 2 for details.

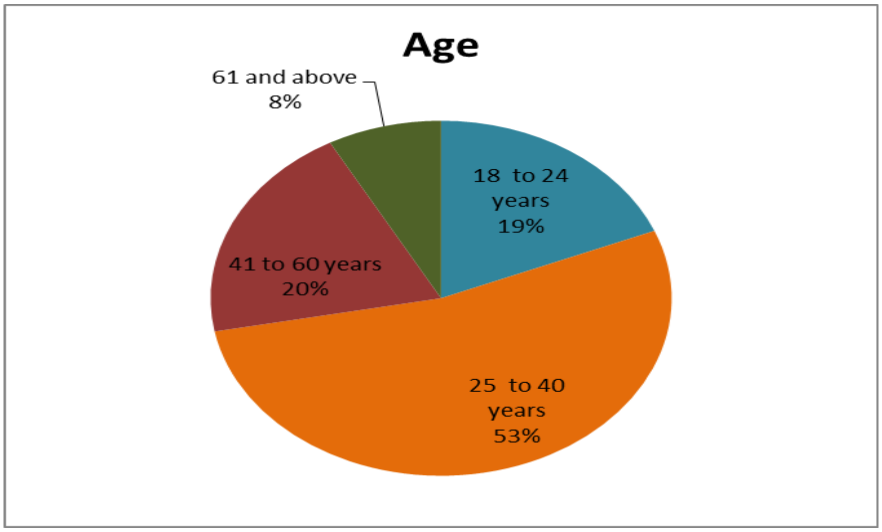

Figure 2: Age of respondents

Source*:* Field data, 2015

Gender of Respondents

The majority of the respondents were females 143 (57%) whereas 107 (43%) were males. Figure 3 below depicts this information. The number of females being greater than males can be justified based on the research setting. The research setting is basically market and business centres predominantly occupied by women.

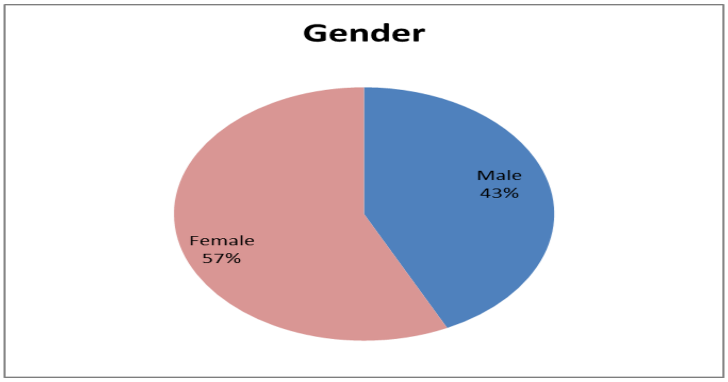

Figure 3: Gender of respondents

Source*:* Field data, 2015

Nature of Business or Profession

When respondents were asked about the kind of business or profession they do, it was revealed that most of the respondents representing (40.8%) of the respondents were into trading, 63 of respondents representing (25.2%) were employed in the private sector, 55 representing (22%) of the respondents were employed in the government sector. The least respondents were 30 representing (12%) who were into farming.

Provision of services by microfinance institutions

Respondents were asked of the service they are currently enjoying with microfinance institution. From the results, majority of respondents 79 (31.6%) were operating savings and loans, 63 (25.2%) of the respondents operated in investment, while 60 (24%) of the respondents were having deposits but at least 48 (19.2%) of the respondents operated in saving and loans, deposits and investment. Table1 illustrates the above information.

