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DEBT COLLECTOR BEHAVIOR AND CUSTOMER SATISFACTION IN BANKS IN SOMALIA

¹ Ahmed Ali Ahmed Sultan, ² Prof. Thomas Anyanje Senaji (PhD), ³ Dr. Clemence Nikiyiza Omanwa (PhD)

¹ PhD Student, Kenya Methodist University [KEMU], Kenya

² Professor of Strategic Management, Kenya Methodist University [KEMU], Kenya

³ Lecturer, Department of Business Administration, Kenya Methodist University [KEMU], Kenya

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ABSTRACT

Though banks endeavor to serve their customers the best way possible, situations arise when they have to enforce debt collection procedures due to unpaid amount. In the context of strategic management, customer satisfaction is considered as an essential operational strategy for the sustainability of each organization in this competitive age. On the other hand, debt collection strategy is vital for the sustainability of financial institutions and that the approach to debt collection may lead to dissatisfaction of customers and impair performance. The objective of this study was to examine the relationship between debt collector strategy, specifically, behavior and customer satisfaction. Through a cross-sectional survey correlation analysis we find that debt collector behavior has significant relationship with customer satisfaction (loyalty, trust and intention to purchase). The strongest relationship was between debt collector behavior and customer loyalty ($r = 0.900$, $p < 0.001$) while the relationship between trust and debt collector behavior, and between intention to repurchase and debt collector behaviour were equally strong ($r = 0.859$, $p < 0.001$). There is a very strong and significant positive relationship between debt collector behavior and customer satisfaction (Loyalty: $r = 0.900$, $p < 0.001$; Trust: $r = r = 0.859$, $p < 0.001$; Intention to repurchase: $r = 0.859$, $p < 0.001$). In this regard, the debtor collector behaviour needs to be improved to enable improvement of customer satisfaction hence retention and repurchase. This finding has imperative practical implications. Banks in Somalia should consider the importance and improvement of debt collector behavior before and during debt collection in order to improve customer satisfaction hence financial performance.

Keywords: Customers Satisfaction; Debt Collection; Behavior; Financial Institutions

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INTRODUCTION

The purpose of strategy is to determine the basic objectives of an organisation, organisational performance and allocating resources to their success. Strategy specifies the necessary direction that an organisation needs to move to meet its mission (Kasera, 2017). Strategic management means that the management team is going to direct employee activities towards the achievement of specific goals in organisational performance and implementation plans. Since the core of strategic management is performance, it is of interest to examine customer satisfaction with bank products or procedures. Thus in particular so since customers perspective to performance is crucial to the sustainability of the banks. In order to ensure sustainable good performance it is important to balance between debt collection strategy and customer satisfaction.

Customer Satisfaction

Since the essence of strategic management is to ensure satisfactory program in a competitive environment it's necessary to focus on measuring performance across various perspective. In this study performance is been examined in the context of customer perspective. Globally, in any type of organisation, customers are the key for the survival of the company. In order to be profitable the company must satisfy their customers. Customer satisfaction depends on the product's perceived performance and the service delivered relative to buyer expectations. If the service delivered falls short of expectation, the customer is dissatisfied. If the service delivered exceeds expectation, the customer is highly satisfied.

Consequently, all marketing strategies will, therefore focus on satisfaction of customers in order to be profitable and long term survival of the company. The service given by the company should be evaluated whether they satisfy or not their customer (Kotler & Keller 2012).

The recent trends show that most of the banks are shifting from a “product-centric model” to a “customer-centric model” since Banks are the intermediaries that mobilise savings from the public and lend in the form of loans and advances to the creditworthy persons. In a simple language, banks will not survive without customers, namely, depositors and borrowers. Every customer is happy to have dealings with those that satisfy their wants. Before 1991, (Civil War in Somalia) banks were providing monopoly banking services and the banking staffs did not worry for banking performances as they are getting regular salaries and other benefits being the government employees. But, after millennium banking sector in the year 2000, there are many new private banks started operating in the Somali Banking sector with new financial products, technology and customer oriented services. With this emergence of new era in Somali Banking Industry, the new banks bring a number of reforms in the operation and methods of providing services to the customers.

