

**SERVICE QUALITY AND CUSTOMER RETENTION IN COMMERCIAL
BANKS OF UGANDA.**

A CASE STUDY OF STANBIC BANK MUKONO BRANCH

BY

KUSASIIRA ELIOT


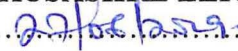
REG NO. 16/U/13323/GMBA/PE

**A RESEARCH PROPOSAL SUBMITTED TO THE GRADUATE SCHOOL OF
KYAMBOGO UNIVERSITY IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF A MASTER'S
DEGREE OF BUSINESS ADMINISTRATION OF
KYAMBOGO UNIVERSITY**

JUNE, 2019

Declaration

I Kusasiira Eliot hereby declare that this research proposal has never been submitted for any qualification in any institution.

Signature.....
KUSASIIRE ELIOT
Date:.....

Dedication

This research is dedicated to my family and friends. Thank you for the love, support and always being there for me. Your efforts and advice have always been appreciated.

Approval

This is to certify that this research proposal has been submitted with my approval as the university supervisor.

Signature:.....

DR. MARY MAURICE MUKOKOMA NALWONGA

Date:.....

Signature:.....

DR. GERALD KASIGWA

Date:.....

Acknowledgement

Special thanks go to Kyambogo University that offered me an opportunity to do my Masters in Business Administration from this special institution. My appreciation goes to my supervisors Dr.Mary Maurice Mukokoma and Dr.Gerald Kasigwa for the patience and professional guidance throughout my project work. Thanks all for the input.

Table of Contents

Declaration.....	ii
Approval	iii
Dedication	iv
Acknowledgement	v
Table of Contents	vi
CHAPTER ONE	1
INTRODUCTION.....	1
1.0 Introduction.....	1
1.1 Background to the study.....	1
1.2 Statement of the problem	6
1.3 Purpose of the study.....	7
1.4 Research objectives	7
1.5 Research questions	7
1.6 Scope of the study.....	7
1.6.1 Content scope	7
1.6.2 Geographical scope	8
1.6.3 Time Scope.....	8
1.7 Significance of the study	8
1.8 Justification of the study.....	9
1.9 Conceptual framework.....	9
CHAPTER TWO	12
LITERATURE REVIEW	12
2.0 Introduction	12
2.1 Theoretical overview.....	12
2.2 Understanding service quality	14
2.3 Understanding customer retention	15
2.4 Responsiveness and customers' retention	16
2.5 Empathy and customer retention	19
2.6 Reliability and customers' retention	21
2.6 Gap in the literature	24
CHAPTER THREE	27

METHODOLOGY	27
3.0 Introduction.....	27
3.1 Research Design	27
3.2 Area of the Study.....	28
3.3 Study Population	28
3.4 Sample Size and Determination.....	28
Table 1: Total population, Sample size, sampling technique.....	29
3.5 Sampling Techniques and Procedures.....	29
3.6 Sources of Data.....	30
3.7 Data Collection Methods	30
3.7.1 Questionnaire survey	30
3.7.2 Interview method.....	30
3.8 Data Collection Instruments.....	31
3.8.1 Questionnaire	31
3.8.2 Interview Guide.....	31
3.9 Validity and Reliability of data	32
3.9.1 Validity.....	32
3.10 Data collection Procedure	33
3.11 Data Analysis.....	33
3.12 Measurement of Variables	34
3.13 Limitations to the Study	35
REFERENCES.....	36
APPENDENCES	43
APPENDIX I.....	43
QUESTIONNAIRE.....	43
APPENDIX II.....	47
INTERVIEW GUIDE.....	47

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This study seeks to examine the effect of service quality and customer retention in commercial banks in Uganda using Stanbic bank, Mukono branch. Lee (2007) revealed that consumers all over the world have become more quality conscious; therefore customers' requirements for higher quality service have been increased. Service sector such as the banks are obliged to provide excellent services to their customers in order to have sustainable competitive advantage. This chapter will present the background to the study, historical, theoretical, conceptual and contextual perspectives, statement of the problem, purpose of the study, research objectives, research questions, scope of the study, the significance of the study, justification of the study and the conceptual framework.

1.1 Background to the study

1.1.1 Historical background

Over the past decade, business-to-consumer organizations have significantly moved from transaction-based to relationship-centred approaches in their marketing, reflecting a shift of focus in the discipline (West, 2006). This shift to building long term relationships with customers as opposed to strategies to attract new customers has become a common practice in the contemporary competitive market, and is generally accompanied by improved customer satisfaction, increased loyalty and ultimately retaining of customers (Mostert & De Meyer, 2010). Previously, organizations' have been using traditional transactional marketing which is based on attracting new customers whereby the main objective was to identify prospects, transform them into customers and complete a sales transaction which signals the end of the

marketing process (Brink & Berndt, 2008). Even though attracting new customers is essential, it is now being understood as an intermediary step in the whole marketing process as marketing practitioners are currently focusing their initiatives on developing and maintaining equally beneficial relationships with existing customers (Brink *et al*, 2008).

Research studies have been carried out on service quality and customer retention in the banking industry by different scholars for example Nsiah and A Mensah (2014) were interested in studying the effect of service quality on customer retention in the banking industry in Ghana: a case study of Asokore Rural Bank Limited. In this study, they used five dimensions of service quality to measure their effect on customer retention. Rahim, Osman and T. Ramayah (2010) studied the relationship between the service quality, satisfaction and loyalty. In this research, the service quality standard model has been used for evaluation of service quality. Also Kalulu, Kiconco and Kesande (2015) studied the relationship between work environment, service quality and customer retention in guesthouses in Uganda using a case of Kampala district where a cross sectional research design was used. However, none of these studies were in the context of establishing the relationship between service quality and customer retention in commercial banks in Uganda using Stanbic Bank Mukono branch as a case study.

The global business today, consumers all over the world have become more quality conscious; therefore customers' requirements for higher quality service have been increased (Lee, 2005). Service sector such as the banks are obliged to provide excellent services to their customers in order to have sustainable competitive advantage. In the interest of UK banks in retention, new customers often receive more favourable business conditions, such as lower prices or more flexible contracts and payment terms, than existing customers (Farquhar & Panther, 2007). In contrast, Aspinall (2001) found that 54% of companies reported that customer retention was

more important than customer acquisition, while Payne and Frow (1999) found that only 23% of marketing budgets in UK organizations is spent on customer retention. Therefore, organizations should make more effort to enhance customer retention rates, especially in highly changeable markets such as banking industry.

In Africa and Kenya in particular, customer retention in the banking industry is increasingly being seen as an important managerial issue, especially in the context of lower growth of the number of new customers. With the improvement of building societies into banking institutions; there has been frequent switching of customers from one bank to the other due to good competitive advantages like low interest rates on loans and a reduction in the ledger fees charged by the banks which is the same case to Ugandan banking industry. There is need for banks to differentiate between themselves and other banks because of the competitive environment which is achieved through providing high quality services (Caruana, 2002). Therefore, this study seeks to examine effect the effect service quality on customer retention in commercial banks in Uganda.

1.1.2 Theoretical background

Several theories have been advanced to address the relationship between service quality and customers' retention such as the SERVQUAL model. The significance of service quality for business performance has been recognized in the literature of many scholars who identified it as an important criterion (Khattab & Aldehayyat, 2011) SERVQUAL, "Synthesized model of service quality,¹¹ Antecedents and mediator model have been developed and extensively used by academics and practitioners". Among them, SERVQUAL is widely used and accepted model especially in service sectors and in many countries. Parasuraman et al (2002) developed this theory by associating expectations with perceptions. By 1988, this rule was further "identified

with 5 dimensions of service quality namely Tangible, Reliability, Responsiveness, Assurance and Empathy and these five dimensions are thus assessed by a total of 44 items in which 22 items to measure the general expectations of customers concerning a service; and the remaining 22 items measure the perceptions of customers regarding the levels service actually provided by the company within that service category”. Reliability means “the ability of a service provider to deliver the promised services honestly and consistently”. For this reason, “reliability is a crucial factor that is measured while gauging service quality”. It is said by many scholars “if employees of organizations display trustworthy behavior, the satisfaction level of customers can be enhanced significantly” (Khan & Fasih, 2014). Therefore, the researcher thinks this theory will be relevant to establish the relationship between service quality and customer retention.