Table 1: Type of Accounts held by Clients

Response	Frequency	Percent
Saving and Loans	79	31.6
Deposits	60	24.0
Investment	63	25.2
All the above	48	19.2
Total	**250**	**100.0**

Source*:* Field data, 2015

Objective One: Factors Influencing Customer Switching Behaviour in Microfinance Institutions

This section analyses factors that influence consumer switching behavior in relation to microfinance institutions within the last three years. Consumer switching behavior was evaluated on nine sub-sectional levels and these are price, service inconvenience, cost service failure, attraction by competitors, employees' response to service failure, service encounter failure, reputation, involuntary switching, and switching cost. Respondents were presented with a set of measuring items captured under each individual sub-sectional level and respondents were to respond to each item using a five point Likert scale measurement. An aggregated mean (M) and standard deviation (SD) were calculated for individual items as well as the overall measuring indicator for the purpose of comparison.

Price

From Table 2, the picture that emerged from the analysis of responses given by respondents suggested that on average, there were moderately high prices charged by microfinance institutions (M = 2.93). Particularly, respondents gave the quite high approval rating (M = 2.31, SD = 1.25) to the statement "The microfinance company charged high fees". The next approval rating (M = 3.22, SD = 1.12) was given to the statement that "The microfinance company used deceptive pricing strategies" and (M = 3.12, SD = 1.09) to the statement "The microfinance company charged high interest for loans". But a moderate number of respondents (M = 2.96, SD = 1.33) agreed to the statement "The microfinance company's prices are unfair". This result is in line with the findings by Keaveney (2005), Colgate and Lang (2001), and Bansal et al. (2004).

Table 2: Price

Variables	N	M	SD
The microfinance company charged high fees	250	2.31	1.25
The microfinance company charged high interest for loans	243	3.12	1.09
The microfinance company provided low interest on savings	250	3.08	1.09
The microfinance company used deceptive pricing strategies	247	3.22	1.12
The microfinance company's prices are unfair	247	2.96	1.33
Total	**237**	**2.93**	**0.65**

Source*:* Field data, 2015

Service Inconvenience

In the assessment of service inconvenience among respondents, the general picture which emerged from the analysis indicated that, the overall mean of responses relating to inconvenience was moderate (M=2.45, SD=0.63). Specifically, the statement that respondents gave a higher approval rating (M=2.76, SD= 1.15) was "There was long waiting time to get service or an appointment". This was followed by the statement, "The microfinance company's opening and closing hours was inconvenient" (M: 2.48, SD: 0.92) as indicated in Table 3. On the other hand, the statement that respondents gave least approval rating was "The branch locations of the microfinance company were inconvenient" (M: 2.11, SD: 0.91). By implication, customers of the microfinance institutions felt inconvenient with their operating time. These results again confirm studies by Keaveney (2005), Colgate and Lang (2001), and Bansal et al. (2004).

Table 3: Service Inconvenience

Variables	N	M	SD
The branch locations of the microfinance company was inconvenient	246	2.11	0.91
The microfinance company's opening and closing hours was inconvenient	246	2.48	0.92
There was long waiting time to get service or an appointment	246	2.76	1.15
Total	**246**	**2.45**	**0.63**

Source: Field data, 2015

Core Service Failure

The study also sought to determine the relationship between core service failure and customer switching regarding microfinance institutions. The study showed that there is a moderately high level of core service failure. Table 4 showed an overall mean rating of 2.65 as aggregated from respondents and with standard deviation of 0.60. Specifically the statement that respondents most affirmed was "I always encounter mistakes in dealing with microfinance company" as it attained a respective mean and standard deviation of 3.06 (moderately agree) and 1.02. This was followed by the statements; "The service products offered did not satisfy my specific needs" with a mean and standard deviation of 2.86 and 1.25 respectively and "The microfinance company did not offer a wide range of service products" also with a corresponding mean and standard deviation of 2.81 and 1.07 respectively. On the other hand, the statement which attracted least approval rating from the respondents was "I always had problems with my account statements" yet its approval rating of mean (2.14) and standard deviation (1.11).

The findings of the study support the works of researchers who assert that the failure on the part of the financial institution to provide the basic requirements of their core business is a recipe for customer switching (Colgate, 2001; Nartey, 2013). Also, results confirm studies by Keaveney (2005), Colgate and Lang (2001), and Bansal et al. (2004).

