CUSTOMER RELATIONSHIP MANAGEMENT AND CUSTOMER RETENTION IN

NON DEPOSIT TAKING MICROFINANCE INSTITUTIONS IN UGANDA:

A CASE STUDY OF FINCREDIT MBALE REGIONAL OFFICE

BY

BONIFACE WANJA

REG NO

17/U/14462/GMBA/PE

A RESEARCH DESERTATION SUBMITTED TO THE KYAMBOGO UNIVERSITY

GRADUATE SCHOOL IN PARTIAL FULFILMENT FOR THE AWARD

OF A MASTER IN BUSINESS ADMINISTRATION

OF KYAMBOGO UNIVERSITY

OCTOBER, 2019

DECLARATION

I, **Boniface Wanja,** do hereby declare that to the best of my knowledge, the work contained in this research dissertation titled, "***Customer Relationship Management and Customer Retention in Non Deposit Taking Microfinance Institutions in Uganda: A Case Study of Fincredit Mbale Regional Office",*** is entirely my own and has never been submitted by anyone to any Institution/University before for any award.

Boniface Wanja

Signature:…………………………………………Date…………………………….

APPROVAL

This is to certify that this research dissertation titled, "***Customer Relationship Management and Customer Retention in Non Deposit Taking Microfinance Institutions in Uganda: A Case Study of Fincredit Mbale Regional Office",*** has been done under our supervision and submitted for examination with our approval.

Dr. Dan Ayebale

Signature………………………………………… Date ………………………………

Hajat Bakia Wamala

Signature………………………………………… Date ………………………………

DEDICATION

To my wife, Mrs. Scholastica Were Wanja, my son Bertel Wanja junior, my parents Mrs.

Patricia Nabwana, Mr. William Masette and all my brothers and sisters.

ACKNOWLEDGEMENTS

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACRONYMS

CRM…………………………………………..Customer Relationship Management

DV…………………………………………..Dependent Variable

IV……………………………………………Independent Variable

ABSTRACT

The study examined the relationship between customer relationship management and customer retention in Fincredit Mbale Regional Office. The study had customer relationship management as the independent variable and customer retention as the dependent variable. Complaints handling, two-way communication and refund system were the constructs under the dependent variable whereas Customer loyalty was the construct under the dependent variable. This study had three specific (i) To examine the relationship between complaints handling and customer retention, (ii) To examine the relationship between two-way communication and customer retention and (iii) To investigate the relationship between refund system and customer retention. The study adopted a case study research design to do an in-depth inquiry within the phenomena in its real context. The study had a population of 1200 customer of Fincredit Mbale regional office from which a target population of 650 was established. Using Krejchie and Morgan (1970) statistical table a sample size of 242 was determined.. 147 out of the 242 questionnaires given to respondents were returned giving a 60.7% response rate. The data collected was analyzed using SPSS version 23 where descriptive statistics and correlations were analyzed. The study reveals a number of insightful findings. In regard to two-way communication, the findings show a significant positive weak relationship between two-way communication and customer retention at Fincredit Mbale regional office. Similarly, the findings revealed, a significant positive weak relationship between complaints handling and customer retention. Similar findings were seen in the relationship between refund system and customer retention. In this regard the study recommended the following; Non deposit taking microfinance institutions especially Fincredit should enhance their refund systems and make it a priority in paying customer refunds, monthly trainings of its loans officers.

Key Words: *Two-way communication, complaints handling, refund system and customer retention.*

CHAPTER ONE

INTRODUCTION

1.0 Introduction

In this introductory chapter, the following are presented the background of the study, the statement of the problem, purpose of the study, the specific objectives of the study, research questions, hypotheses of the study, justification of the study, scope of the study and operational definitions of the key terms and concepts.

1.1   Background to the study

The background to this study is drawn from historical perspective, theoretical, conceptual and the contextual perspective as discussed below.

1.1.1 Historical back ground

In today's competitive business environment, customer retention is a key strategic component for micro finance institutions (Gupta et al. 2004). The clientele has become so dynamic and it may be right and fitting for one to assert that in the near future only those micro finance institutions that will have successfully managed their customer retention process may survive(Ngambi & Ndifor, 2015). Peter Ducker (1973) argued that the sole purpose of business is 'to create a customer'. However, in the present competitive business environment, keeping the customer has gained more attention and popularity by companies since Dawkins and Reich (1990) reported that a 5 percent increase in customer retention generated an increase in net present value of between 25 percent and 95 percent across a wide range of business environments. It was this finding that ignited a lot of debate and interest in academic and

business communities as researchers and consultants attempted to examine and verify these claims(Kotler & Zeithaml, 2000).