1.1.3 Conceptual background

According to Bitner (2014), service quality is the consumer’s overall impression of the relative inferiority or superiority of the organization and its services. From this definition, service quality is said to be a key to the survival of all servicing companies. Adding to this, Parasuraman, Zeithaml and Berry (2004), affirmed that service quality is a function of the differences between expectation and performance along the quality dimension. Service quality will be operationalized in terms of responsiveness, empathy and reliability these three dimension have been selected because they are human related dimensions as researchers fragmented those five dimensions into main two parts as human related and non-human related factor because previous researchers such as, Agus, Barker and Kandampully (2007), Hennayake (2017) also adopted this fragmentation. Therefore, assurance, empathy, reliability and responsiveness was the human related service quality dimensions while tangible was non–human related dimension of this study. Reliability is the ability of an organization to offer services they have promised to customers in an accurate

manner without errors (Beneke, 2012). Empathy implies that customers are not only interested in what is being sold but also value the contact that they have with the staff members of a retail organization during the process of making a sale and after the service has been rendered (Vazquez,2001). it shows how a firm's ability to render customer individual attention, deal with customers in a caring fashion, have the customers' best interest at heart and understand the needs of their customers.

Gerpott, Rams and Schindler (2001) defines customer retention as a coherence of the business relations between the client and organization. Customer retention is the act of attempting to fulfill clients with the goal of growing long haul associations with them. Zineldin (2000) characterizes retention as a ceaseless responsibility to business with a specific organization in a predictable way. Day (2001) contests that we ought to recognize client needs fulfill the requirements and it shall enhance customer retention. In this study customer retention is interpreted as meaning the length of client remain with a bank requesting items and administrations as (Gerpott et al, 2001).

1.1.4 Contextual background

The issue of customers' turnover has been a big challenge at Stanbic bank, Mukono branch despite the numerous efforts by management to put in place policies that are aimed at curbing it like: introduction of both e-banking and mobile money, introduction of the toll free line for customers to get feedback from them ('Annual report' Stanbic bank, 02 2017). Stanbic bank, Uganda Ltd (SBU) is a commercial bank in Uganda licensed by the Bank of Uganda, founded in 1906. Stanbic bank, Uganda has been chosen because it has been hit by various challenges in the recent past emanating from especially service quality related causes by management. These have consequently made most customer to part ways with the bank for other alternative Banks like

DFCU, housing Finance bank, Finance Trust bank etc (Bwanika 2018). This has made the researcher to query, “Could it be due to the fact that the management and other stakeholders are not applying proper service quality strategies to effectively put an end to this ugly kind of behavior at the bank or because of other factors?” This gives significance to the concept of service quality in promoting customers' retention.

According to Stanbic Bank Uganda Half years results (2018), it is revealed that Stanbic has matched every single movement of the credit borrowing ratio (CBR) for the last 18 months; reducing their prime lending rate from 25% to 17% today. The bank developed and introduced a number of new products that are a lot more targeted and therefore should make it a lot more attractive to borrow. The tailored products include our enterprise banking offerings that are targeted to SMEs, personal loans solutions, home loans and many more. This has indicated customer price insensitivity and poor customer satisfaction with the bank services thus the need to examine the effect of service quality on customer retention.

1.2 Statement of the problem

Stanbic bank has strategized to retain its customers through its service quality management strategies like lowering of its CBR, quick response to customer complaints and service reliability. However, customers' retention at Stanbic bank has declined over the past years despite its efforts offering quality services. Despite the lowering of the CBR, there has been slow uptake of bank credit indicating loss of customers trust, customers being price sensitivity and not being satisfied. The Customer Evaluation Report' Stanbic Bank 02, (2018) revealed that over 30% of the customers had cut their relationship with the bank as observed in the sharp reduction in annual profits of the bank from 12 Billion in 2012 to 9 Billion in 2017 indicating reduction in customer tenure with the Bank. This crisis has affected productivity at the bank. If this kind of

situation is not attended too, the bank will continue losing out on its customer in this stiff competition. It is on this basis that this study seeks to examine the effect of service quality on customers' retention in Stanbic Bank, Mukono Branch.

1.3 Purpose of the study

This research study seeks to examine the effect of service quality on customer retention in Stanbic bank, Mukono branch.

1.4 Research objectives

- (i) To determine how responsiveness affects customers' retention at Stanbic bank, Mukono branch.
- (ii) To analyze how empathy affects customers' retention at Stanbic bank, Mukono branch.
- (iii) To examine the effect of reliability on customers' retention at Stanbic bank, Mukono branch.

1.5 Research questions

- (i) How does responsiveness affect customers' retention at Stanbic bank, Mukono branch?
- (ii) How does empathy affect customers' retention at Stanbic bank, Mukono branch?
- (iii) What is the effect of reliability on customers' retention at Stanbic bank, Mukono branch?

1.6 Scope of the study

1.6.1 Content scope

This study shall focus on examining the effect of service quality on customers' retention in the banking industry. The dimensions of service quality that shall be studied in this study include: responsiveness, empathy and reliability as the independent variable because they are human related dimensions as researchers fragmented those five dimensions into main two parts as human related and non-human related factor because previous researchers such as, Agus, Barker

and Kandampully (2007), Hennayake (2017) also adopted this fragmentation. Therefore, assurance, empathy, reliability and responsiveness was the human related service quality dimensions while tangible was non-human related dimension of this study. Customers' retention will be treated as the dependent variable.

1.6.2 Geographical scope

The study shall be limited to commercial banks with Stanbic bank, Mukono branch in particular, located in Mukono town council, plot 37 39 Mukono Cathedral House Building/0000, Mukono district in Uganda, a few meters from Jinja Road, Uganda. It has been chosen because it is one of the commercial banks in Uganda that has grappled with maintaining customers' retention over the past decades.

1.6.3 Time Scope

The study period shall be limited to operations of Stanbic bank, Mukono branch during the 2013-2019 as the period of data consideration. This is because customers' turnover was highest in this period.

1.7 Significance of the study

This study may help academicians understand the important service quality practices and customer retention. It may act as a future reference material of which scholars and future researchers may use it for their research

The study may also benefit policy makers to improve its overall service delivery, especially in areas where the degree of influence of service quality appears to be low in enhancing customer retention. This is expected to give this banks comparative advantage over others.

The study may have a symbiotic benefit to the bank and the customer. The findings may also enable the bank to identify both the effective and ineffective customer retention strategies. The information may benefit customers as management may be more customer need oriented leading to customer satisfaction hence retention

1.8 Justification of the study

The study has been proposed because of the critical role service quality play towards improving the customers' retention in the banking industry in Uganda. Despite this role, most banks do not emphasize its contribution. Several studies have been carried out to inform us about how best to understand customers' retention and how it can be influenced by the service quality strategies of the management in an organization (James & Hannah, 2013). The appropriateness of the service quality strategies adopted by management which influences the level of customers' commitment and motivation which eventually determines the level of customers' retention at the bank. Its contribution notwithstanding, some banks operate with ineffective managers who apply inappropriate service quality strategies where as others underfund the function. Now that Stanbic bank, is planning to gain a competitive edge over other banks, and start concentrating on building a strong customer loyalty this study is really timely because such undertakings require an organization with a strong service quality strategies. Therefore, it is upon this background that this study intends to examine the effect of service quality on customer retention.

1.9 Conceptual framework

The conceptual frame work below explains the conceptualized relationship between service quality Vis-a-Vis customer retention. Service quality is conceived as the independent variable (IV) while customer retention as the dependent variable (DV) as illustrated in figure1 below.

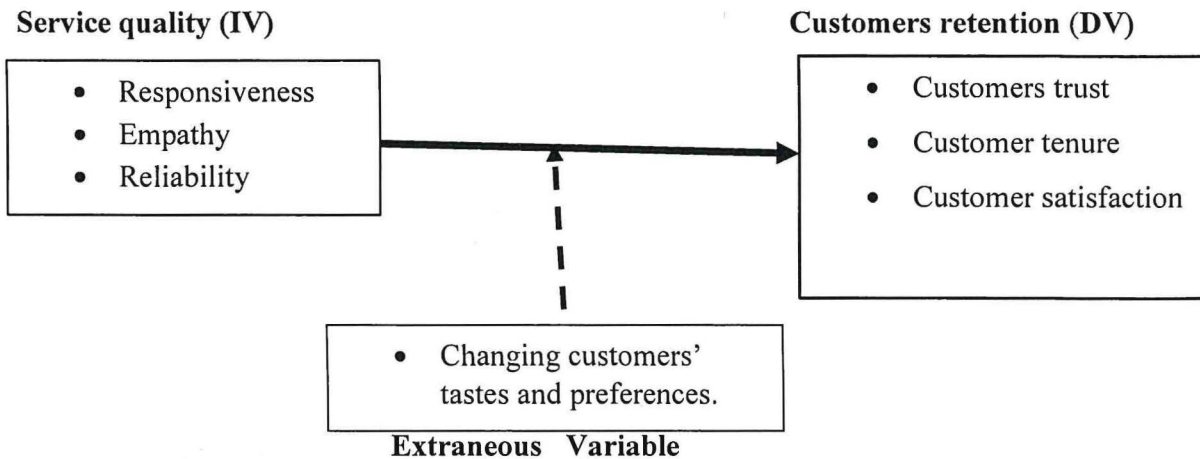


Figure 1: Conceptual framework showing the relationship between service quality and customer retention.