Table 4: Core Service Failure

Variables	N	M	SD
I always had problems with my account statements	250	2.14	1.11
The microfinance company provided services that were not as promised	247	2.49	1.17
The microfinance company provided me with incorrect charges	240	2.50	0.95
I always encountered mistakes in dealing with microfinance company	247	3.06	1.20
The microfinance company did not offer a wide range of service products (e.g. loans, deposits, transfers, online and phone banking etc)	250	2.81	1.07
The service products offered did not satisfy my specific needs	247	2.86	1.25
Total	**234**	**2.65**	**0.60**

Source: Field data, 2015

Attraction by Competitors

From Table 5, the picture that emerged from the analysis of responses given by respondents suggested that there is general high level of competitor attraction with a mean of 2.76 and a standard deviation of 0.58. Particularly, respondents gave the highest approval rating (M=2.96, SD=1.03) to the statement which suggests that "A higher service quality promised by competing microfinance influenced my decision to switch". The next highest approval rating (M=2.89, SD= 1.10) was given to the statement " The promotion activity of a competing microfinance company influenced my decision to switch banks". On the other hand, the statement that respondents gave least approval rating to was "The lower service charge of competing microfinance influenced my decision to switch" with a respective mean and standard deviation of (M =2.57, SD=0.93). The findings support the works of researchers who assert that the failure on the part of the financial institution to provide the basic requirements of their core business is a recipe for customer switching (Colgate, 2001; Nartey, 2013).

Table 5: Attraction by Competitors

Variables	N	M	SD
The competing microfinance's advertising content influenced my decision to switch microfinance company	250	2.73	1.16
The lower service charge of competing microfinance influenced my decision to switch	250	2.57	0.93
A higher service quality promised by competing microfinance influenced my decision to switch	250	2.96	1.03
The promotion activity of a competing microfinance company influenced my decision to switch banks (e.g. attractive free gifts)	250	2.89	1.10
Total	**250**	**2.79**	**0.58**

Source: Field data, 2015

Employees Response to Service Failure

The analysis of data obtained from the respondents regarding the assessment of employees' response to service failure depicted that in general, respondents somehow agreed that employees' inability to service failure is a major factor in switching. This is evidence in the overall assessment mean measure of 2.48 (somehow agree on the measuring scale). The respondents most agreed (M=2.66, SD=1.11) to the statement that the microfinance staff did not make any extra effort to solve problems. This was followed by the statement that the microfinance failed to correct service errors or mistakes (M=2.64, SD=0.95) and the employees of the microfinance company responded negatively to my complaints (M=2.60, SD=1.18). The statement "the microfinance company corrected mistakes slowly" received the least approval rating (M=2.01, SD=1.03). The findings are still in support of the works of researchers who assert that the failure on the part of the financial institution to provide the basic requirements of their core business is a recipe for customer switching (Colgate, 2001; Nartey, 2013).

Table 6: Employees Response to Service Failure

Variables	N	M	SD
The microfinance company corrected mistakes slowly	250	2.01	1.03
The microfinance staff did not make any extra effort to solve problems	250	2.66	1.11
The microfinance company failed to correct service errors or mistakes	250	2.64	0.95
The employees of the microfinance company responded negatively to my complaints	247	2.60	1.18
Total	**247**	**2.48**	**0.52**

Source*:* Field data, 2015

Service Encounter Failure

Table 7 gives evaluation of service encounter failure as obtained from the aggregation of responses from the respondents. From the analysis, there was a generally low agreement to service encounter failure in the microfinance company represented by overall average rating of 2.70. Specifically, respondents most agreed (M=2.92, SD=1.20) to the statement that the staff of microfinance company did not have the competence to solve problems. The statements "the microfinance company staff were not professional", "microfinance staff did not understand my specific needs", " the staff of microfinance company were unwilling to help", "the staff of microfinance company did not readily respond to my request" and "the staff of microfinance company were impolite and rude" all received somehow agreed approval ratings from respondents with respective mean ratings of 2.90, 2.64, 2.64, 2.56 and 2.56.