Defining customer satisfaction is important for every part of the business. So, what is the importance of customer satisfaction? Well, there's an old adage that says a customer will remember the service far longer than they'll remember the price. And while this is probably not true of all customers (or all prices), it does demonstrate the comparative impact that superior customer service can have. In fact, according to a survey by PwC, most customers across a variety of industries are willing to pay 16% more if it means improved customer service. (Blanchard, and Bowles, (2003)

Unfortunately, too many businesses see customer satisfaction purely as the responsibility of the customer service agents. But while division of labor may make sense in other aspects of business, it is completely inappropriate when it comes to customer service — and it can be very dangerous as well. In the 21st century paradigm, e-commerce sites, social media, and online ratings services such as Yelp, Yahoo! Local, and Google My Business have made it extremely easy for customers to bring their complaints and criticisms to the public sphere, and negative public reviews can really do damage. As Pew Research tells us, 58% of

Americans search online reviews for products they are thinking of buying. And there's a definite bias toward negative reviews. Likewise, more than a million people browse tweets about customer service on a weekly basis, and 80% of those tweets are negative or critical in nature. That's a lot of dissatisfaction for businesses to have to deal with, and a lot of negative publicity that can do more than its fair share of damage to an organisation's reputation and bottom line. (Bedi, M. 2010),

Customer satisfaction refers to the degree to which customers' expectation of a product or services are met (Paul and Abauma, 1989). It can as well be defined as a state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service (Kevin, 2009).

Customers are satisfied if they are loyal to the product, customer retention rate and switching behaviour, customer willingness to use new or existing services put by the organization, give nice comments about the product or services offered continue consuming the product and low levels of complaints about the product or services offered. (Kotler, and Keller 2012).

Customers are the most important factor to any organization. It is therefore important for organizations to ensure that their customers are satisfied with the organizations products and services. Statistics are banded around that suggest that the cost of keeping a customer is only one tenth of winning a new one. Therefore, when they win a customer, they should hang on to them. Once an organization has set its goals to satisfy customers in all aspects it has to ensure that the customers' expectations and needs are met according to their specifications. Banks need to identify the various techniques and methods that can be used to satisfy customers and to understand how to apply them.

Customer Satisfaction with banking services in Somalia

Customers are the key way of running business successful and the satisfied customers are the base of the business for the growth in profitability and in the competitive business market. From era and era, it has been considered that customer satisfaction is the core element for every type of business. By this element companies can make impressive goodwill, market and profit growth and improvement in service quality as well.

Customer satisfaction remains one of the biggest challenges for the Somalis banking industry. Customer satisfaction is a much sought after phenomenon in today's highly competitive and globalized market place and today's customers seek more than price bargains and want useful, dependable and reliable technologies. Simon, V. T. & Thomas, A. S. R. (2016). A bank's failure to fulfill these expectations can breed dissatisfaction and antipathy, unless that business helps resolve resulting consumer complaints fairly and promptly.

Debt Collection Strategy

Banks provide much-needed services in communities of all sizes; from small towns, to major metropolitan areas. A bank's essential activities include lending money to businesses and individuals, as well as offering savings and checking accounts by accepting funds on deposit. A bank account is considered must-have by most individuals, businesses and governments. From an operations strategy perspective, the tactics that organisations use in their daily debt collection tasks can either be effective or ineffective in enhancing the performance. In this study, the performance being examined was customer satisfaction because a satisfied customer would guarantee sustained satisfactory performance

Debt Collection Strategies will help a firm take control of its accounts receivable and save time and potential legal hassle down the road. Having debt collection strategies in place helps in identifying the essential elements of effective debt collection and use them to evaluate the policies in place at your organization ; ranking accounts to help you priorities and determine an effective and appropriate contact strategy; gathering all information necessary to start building positive relationships with debtors upon first contact; motivating even slow pays, large accounts, and big clients by using benefits rather than consequences; addressing debtors' responses and reasons for nonpayment with positive and productive conversation; remaining calm and cool when clients get hot, and finally negotiating verbal agreements with debtors that will keep repayment on track and on schedule (Lewis,2005).