Source: Adapted from Parasuraman (2005); Zeithaml (2006) and modified by the researcher (2018).

The conceptual framework above illustrates the effect of service quality on customer retention. In this study, the independent variable that's service quality is conceptualized with the dimensions which include reliability, empathy and reliability although they are important in stimulating customer retention although the service quality are five as indicated in the conceptual frame above. This study will consider those three service quality dimensions because they are human related service quality dimensions as researchers fragmented those five dimensions into main two parts as human related and non-human related factor because previous researchers such as, Agus, Barker and Kandampully (2007), Hennayake (2017) also adopted this fragmentation where assurance, empathy, reliability and responsiveness were the human related service quality dimensions while tangible was non-human related dimension of this study. The dependent variable customer retention is conceptualized with the dimensions which include customer trust,

customer tenure and customer satisfaction. The extraneous variable (changing tastes and preferences) is the other variables which has an indirect effect on the level of customers' retention in the banking industry other than service quality and the researcher has no intentions of study but it can also affect the main variables. The researcher is fully aware that not only service quality determines the level of customers' retention in Stanbic bank, Mukono branch. Other factors like changing tastes and preferences, are also believed to affect level of customers' retention in Stanbic bank, Mukono branch.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

As indicated in chapter one, this research attempts to fill a void in the discussion of how an organization's service quality influence customers' retention to stimulate their satisfaction and loyalty in banking institutions, particularly in Stanbic bank, Mukono branch. This chapter provides review of the literature related to the study. In order to ensure sufficient depth and profundity, the literature review shall explore the theoretical review on the concept of service quality and customers' retention, the conceptual overview of the variables, and related literature on the determine how responsiveness affects customer retention, analyze how affects empathy on customer retention and examine the effect of reliability on customer retention and lastly the research gaps.

2.1 Theoretical overview

Several theories have been advanced to address the relationship between service quality and customers' retention such as the SERVQUAL model. The significance of service quality for business performance has been recognized in the literature of many scholars who identified it as an important criterion (Khattab & Aldehayyat, 2011) SERVQUAL, "Synthesized model of service quality,¹¹ Antecedents and mediator model have been developed and extensively used by academics and practitioners". Among them, SERVQUAL is widely used and accepted model especially in service sectors and in many countries. Parasuraman et al (2002) developed this theory by associating expectations with perceptions. By 1988, this rule was further "identified with 5 dimensions of service quality namely Tangible, Reliability, Responsiveness, Assurance and Empathy and these five dimensions are thus assessed by a total of 44 items in which 22

items to measure the general expectations of customers concerning a service; and the remaining 22 items measure the perceptions of customers regarding the levels service actually provided by the company within that service category". Reliability means "the ability of a service provider to deliver the promised services honestly and consistently". For this reason, "reliability is a crucial factor that is measured while gauging service quality". It is said by many scholars "if employees of organizations display trustworthy behavior, the satisfaction level of customers can be enhanced significantly", (Khan & Fasih, 2014). It may also encourage customers' intention to buy frequently (Ndubisi, 2006) "Customers pursue approaches to assure quality in service delivery in order to maximize their satisfaction about the service experience and recuperate from service disappointments".¹⁵ Significance of Assurance attribute in CS was proven by many investigators¹⁶ who examined satisfaction in relation to SQ.

Tangibles rank amongst the top aspects that bring customer satisfaction according to many researchers and in their study on the relationship between tangible and intangible components within tourism industry on customer satisfaction, Albayrak et al (2010) found that tangible elements play a vital role in overall customer satisfaction than the intangible elements, as adaption and renewal of tangibles is considerably simpler and straightforward". The adopted attitude towards the clients incites "a sense of importance in the customer and hence, leads to retention behavior and also customers to recommend the business to others". "Empathy was found as the most important factor leading to customer satisfaction" in the research done by Minh et al (2015)

Responsiveness is the "enthusiasm of the staff to assist customers and provide prompt service to them". According to Kotler et al (2012) customer satisfaction mainly originates from the excellence of responsiveness from service staff towards a customer during service delivery.

2.2 Understanding service quality

The service quality dimensions that shall be focused on are; organizational responsiveness, empathy and organizational reliability because they are important in stimulating customers' retention. According to Johnston (2002) describes responsiveness as the speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service provider to respond promptly to customer service requests, with minimal waiting and queuing time. Fitzsimmons and Fitzsimmons (2001) argue that when the customer is kept waiting for no apparent reason, it creates unnecessary negative perceptions of quality.

According to Fitzsimmons and Fitzsimmons (2001) reliability is the ability to perform the promised service both dependably and accurately with error free. Empathy is defined as the caring, individualized attention provided to the customers by their banks or service firms (Kotler, Phillip & Armstrong, 2006). This dimension try to convey the meaning through personalized or individualized services that customers are unique and special to the firm.

Schneider and White (2004) agree that the service quality construct is for diagnosing the way the organization performs, while the customer satisfaction construct is for diagnosing the way customer feel and their behavioral intensions. Behavioral intensions in the marketing management literature relate to purchase intensions, particularly to customer loyalty and the intension to repurchase in relation to optimizing sales and net profit of the organization

Several studies on service quality and its values have been done, since it lead to develop the sustainable competitive advantages of a company (Suhartanto, 2011). Hossain and Suchy (2013) have revealed, customer care service has influence on customer satisfaction. Additionally, Kumar and Vandara (2011) recognized the positive association among the service quality,

satisfaction and loyalty. When a consumer considers the service value that are getting from mobile operators is high, they asses positive evaluation to the service provider and willing to retain that service provider (Deng *et al.*, 2010).

2.3 Understanding customer retention

Customer retention is our dependent variable measured against the independent variables. Customer retention is an indicator of customers being satisfied with the services rendered by the bank. The customer retention indicators include repeat business of the customers, referrals by the customers as well as the customers' preference of the Bank to others. Customer Retention has been defined by different studies in different ways. Gerpott, Rams and Schindler (2001) states that customer retention as a continuity of the business relations between the customer and company. Customer Retention is "the practice of working to satisfy customers with the intention of developing long-term relationships with them". Zineldin (2000) defines retention as a commitment to continue to do business or exchange with a particular company on an ongoing basis. According to Clark (2001), long-term customer retention in competitive markets requires the provider going beyond basic satisfaction to creating loyalty in order to guard against competitor attack". In this study customer retention is taken to mean the length of customer stay with a bank demanding products and services as defined by (Gerpott, Rams & Schindler 2001).

Customers' retention shall be operationalized in terms of customers trust, customer tenure, and customer satisfaction. Zeithaml, Bitner and Gremler (2009) defined that customer satisfaction is the customers' evaluation of a product or service in terms of whether that service has met their needs and expectations. The satisfied customer would remain loyal, required service more often, fewer price sensitive and shall talk favorable things about the company.

Chaffey (2008) viewed customer tenure when they repeatedly buy a certain product or service over a longer period of time. For example, many customers continue taking services from a certain travel operator due to the positive interaction they had during their services. Bramall, Schoefer, and Mc Kechnie (2004) found with customer trust that customers' needs in achieving satisfaction, long term profitability and the customer's retention can be gained through promise, reputation and offline presence.

Customer loyalty is a profound promise to repurchase despite environmental volatility (Keropyan & Gil-Lafuente, 2012). Hossain and Suchy (2013) have stated that satisfaction is the prime indicator of customer retention. Customer satisfaction is the consistence evaluation of prior expectation and perceived performance (Chen & Wang, 2009). Moreover, consumers acquire a significant number of evidences which make them a favorable attitude toward product or services. Thus, consumer would continue to maintain a relationship with existing service provider's result in strong background of consumer loyalty. Satisfied consumers are more likely to repurchase, have limited price sensitivity, positive recommendation, and become loyal to the service providers (Chen *et al.*, 2009; Picon *et al.*, 2013; Chuah *et al.*, 2017). Additionally, it is also noted that customer satisfaction and loyalty relationship get affected by some other moderating factors (Chuah *et al.*, 2017). Therefore, this study will be of a great importance to determine how service quality relates to customer retention.