Nartey (2013) in a similar study also found service encounter failure as a contributing factor leading to customer switching. This finding also agrees with a study conducted by Keaveney (1995) which found that 35% of respondents mentioned service encounter failure as a major factor leading to customer switching behaviour.

Table 7: Service Encounter Failure

Variables	N	M	SD
The staff of microfinance company were impolite and rude	246	2.56	1.22
The staff of microfinance company were unwilling to help	243	2.64	1.04
The staff of microfinance company did not readily respond to my request	243	2.56	1.14
The staff of microfinance company did not have the competence to solve problems	246	2.92	1.20
The microfinance company staff were not professional	240	2.90	1.27
Microfinance staff did not understand my specific needs	243	2.64	1.18
Total	**237**	**2.70**	**0.60**

Source*:* Field data, 2015

Reputation

From Table 8, the respondents reported a moderately high perception of reputation of microfinance institutions with an overall mean rating of 2.49 and standard deviation of 0.75. The statement found to gained most favorable approval from the respondents was the fact that the microfinance company was untrustworthy (M=2.56, SD=1.16). This was followed by the statement, the microfinance company was financially unstable (M=2.51, SD=1.21).The least approval rating was given to the statement the microfinance company was unreliable (M=2.42, SD=1.20). The findings support the works by (Colgate, 2001; Nartey, 2013).

Table 8: Reputation

Variables	N	M	SD
The microfinance company was unreliable	243	2.42	1.20
The microfinance company was untrustworthy	243	2.56	1.16
The microfinance company was financially unstable	246	2.51	1.21
Total	**243**	**2.49**	**0.75**

Source*:* Field data, 2015

Involuntary Switching

The general approval rating given to involuntary switching by respondents was found to moderately high presented by an overall mean of 2.50. On individual bases, the statements which suggested that "I changed microfinance because it was acquired by another financial institution" attracted the most favorable rating (M=2.77, SD=1.19). This was followed by the statement "I moved to a new location and my principal microfinance company is not in the area" (M=2.57, SD=1.04). On the other hand, the statement that "the principal microfinance company branches in my area are closed" attracted least favorable and most diverse responses from the respondents as evidenced in a mean and standard deviation values of 2.22 and 1.24 respectively.

Table 9: Involuntary Switching

Variables	N	M	SD
The principal microfinance company branches in my area are closed	246	2.22	1.24
I moved to a new location and my principal microfinance company is not in the area	250	2.57	1.04
I changed bank because my previous microfinance was not my business partners	250	2.44	0.98
I changed microfinance because it was acquired by another financial institution	250	2.77	1.19
Total	**246**	**2.50**	**0.60**

Source*:* Field data, 2015

Switching Cost

The general level of respondent's perception of switching cost as a switching factor was found to be moderately high. In general, an aggregated mean of 2.84 was recorded by the researcher with a standard deviation of 0.68. Moderate approval rating were recorded for the statements "I was sure that I can receive additional benefits if I switch to new microfinance company and it did not take me a long time to become familiar with a new microfinance company's policies", with a respective mean ratings of 3.04 and 3.00. On the other hand, the statement "it did not cost me too much to switch to a new microfinance company" as evidence in a mean of 2.55. The findings are still in support of the works of (Colgate, 2001; Nartey, 2013).

