

**INTERNET SERVICE QUALITY, CUSTOMER
SATISFACTION AND CUSTOMER LOYALTY ASSESSMENT
IN BURUNDIAN BANKING INDUSTRY**

THESIS



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2022

APPROVAL PAGE

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STATEMENT LETTER

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Declared in Bandung

Date: 24 June 2022



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KUALITAS LAYANAN INTERNET, KEPUASAN NASABAH DAN PENILAIAN LOYALITAS NASABAH PADA INDUSTRI PERBANKAN BURUNDIAN

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ABSTRAK

Tujuan dari penelitian ini adalah untuk mengkaji kualitas e-service dan pengaruhnya terhadap kepuasan pelanggan di Burundi. Ide penelitian ini terinspirasi oleh fakta bahwa penggunaan sistem web login tidak terlalu populer di kalangan pengguna di Burundi, namun yang telah menunjukkan pertumbuhan luar biasa di Afrika dan diharapkan menjadi lebih populer di tahun-tahun mendatang. Diprediksi bahwa sebagian besar transaksi dan aktivitas keuangan lainnya akan dilakukan secara daring pada tahun-tahun mendatang.

Teknologi data dan komunikasi telah berkembang menjadi inti dari proses pembayaran secara digital, membawa perubahan besar di sektor jasa keuangan dan membuat pengelolaan akun menjadi lebih mudah, cepat, dan tersedia di mana pun dan kapan pun. Selain itu, dapat meningkatkan kesadaran klien tentang tingkat manfaat yang tersedia secara global dan harapan mereka akan bimbingan dari bank. Kepuasan dan kualitas layanan adalah elemen penting yang saling berhubungan terutama pada sektor yang sangat berorientasi kepada pelanggan. Bank perlu lebih fokus kepada nasabah jika ingin bersaing di pasar yang ditandai dengan persaingan global dan kemajuan teknologi. Setiap bank yang ingin bersaing di pasar global ini harus memberikan pelayanan yang dapat memuaskan nasabah.

Oleh karena itu, penting bagi bank untuk memahami faktor-faktor apa saja yang mempengaruhi kepuasan nasabah dan bagaimana memaksimalkan kualitas pelayanan sebagai stimulan kepuasan nasabah. Untuk mengumpulkan 125 jawaban dari nasabah layanan perbankan di beberapa bank di kota Bujumbura, pendekatan praktis yang menantang digunakan. Pemegang rekening dari beberapa bank Burundi yang dipilih dengan cermat di cabang di Kota Bujumbura menjadi sampel penelitian. Pengumpulan data menggunakan kuesioner yang terstruktur dengan baik, yang diolah dengan teknik kuantitatif dengan menggunakan software SmartPLS dan SPSS V.26.

Hasil penelitian mengungkapkan bahwa pada umumnya, kualitas e-service yang ditawarkan oleh sektor perbankan di Burundi tidak memenuhi harapan pelanggan. Nilai rerata skor tertinggi dan terendah untuk pengukuran kualitas pelayanan berkisar antara 2,85 hingga 3,30. Nilai rata-rata tertinggi adalah skor 5, nilai keseluruhan hasil pengukuran kualitas layanan turun bahkan di bawah skor 4 yang berarti bahwa bank-bank di wilayah Burundi perlu lebih fokus dalam menawarkan kualitas layanan internet yang memadai untuk memuaskan pelanggannya sekaligus untuk meningkatkan loyalitas pelanggan karena pelanggan yang puas dalam banyak kasus identik dengan pelanggan setia. Hasil penelitian menunjukkan bahwa secara keseluruhan pengukuran kualitas layanan memiliki hubungan positif antara kepuasan pelanggan dan loyalitas pelanggan. Dengan demikian, hal ini menunjukkan bahwa hipotesis yang diajukan oleh penulis didukung. Penulis sangat mendorong peneliti masa depan untuk menyoroti kualitas layanan, terutama e-service dan ini akan memungkinkan para pemimpin bank untuk meningkatkan layanan mereka untuk meningkatkan kepuasan pelanggan serta loyalitas pelanggan. Hasil penelitian menunjukkan bahwa kepuasan pelanggan berada pada level yang rendah sama dengan loyalitas pelanggan. Analisis mediasi mengungkapkan bahwa kepuasan pelanggan adalah mediator yang kuat antara dimensi kualitas E-service dan kepuasan pelanggan.