2.4 Responsiveness and customers' retention

Responsiveness is a firm's willingness to assist its customers by providing fast and efficient service performance (Gupta & Agarwal, 2013). Ioanna (2002) noted that product differentiation is impossible in a competitive environment like the banking industry. Banks everywhere are delivering the same products. Thus, bank management tends to differentiate their firm from

competitors through service quality. Service quality is an imperative factor impacting customers' satisfaction level in the banking industry.

Osman, Ali, Zainudin, Owan, and Jusoff (2013) indicates that timely respondent to the customers of both public and private banks help to enhance the positive thinking of the customer's mind. To fulfil the customer wants and help to customers filling the form act as an alarm of the banks. Karim and Chowdhury (2014) further revealed that responsiveness factor such as promptness in service delivery, willingness of employees to help customers, Banks's performance, timely delivery of bank statements have power to absorb dialectical customers towards both public and private banking sectors. Banerjee and Sah (2012) observed that Customers' perceive that employees in the private sector banks exhibit higher willingness to help customers & provide prompt service than their public banks. Hence, service gap of public banks is highest than private banks. However, this study intends to look at commercial banks in Uganda and most of them cannot keep their customers thus the need determine the effect of responsiveness on customer retention.

Mengi (2009) stated that because employees of the public banks not provide services at prompt time, they can't attract customers well. Moreover Felix (2017); Mehetap and Katicioglu (2005); Mulat (2017); Saghier and Nathan (2013); Selverkumar (2015); Tufail et al. (2013) presented positive significance impact of responsiveness dimension on customer satisfaction of both public and private banking sector. Employees' reaction towards customers of private banks provides high priority to attract customers and increase the fund gaining highest profitability (Kumbhar, 2011). In the responsiveness dimension it is conclude that customers in both public and private banking sector increase their satisfaction when banks increase individual attention to the employees (Kumar, Kee & Manshor, 2009). Knowledge and helpfulness of the public banks

employee would help to satisfaction of the customers (Karim et al., 2014). Therefore, it is relevant to determine the effect of responsiveness on customer retention in commercial banks as the above studies were comparing the two in variable in both private and public banks and this study will basically concentrate on commercial banks which are basically private banks in Uganda.

Sudhir (2010) observed that consumers can evaluate a product along several levels. Its basic characteristics are inherent to the generic version of the product and are defined as the fundamental advantages it can offer to a customer. Generic products can be made distinct by adding value through extra features, such as quality or performance enhancements. The final level of consumer perception involves augmented properties, which offer less tangible benefits, such as customer assistance, maintenance services, training, or appealing payment options. In terms of competition with other products and companies, consumers greatly value these added benefits when making a purchasing decision, making it important for bankers to understand the notion of a “total package” when marketing to their customers. For example, Stanbic bank, an appealing service offering will provide the customer base with basic benefits thus meeting the customer satisfaction thus retention.

Hall and Porteus (2000) explains that over time, customers become acutely aware of the strengths and deficiencies of the companies that serve them. The theoretical literature on customer switching behavior models customer learning in two ways: customer defection as an immediate response to a product failure or updating one’s perspective based on a history of service experiences (including failures and successes). Assuming product failures are low probability events (and especially low probability events among high quality product firms), customers with higher tenure are more likely to have experienced them than customers with

lower tenure. Similarly, customers who have more relationships with the firm, and as a consequence, transact more frequently with it, are more likely to have experienced deficient product. Buell (2010) found that customer defection probabilities increased in the total number of transactions conducted by a customer, controlling for the customer's tenure, balances, and counts of the types of product offerings utilized. High tenure customers and customers with more touch points with the firm will have had more opportunities to learn about the level of products offered by the firm and may be, as a result, be better positioned to evaluate whether an entrant's value proposition is more attractive. Hence, the effects of customer learning should cause high profitability customers to be more likely to defect following the entry or expansion of competitors offering superior product quality.

2.5 Empathy and customer retention

The empathy dimension measures customers' perceptions of whether store employees do inspire confidence by being courteous and helpful. Huang (2009:246) notes that employees of a retail organization who possess the knowledge to answer customers' questions, give quick service to customers, are never too busy to respond to customers' requests, have confidence and are helpful to customers may increase shoppers' satisfaction with the store's services.

Kalonga (2008) conducted a study on "The role of specific services and sales skills on customer retention "A case of Corporate Banking Industry in Tanzania". The study was to gain a better understanding on the role of specific services and sales skills on customer retention in Corporate banking industry in Tanzania. The study was based on descriptive (cross sectional study) and it used both quantitative and qualitative data. The study revealed that, quality service factors and behavioral skills were linked to service quality and customer retention. The study specifically revealed that, service reliability, service security, service availability, service accessibility,

service simplicity and time spent in queuing had significant impact on customer retention. However, this study had five service quality dimensions and this study will consider three service quality dimensions which will include responsiveness, reliability and empathy examining their on customer retention and also Kalongas' focused on Corporate Banking Industry and thus will focus on commercial banks by looking at a single entity.

Eckerson and Watson (2000) noted that targeting, acquiring and retaining the "right" customer are at the core of many successful services firm. Building relationship is a challenge especially when a firm has vast number of customers who interact with the firm in many different ways from e-mail and websites to call centres and face to face interactions. When customer relationship management systems are implemented well, they provide managers with the tools to understand their customers and tailor their services, cross-selling and retention efforts, often on a one on one basis. From the observation of Eckerson and Watson view, there is a gap that needs to be closed as managers still have to establish the need of improving empathy among their subordinates which Eckerson and Watson did not bring out well thus the need to analyze the effect of empathy on customer retention in commercial banks.

Leeds (2002) in his study on Mystery Shopping' Offers Clues to Quality Service acknowledged that, in businesses, where the underlying products have become commodity-like, quality of service depends heavily on the quality of its personnel. The study revealed that approximately 40% of customers switched banks because of what they considered to be poor service. He further points out that, nearly three-quarters of the banking customers mentioned teller courtesy as a prime consideration in choosing a bank. Indeed, customer satisfaction has, for many years, been perceived as a key in determining why customers leave or stay with a bank.

Beneke et al. (2012) revealed that the strong relationship between physical aspects and customer satisfaction concurs with the notion that bank customers want to shop in an environment which is clean, well structured (with particular emphasis on convenience in moving around the bank) and safety. Beneke et al. (2012) further indicates that empathy had a significant relationship with customer satisfaction which shows that customers like to bank in an environment where employees are knowledgeable, friendly and willing to assist. In contrast to the research by Beneke et al (2012) in South Africa, a research study conducted by Singh (2013) in India found that policy, problem solving and reliability had a significant relationship with customer satisfaction. However, much as these studies had significant results, the continuity of poor customer retention in commercial banks is worrying thus the need to analyze the effect of empathy on customer retention.

2.6 Reliability and customers' retention

Nguyen and Leblance (2001) consider reliability as reputation that can be the most reliable indicator of service quality which could be related to customers past experience. So, if banks provide more reliable and supportive services that fulfil the demand and expectation of customers, customer will be more confidence to the banks (Mohammad, Muzaffar & Hussain, 2011). So reliability considered as most important factor in convincing customers to retain in banking services (Yang & Fang, 2004).

Gabriel (2005) studied “Application of Porter’s Five Forces Framework in the Banking Industry in Tanzania.” The study was mapping the banking industry of Tanzania using PFFF, to see the attractiveness of the industry within ten years (1995 – 2005). The study revealed that, there is need for quality service to make sure customer is retained because of increased competition

between the existing rivals, prospective new entrants, and bargaining power of customers in the banking industry.

Banerjee and Sah (2012) stated that private bank services gap is lowest in reliability dimensions and it may implies that customers feel these banks to be sincere and keep their promises. According to Banerjee et al (2012) service providers' apologies start to wear thon when company is careless in performing the services, when it makes frequent mistakes and when it is casual about keeping it service promises. Hence, it is quintessential to provide excellence service at the first time, exhibit sincere effort in solving problems and provide error free record and constantly fulfil promises to prevent customers from defecting to other banks. Further, Kamlani (2016) concluded that, reliability of both private banks and public banks represent positive significance relationship implying customers, feel both public and private banks have better ability to perform the promised services dependably and accurately. Reliability area such as customer guidance and customer support, produce better path to stimulate customers towards banking sector (Gupta et al, 2013). However, much as the literature according to Kamlani indicate that reliability has positive significant on customer satisfaction, this study need to find out why most commercial banks keep on losing their customers as customers cannot stay for long and so sensitive with the prices or cost at which they acquire the services from the these banks.