Table 10: Switching Cost

Variables	N	M	SD
It did not take me too much time to switch to a new microfinance company	250	2.76	1.20
It did not cost me too much to switch to a new microfinance company	250	2.55	1.06
It did not take me a long time to become familiar with a new microfinance company's policies	250	3.00	1.16
I was sure that I can receive additional benefits if I switch to new microfinance company	250	3.04	1.08
Total	**250**	**2.84**	**0.68**

Source*:* Field data, 2015

Objective Two: Customer Switching Behaviour in Microfinance Institutions

This section evaluated customer switching behaviour in microfinance institutions from the respondents' point of view. Customer switching behaviour in microfinance institutions as outlined in this section was assessed on the bases of customers' intentions. Individual statements were captured in this dimension of customer switching behaviour in microfinance institutions and were presented to the respondents for evaluation based on their level of switching. Respondents were required to use a 5 point Likert scale to measure each statement on a switching indicator value where 1 = least agree, 2 = somehow agree, 3 = moderately agree, 4 = agree and 5 = strongly agree. An aggregated mean rating for the statement as well as overall mean was calculated for the purpose of comparison. Standard deviation was also calculated to throw light on the variation in responses given by the respondents as well as indicating the reliability of claims by the study. Customer switching behavior in microfinance data have been analyzed and presented;

Customer Switching Behavior

In the assessment of customer switching behaviour, it was observed that respondents were only satisfied to the moderate level with a mean of (M = 2.68) with a standard deviation of (SD = 0.63). In response to individual statements, respondents indicated only to a moderate approval to the statement "The likelihood of me switching to another micro finance company is high" (M = 2.78 SD = 0.88), "I will not wish to continue dealing with my microfinance company" (M = 2.75, SD = 0.9). On the other hand, respondents responded least to the statement "I have an intention to switch my current microfinance company" (M = 2.52, SD = 1.33).

Table 11: Customer Switching Behaviour

Variables	N	M	SD
I have an intention to switch my current microfinance company	250	2.52	1.33
The likelihood of me switching to another micro finance company is high	250	2.78	0.88
I will not wish to continue dealing with my microfinance company	250	2.75	0.96
Total	**250**	**2.68**	**0.63**

Source*:* Field data, 2015

Relationship between Customer Switching factors and Customer Switching Behaviour

As part of objective two, this session examined the relationship between antecedents of customer switching and consumer switching. The Pearson correlation analysis was used to test correlations using a significance level of 0.05. This implies that when p-value is less than or equal to 0.05, the correlation coefficient is statistically significant, but when the p-value is greater than 0.05, the correlation coefficient is not statistically significant. The results are shown in Table 12 below. The results suggested that most of the antecedents of customer switching were significantly related to customer switching among customers of microfinance companies as their p-values are all less than 0.05. This indicates that these correlations are not due to chance.

Regarding the relationship between price and customer switching behaviour, the study found that Price was statistically significant with customer switching ($r=0.65$, $p=0.035$). This implies that customer's perception of increase or unfavourable prices of microfinance company's services will lead to customers switching to other microfinance companies. However, a decrease in prices of microfinance services will lead to a negative relationship with customer switching.

Service inconvenience was also found to be positively related with customer switching among respondents. The correlation analysis found that service inconvenience is statistically significant with customer switching *(r=*

0.798, p=0.00) meaning service inconveniencies resulting from the services of microfinance companies leads to customers switching to other companies.

The study also found a positive and significant relationship between core service failure and customer switching (*r=0.829, p=0.00*). Core service failure is therefore identified as a major factor in customer switching because customers who encounter core service failure are likely to leave.

The study also found a positive and statistically significant relationship between attraction of competitors and customer switching(*r=0.541, p=0.041*). Customers are therefore said to switch to other competitors when presented with better service offers.

Another antecedent of customer switching which was significant with customer switching is employee’s response to service failure. The results found that the inability of employees to respond to service failure leads to customer switching among respondents. This analysis found a positive and statistically significant relationship between it and customer switching (*r=0.580, p=0.004*).

The study found service encounter failure(*r=0.305, p=0.00*) and switching cost(*r= 0.635, p=0.00)* were also statistically significant with customer switching behaviour. For switching cost, respondents indicated that lower switching cost in moving from a customer’s current microfinance to another microfinance is a major factor contributing to customer switching. The results for service encounter failure imply that failure of microfinance companies to deliver when they come in conduct with customers leads to defection.