Kata Kunci: Burundi, Internet Banking, Kualitas Layanan, Loyalitas Pelanggan, Kepuasan Pelanggan

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ABSTRACT

The objective of this study is to examine web benefit quality in Burundi and analyse its effect on client fulfilment. The thought of working on this specific venture came from the reality that web managing an account is not so prevalent to Burundian clients, but moreover it comprises a segment which appears incredible advancement in Africa and tends to induce more far reaching within the following few a long time. It is genuine that within the close future, exchanges and other keeping money activities will get accessory for the most part through web.

Knowing that, nowadays, data and communication innovation has ended up the heart of managing an account division, which has brought a colossal change within the keeping money industry and made keeping money administrations less demanding, expedient, and opens anytime and anyplace. This has too made the clients well mindful of the benefit level accessible around the world and hence anticipates the leading from his bank. In this advanced client-centric competitive field, fulfilment and quality demonstrate to be key components and are interrelated. To endeavour in a market characterized by worldwide competition, and mechanical progressions, banks must be more customer focused. Any bank that needs to compete in this worldwide industry must offer administrations that make client fulfilment. Consequently, it is imperative for banks to get what influences client fulfilment and how to optimize benefit quality as a driver of client fulfilment. Useful challenging methods have been used to get 125 respondents from customer of banking services in different banks within Bujumbura city. The study respondents were accounts holders of different selected banks of Burundi in Bujumbura town branch.

A quantitative approach was utilized to process data, and a well-structured questionnaire was used to collect data, then the data was assessed by the help of SmartPLS and SPSS V.26 software.

The outcomes revealed that, in general, the quality of e-services offered by Burundian banking sector does not meet customer expectations. The highest and the lowest score mean values for service quality measurement range from 2.85 to 3.30. The highest mean score is 5 points, the overall values of service quality measurements results have fallen even below point 4 which means that banks in Burundian area need to focus more on offering adequate internet service quality to satisfy their customers as well to boost the customer loyalty since a satisfied customer is in many cases synonymous with a loyal customer. The outcomes showed that the wholly service quality measurements have a positive relationship between customer satisfaction and customer loyalty. Thus, it shows that the hypothesis proposed by the author are supported. The author highly encourages the future researchers to highlight service quality, especially e-service and this will allow the banks' leaders to improve their services to increase customer satisfaction as well customer loyalty.

The outcomes revealed that customer satisfaction was at low level same with the customer loyalty.

The mediation analysis revealed that customer satisfaction is a strong mediator between E-service quality dimensions and customer satisfaction.

Keys Words: Burundi, Internet Banking, Service quality, Customer loyalty, Customer satisfaction

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Finally, the author believe that this thesis is useful for the readers.

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LIST OF ABBREVIATIONS

BRB : Banque de la République du Burundi (The Central Bank of Burundi)

BANCOBU : Banque Commerciale du Burundi (Burundian Commercial Bank)

IBB: Interbank Burundi

DTB: Diamond Trust Bank

KCB: Kenyan Commercial Bank

BGF: Banque de Gestion et de Financement (Management and Financing Bank)

BBCI: Banque Burundaise pour le Commerce et Investissement (Burundian Bank for Trade and Investment)

FINBANK: Finlease Bank

ECOBANK: West-Africa Pan African Bank

BCB : Banque de Crédit de Bujumbura (Credit Bank of Bujumbura)

BCAB : Banque Communautaire et Agricole du Burundi (Community and Agricultural Bank of Burundi)

BIJE : Banque d'Investissement pour les Jeunes (Youth Investment Bank)

FPHU : Fonds de Promotion de l'Habitat Urbain (Urban Housing Promotion Fund)

BNDE : Banque Nationale pour le Développement Economique (National Bank for Economic Development)

ICT: Information, Communication and Technology

ARCT: Telecommunications Regulatory Authority and Control

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CHAPTER I: INTRODUCTION

The background of the study, problem description, study objectives, research questions, study scope, and study significance will all be included in this chapter.

1.1 BACKGROUND OF THE STUDY

Service quality and client fulfilment have long been recognized as playing significant part in victory and survival in today's competitive showcase. Service quality could be later conclusive issue within the showcasing thought. It moreover makes a difference control the competitive position, and thus, decides the advertise share and benefits.

The banking industry in Burundi has seen a few changes all through the most recent decade with the approach of private segment banks and public banks. Within the current hard-hitting money related condition of banks, client devotion has turned out to be impressively more essential to hold the extraordinary client and suitable treatment of clients turns out to be much more basic to commerce accomplishment. It is a quick delayed consequence of buyer fulfilment and affected by the esteem of administrations gave by representatives and the esteem is made by fulfilled and steadfast representatives.