In regards to ATMs services, Jay and Barry (2014) noted that the reliability of machine parts or product parts is considered as consistently good in quality or performance which is able to be treated at any time. For ATM environment condition and technical reliability are equated to reliable design that is functional. Stiakakis and Georgiadis (2009) found reliability as fundamental criterion of superior electronic service quality. Yang and Fang (2004) stated that reliability consists of accurate order of fulfilment, accurate record, accurate quote, accurate

billing, and accurate calculation of commissions which keep the service promising to the customer. There are the two important factors that give effects to the banking service; consistency and dependability. First, consistency refers to uniformity or compatibility between things or parts. This means that the quality is always the same, doing things in the same way and having the same standards. Second, dependability refers to the assurance of providing services as expected.

Similarly Rexha, Kingshott and Shang Shang Aw (2003), noted that trust is another key factor influencing the adoption of various types of service in electronic banking. For that reason, ATM security has been considered as one of major concerns for financial institutions. While ATM dominated the machine-customer interaction, expectation of occurrence for errors during employee-customer interaction at bank premises can be minimized. For that reason, ATMs should provide accurate transaction such as correct details of customers, routine transaction records, and receipt printing. Information accuracy and order accuracy is another critical dimension in providing online service quality (Collier & Bienstock, 2006).

Morawakage (2013); Sivesan Rajendran and Anantharaman (2012) contends that considering the banks performance to do activities and services right and first private banks get preference of the customers than public banks. However, Hennayake et al (2017) said reliability is the most influential factor than other factors to enhance the customer satisfaction of the public banks also. The literature reveals an increased degree of positive relationship between reliability and customer satisfaction where face to face dealing with customers and employees. However, with reference to Hennayake et al (2017) this study intends to confirm with his findings as customers' demands varies thus the need to examine the effect of reliability on customer retention.

Trivedi (2002) assumes that for an accurate computation of reliability, the actual usage time of the product or service by the user needs to be determined to be able to calculate the failure rates. As a convenience, it is often implicitly assumed that the service received is on an average for the same amount of time every day by every user. With this assumption, the day count can be used for determining reliability. However, the usage duration in case of a product for different users may vary considerably for mass-market products. As the failures encountered by a user clearly depend on the amount of usage of the product the longer the usage duration the more the chances of encountering failures to get an accurate idea of the reliability of the product in use, we need to capture the usage time. Employing usage time instead of number of days of ownership for reliability computation is similar to the calendar time for example CPU time discussion in reliability growth models. For reliability growth models, it is widely believed that using CPU time gives better reliability estimates. Note that usage time collection throws up new issues for mass market products as the use of such products is generally spread over many sessions. Therefore, from the observation on Trivedi assumption as it can be revealed that the consistency of the services that a customer expects from his/her service provider, leads to higher customer retention for example banking charges which always makes customers change their mind in case of any increment thus this study will be relevant to examine the effect of reliability on customer retention.

2.6 Gap in the literature

Research has been done on the development of customer retention plans (DeSouza, 2002). Payne and Frow's (2005) revealed that organizations spend 23 percent is spent on customer retention budget. However, to indicate the literature gap of various studies, Nsiah and Asantewaah studied the effect of service quality on customer retention in the banking industry in Ghana using a case

study of Asokore Rural Bank Limited. However, in their study, none of their objectives included the service quality dimensions. The objectives included to examine types of services that Asokore rural bank offers its clients, to examine customer perceptions of Asokore rural bank's service quality, to investigate trends in Asokore rural bank's customers retention and to investigate how Asokore rural bank's service quality relates to its customer retention. This indicate a gap of bringing out the service quality dimensions. Therefore, this study will focus on three human related service quality dimensions which include responsiveness, empathy and reliability as were used by Agus, Barker and Kandampully (2007) and Hennayake (2017) in their studies. In this study they used convenient sampling procedure was used to obtain 100 responses from customers and 20 from employees of the bank. However, sample size greater than for this study which will take a total sample size of 103 and will mainly use purposive and sample random sampling techniques to take sample size.

Winnie (2016) studied the effects of service quality on customer retention among Commercial Banks in Kenya. The objective of the study was to investigate the relationship between service quality practices and customer retention among commercial banks in Kenya. However, much as she mentioned the service quality models, she did not study them or include them in her objectives thus indicating a gap in the literature compared to this study which will include the three human related service quality dimensions. The findings in this study revealed that Commercial banks have tried to provide quality service but there is still a room for improvement because of the changing environment and technology thus this study intends to close this gap.

2.7 Summary of the literature

The chapter addressed literature related to service quality and is guided by three service quality dimensions (empathy, reliability and responsiveness) and customer retention. The review of

literature finds that effective organizational reliability is an important route towards customer retention. Although the above studies highlight the importance of service quality dimensions on customer retention, most of the literature is faced with contextual and methodological gaps which needed to be addressed hence need for this study.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter shall present the methodology that shall be used to carry out the study. The chapter shall the research design, study population, sample size and selection, data collection methods and instruments, data collection procedure, validity and reliability of data, data analysis of quantitative and qualitative data, the measurement of variables and limitations to the study.

3.1 Research Design

A research design is defined as a basic plan for a piece of research; it is the scheme, outline or plan that is used to generate answers to the research problems Orodho (2005). The study shall follow a case study design. Robert (2014) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. Case study design will be used because it enables a researcher to closely examine the data within a specific context. Quantitative and qualitative approaches shall be adopted aiming at quantifying and qualifying the effect of service quality on customers' retention in commercial banks in Uganda. According to Berg (2012), qualitative research approach refers to the meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things. Qualitative data shall be deployed to non-numerical data in nature. Cohen and Manion (2007) stated that descriptive survey inquiry helps to gather data at a particular point with the intention of describing the entire nature of the existing conditions and generalizing from sample to population. According to Given (2008), quantitative research is the systematic empirical investigation of observable phenomena via statistical, mathematical, or

computational techniques. Quantitative data shall be applied to numerical data in nature. Quantitative techniques shall be used to collect data that shall be expressed numerically and statistically. This is to enable the researcher measure the existence and strength of the relationship between the variables.

3.2 Area of the Study

The study shall be carried out at Stanbic bank, Mukono branch out of its 68 branches and 10 service point in the country. The institution is located in Mukono town council, plot 37 39 Mukono Cathedral House Building/0000, Mukono district municipality in Uganda, along the Jinja-Kampala highway, Uganda. The interest of using this case study is due to the variables in the study and the existence of the research problem that is to say the continuing loss of customers to other banks and the easy to access the required information to complete the study.

3.3 Study Population

The study shall be conducted at Stanbic bank, Mukono branch, Uganda. The target population shall consist of 190 respondents. The banking staffs shall include 25 staffs who include team leader, branch manager, supervisor, and operational accounts officers, banking officers or tellers, customer service staff and out of the 1,055 customers, 165 customer shall be considered as the target population illustrated in table 1 who are arrived at after removing 220 customers who are below 24 years of age because their decisions are considered not independent, 420 dormant customers and 250 customers who holds different currency accounts like dollar accounts, Euro and Ugx.

3.4 Sample Size and Determination

In this study the researcher shall use a sample size of 127 respondents where 17 of the respondents shall be bank staffs and 110 shall be selected customers. These shall be selected

using purposive and simple random sampling technique. This sample size was determined using Morgan and Krejcie (1970) table for determining sample size from a given population. However, to distribute sample size of each strata, the population of each strata is divided by the total population times the total sample size to get the sample size of each strata.

Table 1: Total population, Sample size, sampling technique.

Respondents	Population	Sample Size	Sample Technique
Bank staffs	25	17	Purposive
Customers	165	110	Simple random
Total	190	127	

Source: Adapted from Stanbic bank, Mukono provisional human resource and customer data 2018 and modified by the researcher using Krejcie & Morgan (1970) table for determining sample size.

3.5 Sampling Techniques and Procedures.

This study shall involve both probability and non-probability sampling techniques including simple random sampling and purposive sampling techniques. A samples of 17 respondents who are banking staffs shall be purposively selected. Purposive sampling shall be used on some respondents because the researcher is more interested in those respondents who are more knowledgeable and thus be used as key informants to the research study. The beauty with this particular sampling technique is that it had very little error rates and less wasteful. A sample of 110 respondents who are customers shall be sampled using the simple random sampling technique. Simple random sampling shall be used to obtain respondents views proportionally hence a sample is taken in such a way that a combination of respondents in the population had an equal chance of being selected.

3.6 Sources of Data

The data for the study shall be gathered from both primary and secondary sources. The primary data shall be obtained from employees of Stanbic bank, Mukono and some customers. This shall be done with the use of interview guides and well-designed questionnaires. The secondary data shall be obtained from the customers' evaluation reports. Other secondary sources included among others; review of textbooks, journals, articles, and earlier researches on the problem.