However, reputation (*r=0.125, p= 0.687)* and involuntary switching (*r=0.047, p=0.455*) were found not be statistically significant with customer switching behaviour. This implies that the reputation of other microfinance companies within the study area and the involuntary switching were not predictors of customer switching to another microfinance company.

Table 12: Correlation between Customer Switching factors and Customer Switching Behaviour (Dependent Variable: Customer Switching Behaviour)

Customer Switching Factors		**Customer Switching Behaviour**
Price	Pearson Correlation	0.659*
	Sig. (2-tailed)	0.035
	N	250
Service Inconvenience	Pearson Correlation	0.798**
	Sig. (2-tailed)	0.000
	N	246
Core Service Failure	Pearson Correlation	0.829**
	Sig. (2-tailed)	0.000
	N	250
Attraction By Competitors	Pearson Correlation	0.541*
	Sig. (2-tailed)	0.041
	N	250
Employees Response to Service Failure	Pearson Correlation	0.580**
	Sig. (2-tailed)	0.004
	N	250
Service Encounter Failure	Pearson Correlation	0.305**
	Sig. (2-tailed)	0.000
	N	246
Reputation	Pearson Correlation	0.125
	Sig. (2-tailed)	0.687
	N	246
Involuntary Switching	Pearson Correlation	0.047
	Sig. (2-tailed)	0.455
	N	250
Switching Cost	Pearson Correlation	0.635**
	Sig. (2-tailed)	0.000
	N	250

Source*:* Field data, 2015

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This study sought to examine the relationship between customer switching factors and customer switching behaviour. The purpose of this chapter is to present the summary, conclusions and recommendations of this study. The summary presented a brief overview of the research problem, objective, research methods and findings made in the study. On the other hand, the conclusions encapsulate the overall outcomes regarding the findings of the study in the light of the research questions. The recommendations also presented specific remedies to be implemented by specific institutions. The chapter also presented some directions for future research in the area of the above topic of interest.

Summary of Findings

The summary of the major findings of the study have been presented in relation to the specific objectives of the study.

Factors Affecting Customer Switching Behaviour

This study sought to examine factors affecting customer switching behaviour among microfinance customers. Nine antecedents were examined using descriptive statistics to assess the level of a customer's perception of how these factors contribute to the switching from one microfinance to the other.

Price had a mean of 2.93 which is an indication that respondents moderately agreed that prices are not favourable to them and attributed this to the reason why they switched microfinance. Service inconvenience was also identified as having a moderately high mean response rate (M=2.45). In all responses generated a moderately high agreement by respondents that the nice antecedents contributed to customer switching among microfinance institutions. Customer switching behaviour or intentions of respondents had a mean of 2.68. The descriptive statistics presents an understanding that customers of microfinance agree moderately to the items used in analyzing the various variables used for the study.

Relationship between Customer Switching Factors and Customer Switching

The findings of this objective indicated that almost all the antecedents of customer switching had a statistical relationship with customer switching. Factors which had a significant relationship with customer satisfaction were price, service inconvenience, core service failure, employee response to service failure, service encounter failure, and switching cost. However, reputation and involuntary switching were not statistically significant to customer switching. All the variables had a positive relationship with customer switching behaviour but reputation and involuntary switching were not statistically significant relationship.

Conclusions

This study has been able to achieve all the objectives set. The descriptive analysis found that respondents were moderately affected by customer switching factors with their microfinance company. This implies that microfinance companies possess characteristics which influences customer switching. The correlation analysis found almost the customer switching factors as positively related with customer switching but found reputation of the Microfinance Company and involuntary switching as not statistically significant.