The Central Bank of Burundi (BRB) has performed a survey on financial inclusion, and the results show that the banking system in Burundi has extremely little penetration of banking services. The Bank of the Republic of Burundi has a penetration rate of roughly 22% in this 2016 poll. The city centre is home to branches of a few nearby commercial banks.

Rural areas are the primary focus of microfinance institutions. Three banks have the Burundi government as a minor shareholder. The banking industry is now more stable, the capitalization to liquidity ratio is above regulatory requirements, and profitability indicators are rising. Although the non-performing loans (NPLs) percentage of the bank's portfolio has reached 6%, the East Africa Community notes that the reference rate is 5%, therefore the quality of the portfolio is still a concern.

The industry also suffered from a shortfall in foreign exchange following the Central Bank's 2019 implementation of de facto capital regulations.

The Burundian financial sector consists of 14 financial institutions (banks), including the New Youth Investment Bank and Agriculture Bank, 40 microfinance institutions, 16 insurance companies, 3 social security institutions and 3 payment institutions. Banks for women have also been established. All these institutions aim to reduce unemployment, especially by creating employment opportunities for small business. Three large and systemically important banks dominate the banking market.: Bujumbura Credit Bank (BCB), Burundi Commercial Bank (BANCOBU), and Interbank Burundi (IBB) which are the three public banks with more than 2/3 of the market share. This areas is relatively underdeveloped and the proportion of the population with a bank account (170,000 depositors) is very low, only 2% of the population (Glance, 2016). Foreign banks are permitted to conduct business domestically. (West-Africa Pan African Bank), CRDB (Bank of Tanzania), DTB, and KCB are among the foreign banks operating in the country (both are Kenyan banks). The Central Bank oversees banking supervision policies, including measures to ensure the health of the banking system. When it comes to opening a banking account, both foreigners and local banks face the same restrictions. The only requirement is that the ID be presented.

As mentioned above, Burundian financial system is made up of 14 main banks which are:

BRB: Banque de la République du Burundi (Bank of the Republic of Burundi, is the central bank that regulates the financial sector)

BANCOBU : Banque Commercial du Burundi (Commercial Bank of Burundi)

BGF : Banque de Gestion et de Financement (Management and Financing Bank)

BBCI: Banque Burundaise pour le Commerce et Investissement (Burundian Bank for Trade and Investment)

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FPHU : Fonds de Promotion de l'Habitat Urbain (Urban Housing Promotion Fund)

BNDE : Banque Nationale pour le Développement Economique (National Bank for Economic Development)

Loyalty is made over time outline from an unsurprising record of get-togethers and regardless outperforming client wants in any bank. The private banks and public banks draw in clients with their varied quality administrations and quality related with the client that set up client fulfilment and client devotion. It is essentially vital for banks to preserve profitable customers and to reinforce the return from the existing customer base to supply careful thought to the issues of customer loyalty improving.

Service quality has been portrayed in different ways by analysts. Service quality is made of two parts- Specialized quality and useful quality. Specialized quality suggests what the service organization conveys all through the benefit course of action whereas useful quality is the way the services representative gives the service. Service quality is characterized as fluctuation between customer desire of service and customer's recognitions of the real benefit. Too benefit quality is depicted as how much the service advertised can fulfil the desires of the client. Agreeing to these definitions, clients are the sole judges of service quality. In case they see it to be great service, at that point it is. They esteem the service quality by comparing their desire and discernment.

The unused age trade environment is exceptionally active and experiences rapid changes as a result of mechanical development, expanded mindfulness, and client requests. Trade organizations, particularly the banking industry of the twenty-first century, operate in a

complex and competitive environment defined by changing conditions and a profoundly erratic financial climate. ICT (Information and Communication Technology) is at the heart of this global shift. Data innovation is widely regarded as the primary driver of global change. Because of the unavoidable and consistent advancement of information and communication technology, the world-keeping money industry is confronted with an unforeseen marvel of the unusual shape of competition supported by advanced data and communication framework. Over the last few years, e-commerce has become a company motto. The Web is the driving force for the development of e-commerce (Abebe, 2014). The data and communication applications are fundamental concern to the banks in today's commerce environment and web has ended up the major stage for all money related, keeping money and commercial exchanges within the display situation.

A key utilize of ICT makes a difference an organization pick up a competitive advantage through its commitment to the key objectives of an organization and/or its capacity to essentially increment execution and efficiency.