Debt collection strategies help a firm get results and keep the firm legally compliant with government guidelines. Not only does the firm need to understand and abide by collections law, but also needs to know the strategies and techniques that will help to contact easily and effectively and deal with debtors. From account categorisation and prioritisation, to resource allocation and contacting procedures, an organisation needs to develop, implement, and follow a formal process for handling all collections. A firm needs to uncover specific techniques and strategies for developing a formal debt collection process that will save time and effort in contacting debtors and managing delinquent accounts (Mori, 2006)

Theory and Hypothesis

The behavioral management theory is often called the human relations movement because it addresses the human dimension of work. Behavioral theorists believed that a better understanding of human behavior at work, such as motivation, conflict, expectations, and group dynamics, improved productivity.

- As a small business owner, it's important for you to understand how your employees interact and behave with your customer. Behavioral organizational theories can help in developing workplace protocols that can increase efficiency and productivity. Behavioral theory also showed that managers, leaders and employees mainly have two types of behavior, namely concern for people and concern for production. All organizations need to balance these two types of behaviors, if they emphasize the production side which resulting tangible profitability for short time period, they will lose their employees and customers in this case leaders could remain concerned for both people and production. Closely related to this theory is the behavioral strategy of the firm.

Customer Satisfaction

The companies are highly depended on their customer experience and engagement. In business cycle customer satisfaction is the core part for the growth of organization. The level of customer satisfaction in a various time phase with various terms and conditions are changing. Better customer satisfaction helps to maintain the profitability of company, goodwill of company among the valuable customers. (Kotler & Keller, 2012) Moreover, the satisfied customers are always loyal to the product and company. The company always set the targets of growing the business in the competitive market by providing the product and services as per the needs of customers.

Moreover, company should always be responsible to provide the qualitative services to make its valued customer satisfied by quenching their demands. The meet of demand and expectations of customer is the primary target of the company which results the happiness and satisfied customers regarding their paid price for the product and services. There is a supply and demand relationship between company and customers in terms of product and services offered to the customers by the company (Szwarc, 2005)

We therefore hypothesised that

H₀₁: Debt collector behavior has no significant relationship with customer satisfaction

Since the proxies for customer satisfaction include customer loyalty, trust and intention to repurchase, the sub-hypotheses under H01 were that

H_{01a}: Debt collector behavior has no significant relationship customer loyalty in in financial institutions in Somalia

H_{01b}: Debt collector behavior has no significant relationship with customer trust in financial institutions in Somalia

H_{03c}: Debt collector behavior has no significant relationship with intention to repurchase in financial institutions in Somalia

METHODOLOGY

According to Sekaran and Bougie (2010), the research design addresses important issues relating to a research study such as purpose of the study, location of the study, type of investigation, extent of researcher interference, time horizon and the unit of analysis. We conducted a descriptive cross-sectional survey of 42 customers of financial institution using a structured questionnaire as the data collection instrument. The respondents provided information on their perception of the debt collectors and on their level of satisfaction across three dimensions: loyalty, trust and intention re-purchase financial services. The statements on all the four constructs were anchored on a five point Likert scale where: 1=strongly Disagree; 2= Disagree; 3= Neither agree nor disagree; 4= Agree; 5= Strongly Agree.

Prior to data collection the questionnaire was tested for reliability and all the four constructs: debt collect behavior, loyalty, trust and repurchase achieved the reliability, as measured by Cronbach alpha threshold of at least 0.7 except intention to repurchase which had an alpha value of 0.649. A value of 0.6 and above is acceptable for completely new instruments such as the one that was used in this study. Our instrument was developed specifically for this study; hence the acceptability of a 0.649 value (see also Table 4).

Upon collection, and coding of data, it was analysed using both descriptive and inferential statistics where means, and standard deviation of data on study variables; and frequencies of respondent characteristics were determined.

RESULTS AND DISCUSSION

Data was collected on the characteristics of the respondents which comprised age, gender, highest level of education and salary. The results are presented in Table 1.