The price charged by microfinance companies was found to be major influencing factor affecting customer switching. Lower prices charged will help reduce the switching whilst higher prices influences customers to switch to other microfinance companies. Core service failure results implies that the inability of microfinance companies to provide better core service to clients increases the likelihood for customer switching. On the other hand, the ability of microfinance companies to provide the core service will help reduce the churn rate.

Attraction by competitors was also cited by respondents as an influencing factor which can be attributed with the strategies and service offerings of competing microfinance companies which leads to customer churn. The ability of microfinance employees to effectively solve service failures was also found to be an important factor in reducing customer churn. Microfinance as a service needs to be able to correct service failures on a timely basis. Failure by employees to handle service failure increases customer switching.

Service encounter failure was found to be statistically significant with customer switching in the sense that at the point of service delivery, there are mistakes and personal errors which might lead to customer switching. The study also found lower switching cost as increasing the churn rate among microfinance clients.

The study found that reputation of other microfinance institutions did not lead to clients switching to other companies. Also, involuntary switching did not influence customer switching. Reputation and involuntary despite recording insignificant relationship with customer switching had a positive relationship and therefore can be said to possess the ability to influence customer switching. It can be said some of the hypotheses of the study were confirmed whiles others were not.

Recommendations

The study results have showed that customer switching factors influence customer switching behaviour among customers of microfinance companies. Microfinance companies must therefore adopt strategies and operations to reduce churn. Service inconvenience, core service encounter failure, and switching cost were most significant variables. This implies that microfinance companies must consider these variables in their quest to reduce churn. With service inconvenience, microfinance companies must deliver services that are convenient to customers. Employees must also manage the customer encounter carefully in order not make clients dissatisfied.

Also, microfinance companies must also use these variables to their advantage. Customers were not attracted by the reputation of microfinance companies.

Suggestions for future research

The study included all the customer switching variables which did not allow for an in-depth analysis of the variables. It is however fair to propose that future studies must study each variable extensively in order to draw conclusions. Factors such as service inconvenience, core service failure, service encounter failure, and switching cost must be given the needed research attention since this study found them to be very significant.

The study can also be replicated in other sectors of the economy such as health care, education, insurance, and telecommunications to further strengthen the studies in Ghana. More advance statistical analysis such as regression analysis and structural equation modeling can be used to manipulate the variables considered in this study to arrive at more statistically reliable results for generalisation.

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APPENDIX

SAMPLE OF QUESTIONNAIRE

UNIVERSITY OF CAPE COAST
SCHOOL OF BUSINESS
RESEARCH QUESTIONNAIRE

Dear Respondent,

This questionnaire is intended to facilitate a research conducted on **Customer Switching Behaviour in Microfinance Institutions**. The study is a requirement for the award of a Master of Business Administration in Marketing at the University of Cape Coast. The responses provided will be vital for understanding the antecedents of service switching. Any information provided will be treated with outmost confidentiality. Kindly answer the following questions as candidly as possible.

Thank you.

This questionnaire will take at least 15 minutes of your time.

Section A- Profile of respondents

1. Age of respondents a. 18- 24 ( ) b. 25- 40 ( ) c. 41- 60 ( ) d. 61 and above ( )

2. Gender a. Male ( ) b. Female ( )

3. Nature of Business or profession a. Trading ( ) b. Farming ( )
   c. Government employee ( ) d. Private sector employee ( )

4. Type of service provided by Microfinance institution a. Savings and Loans ( ) b. Deposits ( ) c. Investment ( ) d. All the above ( )

Section B

Please relate your responses to the last Microfinance Institution you left within the last three years.

