

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**FOURTH YEAR EXAMINATION FOR THE AWARD OF
DEGREE OF BACHELOR OF COMMERCE**

BCOM 425: MARKETING OF SERVICES & NON PROFIT ENTITIES

STREAMS: Y4S2

TIME: 2 HOURS

DAY/DATE : WEDNESDAY 22 /09/ 2021

2.30 PM – 4.30 PM

INSTRUCTIONS TO CANDIDATES:

- Answer Question One (Compulsory) and any other Two Questions.
- DO NOT WRITE ANYTHING on the question paper.

QUESTION ONE (1)- IS COMPULSORY (30 MARKS)

National Bank posts Sh717m half year profit

National Bank of Kenya (NBK) made a Sh717.6 million net profit in the first half of the year, helped by a lower tax bill and increased income from lending and transactions.

This was reversal of a Sh381.3 million net loss a year earlier.

The lender, a fully-owned subsidiary of KCB Group, saw its interest income jump 22 percent to Sh4.07 billion in a period in which the loan book expanded by Sh4.83 billion to Sh60.37 billion.

Pre-tax profit was Sh1.02 billion, making NBK the most profitable subsidiary of KCB Group. The South Sudan unit was the closest with pre-tax earnings of Sh551 million followed by Tanzania with Sh499 million.

NBK's non-interest income, mainly derived from fees and commissions on loans, increased 12.3 percent to Sh1.08 billion, partly highlighting the impact of customers' increased uptake of digital banking services.

The lender's bottom-line was also supported by a smaller tax bill of Sh304 million in the review period compared to 567.9 million a year earlier.

Operating expenses remained at Sh4.12 billion, partly helped by the decision to cut loan loss provisioning by 28 percent to Sh297.36 million.

NBK is still in breach of minimum capital requirements, signaling that the subsidiary may need further financial support. KCB gave NBK capital in the form of a Sh5 billion equity injection in 2019 and a Sh3 billion subordinated debt earlier this year.

NBK's adjusted core capital to total deposit liabilities ratio stood at 5.9 percent against CBK's minimum of eight percent while adjusted total capital to total risk weighted assets was 0.7 percentage points below the required minimum of 14.5 percent.

KCB's chief financial officer said the lender will carry out a review to determine if there is need to add NBK more capital.

"We have commissioned internal capital adequacy review on NBK and KCB Rwanda to see if there is need to add capital,"

The actual capital support to NBK, if any, will depend on several factors, including the subsidiary's ability to recover bad loans.

NBK's stock of gross non-performing loans declined to Sh27.45 billion in June from Sh28.66 billion in June last year, helped by repayments and recoveries.

KCB acquired NBK in 2019 through a share swap in which shareholders were allotted one share in the big bank for every 10 they previously held in the subsidiary.

The deal resulted in the National Treasury and the National Social Security Fund increasing their stakes in KCB.

QUESTION ONE

REQUIRED.

a.). Explain the kind of strategies you would undertake to increase customer loyalty in National Bank of Kenya. **(10 Marks)**

b.).Discuss the nature of strategies which match service promises with delivery in NBK. **(10 Marks)**

- c). Explain briefly the key reasons for service communication challenges at NBK. **(10 Marks)**

SECTION B-ANSWER ANY OTHER TWO QUESTIONS

QUESTION TWO

- a). Discuss the concept of service simultaneity in the Banking sector. **(10 Marks)**
- b). As a marketing consultant, discuss how you will develop a service system in the Sacco industry. **(10 Marks)**

QUESTION THREE

- a). As a newly appointed marketing manager at K.C.B, discuss the extended marketing mix for services in the Banking sector. **(10 Marks)**
- b). As a marketing consultant, prepare a presentation on how you will market the Non-profit entities in Kenya. **(10 Marks)**

QUESTION FOUR

- a). You have been newly recruited marketing manager at Equity Bank, explain to the new employees the concept of service-profit chain in the Bank. **(10 Marks)**
- b). As a marketing manager at Co-operative Bank, discuss during the management meeting, the servqual model in services. **(10 Marks)**
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