Though a lot of researches has been done in the area of customer retention, there seems to be limited research on Customer Relationship Management (CRM) and customer retention in microfinance institutions in Uganda (Banque mondiale des femmes, 2003; Blodgett, Bakir, Saklani, & Bachheti, 2015; Ibrahim & Abdallahamed, 2014; Seibel & Almeyda, 2003). Its therefore the intention in this study to examine the relationship between selected elements of CRM practices, that is, complaints handling, two-way communication, and customer retention so as micro finance institutions concentrate on those that are more effective in customer retention than investing a lot of resources on practices that may have little or even no impact on the strategy "customer retention."

Zeithaml, Parasuraman and Berry (1985) stress that retaining a customer comes from practices that aim at creating long term relationships with selected customers to achieve their long term value. Customer relationship management is key to achieving this strategic intention customer retention. It's therefore upon this back ground that this research investigates the relationship between the selected aspects of customer relationship management and customer retention in non-deposit taking microfinance institutions with the case of Fincredit Uganda, Mbale regional office.

1.1.2 Theoretical background

Several theories have been advanced to explain the relationship between customer relationship management and customer retention.
Berry, (1983) proposed the issue of relationship marketing which was later modified by Jackson (1985) where they first defined RM as a form of marketing developed from direct

response to marketing campaigns which emphasized customer retention and satisfaction (Berry, 1995).This theory is what is known as the Relationship marketing theory and it's from this theory that the origin of customer relationship management is traced. Indeed to retain a customer in the recent global hyper competitive business environment, companies ought to put emphasis on understanding the customer behavior to improve its company-customer relationship (Ngambi & Ndifor, 2015a).

There has been a growing acceptance that customers like products have a life cycle that grows overtime and companies can try to understand them in order to create a competitive edge over its competitors (Lockshin & Mcdougall, 1998). If an organization is to understand these dynamics, Maslow's hierarchy of needs is of great importance as it tries to stress that human beings who are customers have different needs and these vary as they attain each .

1.1.3 Conceptual background

The concepts guiding this study are customer relationship management as the independent variable and customer retention as the dependent variable. Many scholars have applied these variables in different studies and indeed they are a good fit.

Customer relationship management refers to the process of identifying customers, creating customer knowledge, building customer relationship and shaping their perception of the organization and its products or services (Ngambi & Ndifor, 2015a)

Lombard (2011) in South Africa investigated customer retention through customer relationship management. The study explored two-way communication and conflict handling. However the issue of the refund system was not investigated yet this is a key component of the micro finance institutions that are offering civil servants salary loans in Uganda (Kasekende, 2016). In other words, this study was intended among other things to fill this conceptual gap.

1.1.4 Contextual background

This study contextualized to Fincredit Uganda, Mbale regional office customers due to the report showing an increasing rate at which customers terminating their loan agreements and also a slower rate of customers coming for repurchase after completing the first loan.

In 2017/2018 budget, Fincredit invested over 20Million Uganda shillings for customer messages, more than 30 million for radio adverts. In addition, a department in charge of customer refunds was created and three employees were got to handle this. Also a department in charge of customer complaints was created. All these developments meant more money invested. To its dismay however, Fincredit Report (2018) indicates a slower rate in customer retention compared to years when the company invested less or even nothing in the strategies above. The study therefore aims at informing management on the relationship between the CRM aspects concentrated on by the company and customer retention. Also the question of customer satisfaction with these selected CRM aspects and its influence on customer retention is to be investigated. This will help management on its future investment budgeting plan.

1.2. Statement of the problem

Despite efforts by many microfinance institutions to achieve customer retention through different Customer Relationship Management practices, there is a low customer loyalty (AMFIU, 2017). Non deposit taking microfinance institutions are experiencing daily customer switches from one institution to another with a great number preferring commercial banks over the microfinance institutions (Finscope, 2018). Bank of Uganda (2017) directed all financial institutions to set up proper complaints handling systems, transparent loan request processes, and setting up a customer protection policy which are all aspects of improving customer relations. In this regard, Fincredit set up customer retention and complaints handling departments where more resourceful persons were employed.