As a result of this, numerous banks in several nations changes their operation to the employments of progressed innovations that will empower them to compete with the developing tastes and inclinations of the clients.

Managing an account framework possesses a vital put in a nation's economy. It plays a crucial part in quickening the rate of financial development by mobilizing the existing or potential reserve funds and by making the payment of credit to commercial undertaking and need ranges. Keeping money industry is checked by forceful competition and ever-changing client requests. As a result, banks must be receptive to the changing environment. It is fundamental for the banks to embrace fitting different methodologies to consolidate as the favoured bank of clients.

Convenient presentation of various products to suit the different needs of clients may be a user need to the banks. Innovation gives the cutting edge to come out with client-centric items and conveyance channels in time. (Kelil, 2018)

On other hand, by May 2019, the Alliance for Affordable Internet (A4AI) described Burundi as one of the cheapest African countries with a GB mobile broadband cost of 3.3 USD.

However, ARCT (Telecommunications Regulatory Authority and Control) believes that the cost is still very high and not affordable for most citizens. Christian Ntahondi, Head of charge management services at ARCT, said: Despite the low penetration of internet, operators in the country are striving to improve the quality of their services while introducing new technologies.

Burundi has six operators, led by Lumitel, the latest entrant within 55% market share. In March 2018 ITWeb Africa informed that Lumitel, a subsidiary of Viettel, is developing its 4G services countrywide, just two years after it announces 4G services with an attention on definite provinces comprising Bujumbura, Gitega, Makamba, Muyinga, Ngozi and Rumonge. Additionally, in January 2022, there were 1.82 million internet users in Burundi. Internet penetration in Burundi was 14.6% of the total population at the beginning of 2022. According to Kepios analysis, the number of internet users in Burundi increased by 225,000 people ($\pm 14.1\%$) between 2021 and 2022. By comparison, this user data shows that 10.62 million people in Burundi didn't have internet access within the beginning of 2022. This means that 85.4% of the population does not use the internet at the beginning of the year.

In Burundian banking sector there are frustrations among customers about the service presented and the accessible services do not match the customer's needs. These irritations are specifically tied to the substandard customer service provided by this industry. People frequently experience problems related to the help centre hours of operation, so it is imperative that these organizations set up their schedules to accommodate their clients' needs while aiming to avoid any vacant hours. In this way, customers can always obtain the needed information through these channels of communication between the bank and their customers at the desired time. If possible, these institutions' administrators should extend the call centre's hours of operation, but they must delegate the job to already-employed personnel to save money and soothe clients' irritations. Customers are discontented with the personalized service offered by various banks in Burundi, especially in the capital city of Bujumbura, where the research has been sparse and falls short of their expectations. Customers have differing opinions about how their personal data used for online purchases is maintained and handled.

This study addresses each of these issues and attempts to differentiate between the degree of value that has reached the least, along with the suggestion about customer satisfaction and loyalty.

1.2 PROBLEM STATEMENT AND RESEARCH OBJECTIVES

The traditional objective of banks has been to collect funds from their clients who wish to save their funds in a reliable institution and in return distribute the same funds to other clients wishing to have credits to carry out their projects. Now the objectives of banks have changed a lot and they must focus on a lot of services to satisfy their customers, with these services we can mention insurance, mutual funds facilities and supplying of new shares of diverse establishments. For accomplishment and survival in today's competitive banking sector, delivering quality services to customer is crucial. In the existing data economy, as there is more consciousness among the customer of their rights and emerging request, it grows to be noticeably essential for the banks to give quality services to their customers to remain trustworthy and loyal. Many users of banking services in Burundi change their partners into banks by the lack of attention or the absence of reliable services provided by these institutions to their clients, it is in this context that even the so-called loyal clients of these institutions they always tend to go and look elsewhere in order to find good services which is a big problem for these banking institutions, and they must do everything possible to maintain their trust and loyalty towards their customers. In this case the banks if they want to succeed, they must change their operating procedures to differentiate themselves from its competitors since the banking sector is very competitive in the current area. The employment of quality and excellent service is very important to gratify their customers and, in another way, to maintain their loyalty. Therefore, it wants supplementary examines and this paper aims to fill this gap by endeavouring to address the relationship between dimensions of service quality and client's satisfaction for nourishing loyal customer.

The most target of this consideration will be the impact of banking benefit quality on customer fulfilment, and their loyalty in Burundi, city of Bujumbura.