B1: Please indicate by ticking [✓] the extent to which you agree with the following statements on a five point scale provided below, where 1: least agreement to 5: strongly agreement

	Price	1	2	3	4	5
1	The microfinance company charged high fees					
2	The microfinance company charged high interest for loans					

3	The microfinance company provided low interest on savings					
4	The microfinance company used deceptive pricing strategies					
5	The microfinance company's prices are unfair					

Service Inconvenience

B2: Please indicate by ticking [✓] the extent to which you agree with the following statement on a five point scale provided below, 1: least agreement to 5: strongly agreement

		1	2	3	4	5
1	The branch locations of the microfinance company was inconvenient					
2	The microfinance company's opening and closing hours was inconvenient					
3	There was long waiting time to get service or an appointment					

Core Service Failure

B3: Please indicate by ticking [✓] the extent to which you agree with the following statement on a five point scale provided below, where 1: least agreement to 5: strongly agreement

		1	2	3	4	5
1	I always had problems with my account statements					
2	The microfinance company provided services that were not as promised					
3	The microfinance company provided me with incorrect charges					
4	I always encountered mistakes in dealing with microfinance company					
5	The microfinance company did not offer a wide range of service products (e.g. loans, deposits, transfers, online and phone banking etc)					
6	The service products offered did not satisfy my specific needs					

Attraction By competitors

B4: Please indicate by ticking [✓] the extent to which you agree with the following statement on a five point scale provided below, where 1: least agreement to 5: strongly agreement

		1	2	3	4	5
1	The competing microfinance's advertising content influenced my decision to switch microfinance company					
2	The lower service charge of competing microfinance influenced my decision to switch					
3	A higher service quality promised by competing microfinance influenced my decision to switch					
4	The promotion activity of a competing microfinance company influenced my decision to switch banks (e.g. attractive free gifts)					

Employees Response to Service Failure

B5: Please indicate by ticking [✓] the extent to which you agree with the following statement on a five point scale provided below, where 1: least agreement to 5: strongly agreement

		1	2	3	4	5
1	The microfinance company corrected mistakes slowly					
2	The microfinance staff did not make any extra effort to solve problems					
3	The microfinance company failed to correct service errors or mistakes					
4	The employees of the microfinance company responded negatively to my complaints					

Service Encounter Failure

B6 Please indicate by ticking [✓] the extent to which you agree with the following statement on a five point scale provided below, where 1: least agreement to 5: strongly agreement

		1	2	3	4	5
1	The staff of microfinance company were impolite and rude					
2	The staff of microfinance company were unwilling to help					
3	The staff of microfinance company did not readily respond to my request					
4	The staff of microfinance company did not have the competence to solve problems					
5	The microfinance company staff were not professional					
6	Microfinance staff did not understand my specific needs					

Reputation

B7: Please indicate by ticking [✓] the extent to which you agree with the following statement on a five point scale provided below, where 1: least agreement to 5: strongly agreement

		1	2	3	4	5
1	The microfinance company was unreliable					
2	The microfinance company was untrustworthy					
3	The microfinance company was financially unstable					

Involuntary Switching

B8: Please indicate by ticking [✓] the extent to which you agree with the following statement on a five point scale provided below, where 1: 1: least agreement to 5: strongly agreement

		1	2	3	4	5
1	The principal microfinance company branches in my area are closed					
2	I moved to a new location and my principal microfinance company is not in the area					
3	I changed bank because my previous microfinance was not my business partners					
4	I changed microfinance because it was acquired by another financial institution					

Switching Cost

B9: Please indicate by ticking [✓] the extent to which you agree with the following statement on a five point scale provided below, where 1: least agreement to 5: strongly agreement

		1	2	3	4	5
1	It did not take me too much time to switch to a new microfinance company					
2	It did not cost me too much to switch to a new microfinance company					
3	It did not take me a long time to become familiar with a new microfinance company's policies					
4	I was sure that I can receive additional benefits if I switch to new microfinance company					

Customer Switching Behaviour

Please indicate by ticking [✓] the extent to which you agree with the following statement on a five point scale provided below, where 1: least agreement to 5: strongly agreement

		1	2	3	4	5
1	I have an intention to switch my current microfinance company					
2	The likelihood of me switching to another micro finance company is high					
3	I will not wish to continue dealing with my microfinance company					

Thank you for your assistance in answering the questionnaire.