3.7 Data Collection Methods

The following methods shall be used to collect primary data as under; -

3.7.1 Questionnaire survey

Questionnaire is a set of techniques of data collection in which individuals are asked to respond to a standard (same) set of questions in a predetermined order as cited in (Saunders and Lewis,2009). Questionnaires shall be self-administered to the respondents and all clarifications shall be made by the researcher to the respondents easily. Questionnaires shall be used on both the middle level staff and lower level staff and customers because of their ability to reduce any bias and the collection of authentic data important for data analysis. The method is also economical in terms of time management as questionnaires are easy to fill and take less of the respondent's time and that of the researcher in administering and analyzing them (Amin, 2005). Each item in the questionnaire shall be developed to address a specific objective and research question of the study.

3.7.2 Interview method.

An interview is a method in which the researcher and research participants discuss together through question-and-answer in a face-to-face interaction (Kombo & Tromp, 2006). For purposes of this study, the researcher shall conduct oral interviews where questions shall be

asked face to face to top level management using open ended questions with the aim of getting information and the responses written down for analysis. The advantage of using interviews is that they take a limited time and more information is collected. The researcher is very confident that quite accurate and correct data shall be obtained since feedback is given immediately plus clarification on questions that are not properly understood is given instantly.

3.8 Data Collection Instruments.

The data shall be collected using two instruments, questionnaires and interview guides.

3.8.1 Questionnaire

In this study, a self-administered questionnaire shall be used and according to Mugenda & Mugenda (2006), it allows the researcher to collect data from many respondents in the shortest time and the researcher to analyze all the respondents' answers. The researcher shall use structured questionnaires with closed ended questions to collect information from the randomly sampled respondents using a Likert scale questionnaire ranging from 1- strongly disagree to 5 - strongly agree. A five Likert-scale questionnaire shall be used because it can easily be understood and quantifiable, subjective to computation of some mathematical analysis and responses which are very easy to code when accumulating data since a single number represents the participant's response. A questionnaire shall be used because it increases the degree of reliability due to the many items in it and the higher chances of getting valid data.

3.8.2 Interview Guide

In-depth interviews shall be conducted using the interview guide. The interview guide shall be semi-structured. The method shall enable the researcher to collect accurate information from the respondents who shall be selected to participate as key informants due to their huge wealth of experience and knowledge in service quality and customers' retention. The instrument shall help

to ensure that reliable information is gathered; because, it facilitates a deeper investigation into the topic under study. It shall be helpful to the researcher to clarify questions thereby increasing the quality of the responses.

3.9 Validity and Reliability of data

3.9.1 Validity

Data validity refers to the ability of research instruments to elicit the desired response from the target population (Kothari, 2004). The questionnaires shall be given to the supervisors to seek for their opinion about the adequacy and representativeness of the instrument to ensure that they cover all the variables being measured to eliminate invalid items on the instrument. The instruments shall be pretested and after which the content validity shall be measured. Validity shall be ensured by use of the content validity index (C.V.I) based on Amin (2004) where the method below shall be applied (for both the interviews and questionnaires).

$$\text{CVI} = \frac{n}{N} \quad \text{where } n = \text{Items rated or declared relevant} \\ N = \text{Total number of items}$$

3.9.2 Reliability

According to Cohen et al, (2007) the reliability of a measure indicates the extent to which the measure is without bias and offers consistent results across time and across various items in the instrument hence stability and consistency. The researcher however is aware of the random errors that could make the data un-reliable. The researcher shall therefore use a Cronbach's Alpha to ascertain the true reliability of the instrument that shall be used in the study. It measures the inter correlations among test items, with a measure of 1 being higher in terms of internal consistency and reliability of 0.7 to 0.9 being acceptable (Revelle & McDonald, 2006). The higher the coefficients, the more reliable the instrument and for an instrument to be taken as

reliable, a minimum coefficient of 0.5 is assumed as suggested by Mugenda & Mugenda (2003) in which case the research proceed. This shall help the researcher to test the consistency of the respondent's answers to all the items in the measure.

3.10 Data collection Procedure

A letter of introduction shall be obtained from the Graduate School, Kyambogo University seeking permission to conduct a research study. This shall then be presented to the management of Stanbic bank, Mukono, seeking permission to carry out a study at the facility. On being granted permission, the researcher shall proceed to make appointments with the selected respondents. Thereafter, the researcher shall make appointments for interviews and administer the questionnaires to the respondents for the required data to be collected. The purpose of the research shall also be explained to all those who shall participate in the research process and the participants shall be assured of the confidentiality of the information they shall provide. The data shall be collected by the researcher who shall then analyze and produce a report.

3.11 Data Analysis

The quantitative data analysis techniques that shall be used include both descriptive statistics and inferential statistics to analyze the research findings. Descriptive statistics shall include measures of central tendency and measures of variability about the average. Inferential statistics shall help in undertaking regression and multiple regression analysis (Given, 2008). These data analysis techniques shall be used because they enable to use statistics to generalize the findings, examine cause and effect in highly controlled circumstances. Multiple regression analysis shall be generated to determine which dimensions studied much influences customer retention. Both descriptive statistics and inferential statics (correlation and regression analysis) results were generated using Statistical Package for Social Scientists (SPSS) IMB 20 program that gave the

researcher a 'picture' of the data to be collected and used in the research as well as help to interpret the data.

Qualitative data shall be analyzed using the content analysis technique. It shall be compiled, edited, coded, and categorized through finding patterns, trends and relationships from the information gathered. This shall be used to describe and draw conclusions on how service quality is very critical in promoting customers retention. Primary data collected like interviewees responses shall be analyzed for content and discussed in line with the research objectives in order to establish areas of convergence and divergence.

3.12 Measurement of Variables

In this study, the measurement of variables shall be conducted using the works of Sekaran (2004) and the three scales that will be used are; nominal, ordinal and interval. Also, other measures like inferential statistics shall be used to establish and analyze data for the relationship between the variables using the SPSS application. The research study shall be controlled by two variables; service quality as the independent variable and customers' retention as the dependent variable. All the three objectives shall be measured using linear regression analysis. The responses to the questionnaire will be arranged in a five-point interval scale of: strongly disagree, disagree, not sure, agree and strongly disagree. This shall make responses to be easily quantified and subjected to analysis by SPSS (Statistical programme for social sciences) and make question answering easier to the respondent. The study objectives will be measured using descriptive results indicating the percentages and mean scores and the results will be interpreted basing on the legend scale where the mean scores will be generated and interpreted as follows: 4.20-5.00 (very high); 3.4-4.19 (high); 2.60-3.39 (average); 1.80-2.59 (low); and 1.00-1.79 (very low).

3.13 Limitations to the Study

- (i) Some respondents might be reluctant in giving information fearing that the information they give could be used to paint a negative image about the institution. The researcher however intends to handle this problem by showing an introductory letter from the university to assure the respondents that the information they give will be treated confidentially purely for academic purpose.
- (ii) Non- response, some respondents might not be willing to answer some of the questions in the questionnaires due the time factor. However, the researcher intends to overcome this by constantly monitoring the respondents to make sure that they fill up the entire questionnaire without any problem.
- (iii)Methodologically, the study followed case study research design and only focused on Stanbic Mukono Branch but there other Stanbic branches and commercial banks in Uganda that would have been included. This implies that the findings of the study may not represent a true picture on the effect of service quality on customers' retention commercial banks in Uganda.

3.14 Conclusion

The concluded chapter, describes the research design, area of study, study population, sample size, sampling techniques and procedure, data collection methods, data collection instruments, validity and reliability, procedure of data collection, data analysis and measurement of variables which will be used in this survey to aid in data collection, gathering and analysis of findings as will be reported in chapter four.