However, Fincredit Report (2018) indicates declining customer commitment to the company evidenced by decreasing number of customers coming for repurchase and increasing number of customers terminating their loan agreements prematurely of which Mbale regional office indicated the highest level of decline in customer commitment despite it being the biggest upcountry branch.

Whilst research has been done in this area however there is limited research on non-deposit taking microfinance institutions in Uganda and what customer relationship management practices they should employ to attain their strategic objective of retaining existing customers and attract new ones through referrals. Baluku (2014) studied customer care service indicators and client retention in Ugandan MFIs. The paper concludes and recommends that MFIs need to improve their client relationship practices if they are to retain their customer. The research however ignored a key relationship management aspect of refund system.

It is therefore the intention of the researcher to examine the relationship between the selected elements of Customer Relationship Management practices and customer retention in Fincredit Uganda. In doing so the study aims at answering the question "Is there any significant relationship between the selected elements of customer relationship management and customer retention?"

1.3 Purpose of the study

The purpose of this study was to examine the relationship between selected elements of CRM namely; Complaints handling, two-way communication, refund system and customer retention in Fincredit Credit, Mbale Regional office.

1.4 Objectives of the study

1.4.1 Main Objective

To examine the relationship between Customer Relationship Management and Customer Retention.

1.4.2. Specific Objectives to the study

(i) To examine the relationship between complaints handling and customer retention in Fincredit, Mbale regional office.

(ii) To examine the relationship between two-way communication and customer retention in Fincredit, Mbale regional office.

(iii) To investigate the relationship between refund system and customer retention in Fincredit, Mbale regional office.

1.5 Hypotheses of the study

The findings were tested against the following null hypotheses

$H0_1$: There is no significant relationship between complaints handling and customer retention in Fincredit

$H0_2$: Two-way communication is not significantly related with customer retention in Fincredit

$H0_3$: There is no significant relationship between refund system and customer retention in Fincredit

1.6. Conceptual Frame Work

The sought to examine the relationship between Customer relationship management and customer retention. Customer relationship management as the independent variable was conceptualized as two-way communication, complaints handling and refund system. Customer retention was conceptualized as customer loyalty which was measured through the customers' intention for repurchase and also willingness to refer others to the financial institution.

Svinicki (2010) defined a conceptual framework as an interconnected set of ideas (theories) about how a particular phenomenon functions or is related to its parts. The main purpose of conceptual framework was to clarify concepts and purpose relationships among the variables in the study, provide a context for interpreting the study findings and explain observations. It illustrates the relationships between the selected customer relationship management practices and customer retention. The conceptual framework below highlights the variables and the hypothesized link between the variables examined in the study.

Figure 1: *Conceptual framework*

IV   DV

Customer Relationship Management   **Customer Retention**

Two-way communication
- Information accuracy
- Loan progress information
- After sales follow up
- Communication channels

Complaints handling
- Complaints handling procedures
- Response to complaints
- Feed back

Refund System
- Refund procedures
- Customer assurance
- Customer perception

Customer loyalty
- Intention for repurchase
- Willingness to make referrals

Source: Adapted from Roziah Mohd Rassdi (2013) and Lombard (2011)

From the conceptual frame work above, the constructs under CRM were two way communication measured by ; information accuracy, loan progress information, communication of changes in services provided, loan after sales follow up, convenience of channels of communication, and messages. Complaints handling was measured through satisfaction with complaints handling procedure, response to complaints, feedback on complaints, information on progress in complaints presented, access to meet manager on complaints, information on the right to complaint. Refund system was measured through; customer satisfaction with the refund system, assurance of receiving refund, awareness of refund procedures and easiness to receive refund.

On the other hand, Customer retention construct was customer loyalty. Customer loyalty was measured through willingness to make referrals and intentions for repurchase.

All the above constructs were built with reference earlier research (Lombard, 2011; Ngambi & Ndifor, 2015b; Wirtz, Pistoia, Ullrich, & Göttel, 2016) and guidance with the supervisors.