Table 1. Characteristics of Respondents

Gender of respondent				
	Frequency	Percent	Valid Percent	Cumulative Percent
Male	24	58.5	58.5	58.5
Female	17	41.5	41.5	100
Total	41	100	100	
Age of respondent				
Age bracket	Frequency	Percent	Valid Percent	Cumulative Percent
21-30	1	2.4	2.5	2.5
31-40	26	63.4	65	67.5
41-50	10	24.4	25	92.5
51 and above	3	7.3	7.5	100
Total	40	97.6	100	
System	1	2.4		
	41	100		
Highest education level of respondent				
Education level	Frequency	Percent	Valid Percent	Cumulative Percent
Secondary school	1	2.4	2.4	2.4
College graduate	14	34.1	34.1	36.6
Bachelor degree	26	63.4	63.4	100
Total	41	100	100	
Salary (US\$)				
Salary amount(US\$)	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 500	15	36.6	36.6	36.6
501-1000	15	36.6	36.6	73.2
1001-3000	8	19.5	19.5	92.7
3000 and above	3	7.3	7.3	100
Total	41	100	100	

According to the results in Table 1, most (63.4%) respondents were in the 31 – 40 age bracket and were therefore young, the majority were male (58.5%) and most of them earned less than 1000 US dollars a month. Further, the majority had bachelor degree qualification (63.4%) and were this with sufficient knowledge to respond to the questionnaire survey.

Description of debt collector behavior and customer satisfaction

Responses were received on seven statements that were used to assess debt collector behavior (see Table 2).

Table 2. Behavior of debt collectors

Statement on debt collector behavior ...		N	Mean	SD
COLLECTOR	Debt collectors usually don't use pressure on customers to pay their debts.	41	2.37	1.02
	Call recording and call monitoring is an unacceptable way based on my debt collector perspective.	41	2.22	0.94
	Poor knowledge among customers is another factor which determine debt collection procedure.	41	2.00	0.87
	The debt collector behavior complaint channels respond to my request effectively	41	2.17	0.95
DEBT BEHAVIOR	I feel personal security toward my debt information	41	2.51	1.12
	Overall debt collectors are well-trained and fully-respectful when they are dealing their customers	41	2.24	1.07
	Debt collector behavior	41	2.23	0.75

The results in Table suggest that debt collector behavior was inappropriate as reported by the customers of banks in Somalia ($M = 2.23$, $SD = 0.75$). For example the customers disagreed that “Debt collectors usually don’t use pressure on customers to pay their debts” ($M = 2.37$, $SD = 1.02$)

Description of debt collector behavior

Responses on the extent of agreement on statement on customer satisfaction which comprised loyalty, trust and intention to repurchase are presented in Table 3.

Table 3. Customer satisfaction: Loyalty, Trust and Intention to repurchase

Variable	Statement on Loyalty ...	N	Mean	SD	
LOYALTY	I say positive things about my bank to other people	41	2.32	0.85	
	I recommend my bank to someone who seeks advice	41	2.41	0.81	
	I consider myself to be a loyal customer of my bank	41	2.12	0.84	
	I intend to continue my investments with my bank in the future	41	2.15	0.88	
	I am just in the habit of using my bank	41	2.34	0.99	
	Overall I am satisfied with my bank	41	2.20	0.93	
	I made the right decision when I chose to use my bank	41	2.17	0.86	
	I am very satisfied with the service provided by my bank	41	2.27	1.03	
	I am delighted with my bank	41	2.17	0.89	
	Customer loyalty		41	2.24	0.66
Variable	Statement om trust	N	Mean	SD	
TRUST IN THE BANK	I would feel a sense of personal loss if I could no longer use my chosen bank	41	2.20	1.01	
	I feel that my bank cares about me as a customer.	41	2.41	0.92	
	I believe that my bank will always point out the best alternatives for me	41	2.27	1.07	
	I believe that my bank treats me in an honest way in every transaction	41	2.51	0.93	
	My bank keeps its promises	41	2.32	0.93	
	I believe the bank staff are competent	41	2.41	0.87	
	In my experience my bank is very reliable	41	2.34	0.94	
	Trust in the bank		41	2.35	0.71
TO FROM	Statement on intention to repurchase ...	N	Mean	SD	
INTENTION REPURCHASE THE BANK	If I had another \$2,000 to invest, I would invest it with my bank	41	2.20	0.90	
	I cannot be bothered changing to another bank	41	2.05	1.00	
	I am not ready to put any effort into changing to another bank	41	2.59	1.07	
	I have to choose to stay with my bank because I am satisfied with the service provided my bank	41	2.39	1.05	
	Although certain services may be available in other banks, I intend to continue being a customer of my current bank	41	2.61	1.00	
	Intention to repurchase from the bank		41	2.37	0.65