REFERENCES

- Agus, A., Barker, S., & Kandampully, J. (2007). An exploratory study of service quality in the Malaysian public service sector. *International Journal of Quality & Reliability Management*, 24(2), 177-190
- Amin, .M.E. (2005) *Social Science Research: Concepts, Methodology and Analysis*, Makerere University Press, Kampala.
- Annual report' Stanbic bank, 02 (2017).
- Aspinall, E., C. Nancarrow, et al. (2001). "The meaning and measurement of customer retention." *Journal of Targeting, Measurement & Analysis for Marketing* 10(1): pp: 79-88.
- Banerjee, N., & Sah, S. (2012). A comparative study of customers' perceptions of service quality dimensions between public & private banks in india. *International Journal of Business Administration*, 3(5), 33-44.
- Berg, B. L. (2012). *Qualitative Research Methods for the Social Science* (8th Ed.). Long Beach: Allyn and Bacon.
- Bitner and Wang, (2014) Service encounters in service marketing research.
- Bramall, Caroline, Klaus Schoefer, Sally Mckechnie. (2004). The determinants and consequences of consumer trust in e-retailing: *A conceptual framework. Irish Marketing Review*, 17(1- 2):13-22.
- Brink, A. & Berndt, A. (2008). *Relationship marketing and customer relationship management*. New York: Juta Academic.
- Buell, R.W., D. Campbell, F.X. Frei. (2010). Are self-service customers satisfied or stuck? *Prod. Oper. Manag.* 12 679–697.
- Caruana, A. (2002). Service Loyalty: The Effects of Service Quality and the Mediating role of Customer Satisfaction. *European Journal of Marketing*, 36(7), 811-828.
- Chaffey, D. (2008). *Customer loyalty*.<http://www.davechaffey.com/E-marketing-Glossary/Customer-loyalty.htm>.
- Chen, M.F. and L.H. Wang, 2009. The moderating role of switching barriers on customer loyalty in the life insurance industry. *Service Industries Journal*, 29(8): 1105–1123.

- Chuah, S.H.W., M. Marimuthu, J. Kandampully and A. Bilgihan, 2017. What drives gen Y loyalty? Understanding the mediated moderating roles of switching costs and alternative attractiveness in the value-satisfaction loyalty chain. *Journal of Retailing and Consumer Services*, 36: 124-136.
- Cohen. L; Manion. L & Morrison, K (2007) Research Methods in Education. Sixth Edition
British *Journal of Educational Studies*, Volume 55, Issue 4, pages 469-470, December 2007
- Collier, J. E., & Bienstock, C. C. (2006). Measuring Service Quality in E-Retailing. *Journal of Service Research*, 8(3), 260-275
- Day, G.S. (2001). Capabilities for forging customer relationships. The Wharton School, University of Pennsylvania.
- Deng, Z., Y. Lu, K.K. Wei and J. Zhang, (2010). Understanding customer satisfaction and loyalty: An empirical study of mobile instant messages in China? *International Journal of Information Management*, 30(4): 289-300.
- Farquhar, J. D. and T. Panther (2007). "The more, the merrier? An exploratory study into managing channels in UK financial services." *International Review of Retail, Distribution & Consumer Research* 17(1): pp: 43-62.
- Gerpott, T.J., Rams, W. and Schindler, A. (2001) Customer Retention, Loyalty and Satisfaction in the German Mobile Cellular Telecommunications Market. *Telecommunications Policy*, 25, 249-269.
- Given, Lisa M. (2008). *The SAGE Encyclopedia of Qualitative Research Methods*. Los Angeles: SAGE Publications. ISBN 1-4129-4163-6.
- Gupta, V. P., & Agarwal, P. K. (2013). Comparative study of customer satisfaction in public and private banks in india; A case study of meert region of U.P. *Global Journal of Business Management*, 7(1), 16-26.
Handbook of service marketing research, 221 (2014)
- Hennayake, Y. (2017). Impact of service quality on customer satisfaction of public sector commercial banks: A study on rural economic context. *International Journal of Scientific and Research Publications*, 7(2), 156-161.
- Hossain, M.M. and N.J. Suchy, 2013. Influence of customer satisfaction on loyalty: A study on mobile telecommunication industry. *Journal of Social Sciences*, 9(2): 73-80.

- Jay, H. & Barry R. (2014). *Operation Management: Sustainability and Supply Chain Management*. 11th Edition.
- Kalulu Ronald, Kiconco Michelle, & Kesande Provia, (2015). Work Environment, Service Quality and Customer Retention in Guesthouses in Uganda; Case of Kampala District. *Journal of Tourism, Hospitality and Sports. An International Peer-reviewed Journal* Vol.14, 2015. ISSN (Paper) 2312- 5187 ISSN (Online) 2312-5179
- Kamlani, R. (2016). Comparative study service quality assesment of public & private sector banks using service quality model. *Technical research organization india*, 2(3), 23-34.
- Karim, R. A., & Chowdhury, T. (2014). Customer satisfaction on service quality in private commercial banking sector in bangladesh. *British Journal of Marketing Studies*, 2(2), 1-11.
- Keropyan, A. and A.M. Gil-Lafuente, 2012. Customer loyalty programs to sustain consumer fidelity in mobile telecommunication market. *Expert Systems with Applications*, 39(12): 11269-11275.
- Khan, M. M., & Fasih, M. (2014). Impact of Service Quality on Customer Satisfaction and Customer Loyalty: Evidence from Banking. *Pakistan Journal of Commerce and Social Sciences*, 8(2), 331- 354.
- Kombo, D. K. & Tromp, L. A. (2006). *Proposal and Thesis Writing: An introduction*. Nairobi: Pauline's Publication of Africa, p.77
- Kothari, C. R. (2004), *Research Methodology: Methods and Techniques*, (Second Edition), New Age International Publishers.
- Kotler, P. and G. Armstrong, (2010). *Principles of marketing*. 13th Edn., Upper Saddle River, New Jersey: Pearson Education, Inc.
- Kumar, G. and S. Vandara, (2011). An empirical research on factors affecting mobile subscriber intention for switching between service providers in India. *International Journal of Management & Business Studies*, 1(3): 41-46.
- Kumar, M., Kee, F. T., & Manshor, A. T. (2009). Determining the relative importance of critical factors in delivering service quality of banks- An application of dominance analysis in SERVQUAL model. *Managing Service Quality*, 19(2), 211- 228.

- Kumbhar, M. (2011). Service quality perception & customers' satisfaction in internet banking services; A case study of public & private sector banks. *The international online journal*, 4(2), 21-30.
- Lee, C. K., Yoon, Y. S., & Lee, S. K. (2007). Investigating the relationships among perceived value, satisfaction, and recommendations. *Tourism Management*, 28(1), 204-214.
- Mehtap, S., & Katircioglu, S. T. (2005). Customer service quality in the Greek Cypriot Banking Industry. *Journal of Service Theory and Practice*, 15(1), 41-56.
- Mengi, P. (2009). Customer satisfaction with service quality: An empirical study of public and private sector banks. *IUP Journal of Management Research; Hyderabad*, 8(9), 7-17.
- Merrilees, B., Rundle-Thiele, S., & Lye, A. (2011). Marketing capabilities: Antecedents and implications for B2B SME performance. *Industrial Marketing Management*, 40(3), 368-375. doi: 10.1016/j.indmarman.2010.08.005
- Mohammad, B., Muzaffar, A., & Hussain, S. (2011). Customer satisfaction with service quality in conventional banking in Pakistan: The case of Faisalabad. *International Journal of Marketing Studies*, 3(4), 165-174
- Morawakage, P. S., & Kulathunga, K.M.K.N.S. (2013). The empirical study on customer satisfaction towards service quality of commercial banks in Sri Lanka with a comparison between state banks and private banks. *Paper presented at the International Conference on Business and Information* (pp. 1-10), Organized by the University of Kelaniya.. Colombo, Sri Lanka.
- Mostert & De Meyer (2010). Building customer relationships as retention strategy in the South African domestic passenger airline industry. *Acta Commercii*, 1(2), pp. 13-23.
- Mugenda M.O and Mugenda G.A (2006). *Research Methods. Qualitative and Quantitative Approaches*. Acts press. Nairobi.
- Mugenda, O. N., & Mugenda, A. G. (2003). *Research methods: Qualitative and quantitative Approaches*. Nairobi: ACTS press.
- Mulat, G. W. (2017). The effects of service quality on customer satisfaction: A study. *European Journal of Business and Management*, 9(13), 72-79.