Particular target: the think about was guided by the taking after investigating objectives:

- 1) To degree the banks service's quality in Burundi and its effect on customer satisfaction.
- 2) To look at the relationship that exists between customer satisfaction and loyalty in Burundian banking industry.
- 3) To discover out a positive affiliation between service quality measurements and loyalty of clients in Burundian banking sector.

Research questions of the study are as follow:

1. How high is customer satisfaction with Burundi internet banking?
2. How are customer satisfaction and customer loyalty related?
3. How do customer rate the quality of service in Burundi's baking sector?
4. Does the quality of the service have an impact on customer satisfaction?

1.3 SIGNIFICANCE OF THE STUDY

Utilizing the impacts of the issues of bank service quality measurements, fulfilment of customer and devotion of client in Burundian keeping money segment, the disclosures of this consider will donate exceptionally vital comprehension on the quality service of Burundian banking sector and its impact on client fulfilment, the relationship that exists between fulfilment of client and devotion of client and a few basic encounters into service quality in Burundian banking industry, there's as however a chance to amplify the disclosures to pick up a more careful comprehensive understanding the quality of banking service.

Note that in Burundi, no researcher has yet conducted a study on this subject, it will be an asset for the leaders of the Burundian banking sector to finally know what their image really looks like towards their customers.

For achievement and survival in today's competitive managing an account segment, conveying quality administrations to client is crucial, so this investigation will offer assistance advise to Burundian banking sector. Additionally, the think about will deliver a conventional introduce to assist investigate on bank service quality, fulfilment of client and loyalty of client in Burundian keeping money sector.

On other hand, the centrality of the study can be evaluated on two angles: its scientific and social pertinence.

- Scientific significance concerns the significance of the inquire about the body of information knowledge being gathered.
- The social significance concerns the convenience of the result of the inquire about. In common, this study will reflect both social and scientific relevance.

The ponder proposes to contribute to different partners in few ways:

- Scholars and Academics

Analysts can utilize this consider encouraging other studies on distinctive divisions in specific the ones related to service quality. The consider will grant standard records that will help people to carry out similar studies among diverse organizations.

1.4 SCOPE OF THE STUDY

This study will be limited to Burundi Region, the city of Bujumbura, the economic capital.

Burundi, officially the Republic of Burundi is a landlocked country in the Great Rift Valley where African Great Lakes region and East Africa converge. It is bordered by Rwanda to the north, Tanzania to the east and southeast, and the Democratic of the Republic of Congo to the west; Lake Tanganyika lies along its southwestern border.

The capital cities are Bujumbura and Gitega, economic capital and political capital respectively which are also the country's largest cities. Burundi has as official languages Kirundi which is national language, French, and English. On the other hand, Burundi has three ethnic groups which are Hutu 85%, Tutsi 14%, and Twa 1%. Burundi is a country with multiple religions of which the catholic religion dominates. Roman Catholic _65.3%, other Christians_26.2%, traditional faiths_5.5%, Islam_ 2.1%, others_0.2%. Burundi has a total area of 27.834 km².

Burundi's population is 12,404,515 (as of December 11,2021), Burundi's population is projected to continue its growth through the rest of the 21st century. According to the most recent projections, Burundi's population will surpass 50 million people in 2098.

Let's then see together the position of Bujumbura city where the study will be carried out.

Bujumbura, the economic capital of the Republic of Burundi, is located in the west of the country in the province of Bujumbura Mairie, on the shores of Lake Tanganyika, one of the great lakes in East Africa. This lake, which has several beaches, has an area of over 32,000 km² and it is the deepest in the world after Lake Baikal in Russia. Bujumbura is located east of Uvira, north of Kigoma and northeast of Baraka both in the Democratic of Republic of Congo.

The city of Bujumbura has an area of 14,500 ha with an average altitude of 820 meters. The climate, of tropical type, offers a dominant sunshine all year round and an average temperature of 23 °c peaks of 28 °- 35 °c during the hottest periods. Bujumbura, like the whole of the country, has 4 seasons: the large and the small dry seasons, the large and the small rainy seasons. Bujumbura currently has resident population of one million. The active population exceeds 500.000 inhabitants. But this resident population is unevenly distributed.

It is mainly found in the outskirts of the core of the capital where the density sometimes reaches more than 10,000 inhabitants per km².

The study participants will be clients who live in Bujumbura, the economic capital city of Burundi, who use banking services with various commercial and open banks and who have savings accounts. Therefore, the study focuses on the aspects of service quality and loyalty to their sense of satisfaction.