The results in Table 3 imply that debt collector behavior was unsatisfactory and that customers were not satisfied with the surveyed banks services since all means were below 3; this is to say the customers found debt collection behavior inappropriate and were therefore dissatisfied with the banks services. Specifically, the customers are not loyal to the banks ($M = 2.24$, $SD = 0.66$), they hardly trust the bank ($M = 2.35$, $SD = 0.71$) and are therefore not likely to repurchase ($M = 2.37$, $SD = 0.65$). The customers disagreed on most of the statements that elicited responses on how much they were loyal, trusting and ready to repurchase from the

banks the scale was 1=strongly Disagree; 2= Disagree; 3= Neither agree nor disagree; 4= Agree; 5= Strongly Agree and all the mean values were between 2 and 3 but tending towards 2 which was “disagree). For example, a question on intention to repurchase “I have to choose to stay with my bank because I am satisfied with the service provided my bank” elicited a mean response of $M = 2.39$ and $SD = 1.05$ which implies that they did not agree with this stamen. The same case applies with all other variables in the study.

Relationship between debt collector behaviour and customer satisfaction

In order to determine the strength and the direction of the relationship between debt collector behavior and customer satisfaction, correlation analysis was dome and the results are presented in Table 4.

Table 4. Correlation Coefficients

	Variable	1	2	3	4
1	Debt collector behavior	<u>0.82</u> 41			
2	Customer loyalty	.900** <0.001 41	<u>0.89</u> 41		
3	Trust in the bank	.859** <0.001 41	.913** <0.001 41	<u>0.867</u> 41	
4	Intention to repurchase	.859** <0.001 41	.846** <0.001 41	.787** <0.001 41	<u>0.649</u> 41

** Correlation is significant at the 0.01 level (2-tailed).

Numbers in leading diagonal are the reliability figures

As see from Table 4, the strongest relationship was between debt collector behavior and customer loyalty ($r = 0.900$, $p < 0.001$) while the relationship between trust and debt collector behavior and between intention to repurchase and debt collector behaviour equally strong ($r = 0.859$, $p < 0.001$). It is noted that there is a very strong and significant positive relationship between debt collector behavior and customer satisfaction (*Loyalty: $r = 0.900$, $p < 0.001$; Trust: $r = r = 0.859$, $p < 0.001$; Intention to repurchase: $r = 0.859$, $p < 0.001$). In this regard, the debtor collector behaviour needs to be improved to enable improvement of customer satisfaction hence retention and repurchase.*

We tested the hypothesis, H_{01} : *Debt collector behavior has no significant relationship with customer satisfaction* at 5% level of significance ($p = 0.05$) using the results of correlation analysis where the p-values associated with the correlation coefficient between debt collector behavior and customer satisfaction variables comprising loyalty, trust and intention to repurchase. We found that all the p – values were less than 0.05 (they were all less than 0.001 ($p < 0.001$) for all customer satisfaction variables. Since the all the p-value for correlation coefficients customer loyalty, trust and intention to repurchase were less than 0.05, all the following sub-hypotheses under H_{01} were rejected

H_{01a} : *Debt collector behavior has no significant relationship customer loyalty in in financial institutions in Somalia*

H_{01b} : *Debt collector behavior has no significant relationship with customer trust in financial institutions in Somalia*

H_{03c} : *Debt collector behavior has no significant relationship with intention to repurchase in financial institutions in Somalia*

Therefore, debt collector behavior has a significant positive relationship with customer satisfaction (loyalty, trust and intention to repurchase) in banks in Somalia

CONCLUSION AND APPLIED IMPLICATION

From the findings of this study, debt collector behavior is not appropriate and is highly dissatisfying to customers. This would lead the customers to seek services elsewhere. Further, the customers are hardly satisfied with the bank as a result of the debt collection behaviors. Of the three customer satisfaction dimensions, loyalty to the bank was the lowest followed by trust and then intention to repurchase.

Those findings have important applied implications. First, the debt collectors should be trained on appropriate customer service in order to improve customer satisfaction. Secondly, the specific aspects of debt collector behaviour on which customers were most dissatisfied should be addressed by management of banks in Somalia.

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