- Nguyen, N., & Leblance, G. (2001). Corporate image and corporate reputation in customers' retention decisions in services. *Journal of retailing and customers' retention decision in services*, 8(4), 227-236.
- Nsiah, Richard and A Mensah, Asantewaah,(2014). *The Effect of Service Quality on Customer Retention in the Banking Industry in Ghana: A Case Study of Asokore Rural Bank Limited* Rahim Mosahab, Osman Mahamad, & T. Ramayah (2010). Service Quality, Customer Satisfaction and Loyalty: A Test of Mediation. *International Business Research*. Vol. 3, No. 4; October 2010.
- Orodho, J.A. (2005). *Elements of Education and Social science Research Methods*. Nairobi: Masola Publishers, p. 31
- Orr, L., Bush, V., & Vorhies, D. (2011). Leveraging firm-level marketing capabilities with marketing employee development. *Journal of Business Research*, 64(10), 1074-1081. doi: 10.1016/j.jbusres.2010.11.003
- Osman, I., Ali, H., Zainudin, A., Owan, W., & Jusoff, K. (2013). Customers Satisfaction in Malaysian Islamic Banking. *International Journal of Economics and finance*.
- Parasuraman (2005) *e-service quality model for e-banking*.
- Parasuraman, A. (2004). Assessing and improving service performance for maximum impact: Insights from a two-decade-long research journey. *Performance Measurements and Metrics*, 5(2), 45-52.
- Parasuraman, A., V.A. Zeithaml, and A. Malholtra (2005), "E-S-QUAL: A Multiple-Item Scale for Assessing Electronic Service Quality," *Journal of Service Research*, Vol. 7 No. 3: 213- 235.
- Parasuraman, A., Zeithaml, V.A. & Berry, L.L. (2002). A conceptual model of service quality and its implications for future research. *Journal of Marketing*, 49(4), 41-50.
- Payne, A. and P. Frow (1999). "Developing a Segmented Service Strategy: Improving Measurement in Relationship Marketing." *Journal of Marketing Management* 15(8): pp: 797-818.(September 9, 2014). Available at SSRN: <https://ssrn.com/abstract=2493709>
- Picon, A., I. Castro and J.L. Roldan, 2013. The relationship between satisfaction and loyalty: A mediator analysis. *Journal of Business Research*, 67(3): 746-751.
- Ramaswami, S., Srivastava, R., & Bhargava, M. (2009). Market-based capabilities and financial performance of firms: Insights into marketing's contribution to firm value. *Journal of the Academy of Marketing Science*, 37(2), 97-116. doi: 10.1007/s11747-008-0120-2

- Revelle & McDonald, (2006). Coefficients alpha, beta, omega, and the GLB: Comments on
Sijtsma. *Psychometrika*, 74(1), 145–154
- Rexha, N., Kingshott, R. P. J., & Shang Shang Aw, A. (2003). The Impact of the Relational Plan
on Adoption of Electronic Banking. *Journal of Services Marketing*, 17(1), 53-67.
- Robert K. Yin. (2014). *Case Study Research Design and Methods* (5th Ed.). Thousand Oaks,
CA:Sage. 282 pages.
- Saghier, N. E., & Nathan, D. (2013). Service quality dimensions and customers' satisfactions of
banks in Egypt. *Proceedings of 20th International Business Research Conference*, (pp.
01- 13). Dubai.
- Saunders, Thornhill & Lewis (2009) *Research Methods for Business Students*, 5th Edition,
Prentice Hall, p.130.
- Schneider, B. and White, S.S., (2004). *Service quality: research perspectives*. Thousand Oaks,
CA: Sage.
- Sekaran, U. (2004). *Research Methods for Business: A Skill Building Approach*. (4thEd.).NJ:
John Wiley & Sons.
- Selvakumar, J. (2015). Impact of service quality on customer satisfaction in public sector and
private sector. *Journal of Retailing*, 8(1), 01-10.
- Sivesan, S. (2012). Service quality and customer satisfaction; Case study- banking sector in
Jaffna district, Sri Lanka. *International Journal of Marketing, Financial Services &
Management Research*, 1(10), 01-09
- Srivastava, R., Fahey, L., & Christensen, H.K. (2001). The resource-based view and marketing:
The role of market-based assets in gaining competitive advantage. *Journal of
Management*, 27(6), 777-802. doi: 10.1177/014920630102700610
- Stanbic Bank Uganda Half year's results (2018)
- Stiakakis, E., &Georgiadis, C. K. (2009). E-service Quality: Comparing the Perceptions of
Providers and Customers. *Managing Service Quality: An International Journal*, 19(4),
410- 430
- Suhartanto, D., (2011). *An examination of brand loyalty in the Indonesian hotel industry*. PhD,
Lincoln University, Lincoln.

- Tufail, I. S., Hmayon, A. A., Javed, I., Shabbir, M., & Shahid, S. U. (2016). Measuring service quality in banking sector of Bahawalpur, Pakistan. *The Journal of Commerce*, 8(1,2), 01-13.
- Yang, Z., & Fang, X. (2004). Online Service Quality Dimensions and Their Relationships with Satisfaction: A Content Analysis of Customer Reviews of Securities Brokerage Services. *International Journal of Service Industry Management*, 15(3), 302-326.
- Zeithaml, V.A., Bitner, M.J., & Gremler, D.D. (2006). *Services Marketing: Integrating Customer Focus across the Firm* (4th Ed.). Boston: McGraw-Hill.
- Zeithaml, V.A., Bitner, M.O., and Gremler, D.E. (2009) *Services Marketing: Integrating Customer Focus Across the Firm*, McGraw-Hill/Irwin, New York.

APPENDENCES
APPENDIX I
QUESTIONNAIRE
QUESTIONNAIRE ON SERVICE QUALITY AND CUSTOMER RETENTION AT
STANBIC BANK

Dear respondent,

I am Eliot Kusasiira a Masters student pursuing a Master of Business Administration of Kyambogo University. This research seeks to examine the relationship between service quality and customer retention in commercial banks in Uganda using a case of Stanbic bank, Mukono branch. The intention is purely for academic purposes, and not, in any way attempt to assess individuals' institutions. You are assured that all information supplied will be held confidential.

Yours Sincerely

.....

Eliot Kusasiira
RESEARCHER

SECTION A: BACKGROUND INFORMATION

Please answer the following questions by **ticking the box** with the most appropriate option:

1. Gender

(a) Male (b) Female

2. Age bracket

(a) Below 20 Years (b) 20-30 Years (c) 31 -40 Years (d) Above 40 years

3. Level of education

(a) Certificate (b) Diploma (c) Bachelors (d) Masters (e) PhD (f) other specify.....

4 Length of service

(a) Less than 1 year (b) 1-2 years (c) 2-5 years (d) 5-10 years over 10 years

SECTION B

From No. 6 of the following statements please tick the number that best indicate your opinion using the following scale; Strongly Disagree (1), Disagree (2), Undecided (3), Agree (4) and Strongly Agree (5).

1. RESPONSIVENESS

	Statement	1	2	3	4	5
i.	There is quick responsiveness to customer complaints					
ii.	Staffs are always willing to help customers					
iii.	There is timely delivery of bank statements and other bank services					
iv.	There is promptness in service delivery in this bank					
v.	The bank provides services within the promised time-frame.					

2. EMPATHY

	Statement	1	2	3	4	5
i.	Special attention is given to loyal customers					
ii.	Staff in this bank are helpful to the customers					
iii.	Customers are treated with courtesy					
iv.	Staffs in this bank are skilled in how to handle customer service issues					
v.	At this bank, staffs are supportive to customers and meet their needs.					
vi.	At this bank, staffs are trained to provide excellent customer service					
vii.	The staff bank take responsibility to inform customers about new products and services					

3. RELIABILITY

i.	Statement	1	2	3	4	5
ii.	Adequate security is given to customers					
iii.	Adequate privacy to customers at the banking halls					
iv.	Communication is made for any system break down					
v.	The services are provided fast and at the right time					
vi.	There are always staffs to provide services to the customer					
vii.	The employees of this bank are competent professionally					
viii.	Employees of this bank satisfy customer need					
ix.	Everyone is satisfied with reliability of the bank services					

4 CUSTOMER RETENTION (CUSTOMERS)

		1	2	3	4	5
i.	I have been banking with this Bank for more than 5 years					
ii.	I would wish to stay with this Bank					
iii.	I will do more business with my Bank in the next few years than I do right now.					
iv.	Though there are other good service providers I have remained doing all my transactions with this Bank.					
v.	I do all my transactions in this Bank					
vi.	I often give feedback and opinions to my bank					
vii.	I frequently visit this Bank for services like two times a week.					
viii.	I'm proud to say to others that I'm a customer for this Bank					
ix.	I often recommend my friends, relatives and associates to open an account and do business with my Bank					
x.	I am satisfied with the services of my bank					

5 CUSTOMER RETENTION (STAFF)

		1	2	3	4	5
i.	I often see the same customers daily					
ii.	Customers often bring their friends for services at our Bank					
iii.	Customers usually give us feedback and opinions after the services					
iv.	Customers complain about the services of the Bank.					
v.	Similar customers get all their services at our Bank for					

	example they pay bills, school fees and bank with us.					
vi.	Most of the daily customers hold accounts with our Bank					

APPENDIX II
INTERVIEW GUIDE

1. What service quality dimensions are most effective in this bank?
2. What major challenges and difficulties has your bank faced with service delivery in order to retain customer?
3. How does this bank respond to customer complaints?
4. How can the service quality be improved?