1.7 Significance of the study

This study was beneficial to Fincredit policy makers whereby valuable information on the extent to which the selected CRM elements such as Complaints handling, Two-way communication and refund system relate with retention of customers in Fincredit, Mbale Regional office. Secondly, the study is beneficial to Fincredit and the entire non deposit taking microfinance institutions as it helps them improve on their CRM practices with their customers. Finally, the study is beneficial and support future researchers as their guide and also hopefully bridges some gaps that the previous researchers left as far as CRM practices and customer retention is concerned

1.8 Justification of the study

Non deposit taking microfinance institutions have greatly grown over the years with now more than 300 players in the market(AMFIU, 2017). This has resulted into stiff competition and its more likely that only institutions that will maximize their Customer Relationship management practices may survive(Eiriz, Vasco & Wilson, Dom, 2006).

Since 2016, Fincredit has embarked on CRM practices aimed at retaining its clientele. This however according to the internal report of 2017/2018 seems to be failing with indicators of deteriorating number of customers taking a new loan after completion. Also the number of

customers terminating their loan agreements before maturity seems to be growing as per the same report.

Fincredit Mbale regional office was specifically selected due to it reporting the lowest number of customers coming for another loan after completing the first one and also having the highest number of customers terminating loan agreements prematurely. I therefore wish to establish the relationship between the three selected CRM practices employed by Fincredit and customer retention.

1.9 Scope of the study

1.9.1 Content scope

In terms of content scope, the study specifically focused at determining the relationship between complaints handling, two-way communication, and refund system and customer retention.

1.9.2 Time scope

The data in the period between 2016 and 2019 was considered for this study. This is because it was during this period that Fincredit employed a lot of CRM practices aimed at retaining its clientele however this seems to having little impact with internal reports indicating an increase in customer switching through termination of loan agreements prematurely and few customers coming back after completing their loan.

1.9.3   Geographical scope

The study population is determined from Fincredit Mbale regional customers situated in Eastern part of Uganda. This region has been the best region up country only second to Central. It has however in the recent past, reported the highest rate of decline in customer commitment.

1.9.4 Operational definitions of key terms and concepts

For this study, the following terms are defined as follows:

Customer retention refers to a customer's stated continuation of a business relationship with the firm. (Timothy, Bruce, Larzan & Jao, 2007).

There is no specific definition for Customer Relationship Management; however it encompasses all business processes that are employed to satisfy the needs of a customer during a given interaction

Customer satisfaction is the outcome of customers' perception of the value received in a transaction or relationship, where value equals perceived service quality, compared to the value expected from transactions or relationships with competing vendors (Blanchard and Galloway, 1994; Heskett et al., 1990; Zeithaml et al., 1990). Many researchers (Oliver, 1981; Brady and Robertson, 2001; Lovelock, Patterson and Walker, 2001) conceptualize customer satisfaction as an individual's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations.

Refund system refers to a set of interrelated procedures that are followed in repaying back the money deducted in excess of what the financial institution is actually ought to. Besides

improving customers' experience, you may be required to issue a refund for certain situations such as if they defect (Lundaeva, 2018). Forleo (2011) emphasized the importance of business owners should put in place strategies to ensure you are handling refund requests and unhappy customers in the best way

2.1   Introduction

In this chapter, a review of earlier works related to the topic is done. This chapter specifically examines how the selected customer relationship management practices are related to customer retention. The chapter is arranged under sub-sections that include the theoretical review, the literature review based on each of the themes derived from the objectives and then ends with a summary of literature review

2.2   Theoretical review

Several theories have provided different lenses to understand customer retention. The sections below give the discussion of some of the prominent theories utilized in earlier works.

2.2.1   Relationship marketing theory

Relationship Marketing theory was proposed by American scholars Berry(1983) and modified by Jackson (1985) where they first defined RM as a form of marketing developed from direct response to marketing campaigns which emphasized customer retention and satisfaction (Berry, 1995). Indeed, to retain a customer in the recent global business environment, any company ought to put emphasis on understanding the customer behavior to improve company-customer relationship.

Relationship marketing aims at establishing and maintaining long term relationships with clients(Hallowell, 1996; C. P. Zeithaml & Zeithaml, 2006), Relationship Marketing seeks to establish a long term relationship with customers of the organization as well as other role

players which will contribute to successful operation of the organization in the future (Eiriz & Wilson, 2006).

Retained and reinforced communication with customers in a timely, reliable and pro-active fashion and handling conflicts between the organization and customers effectively is said to result into successful long term relationships with customers(Jesri, Ahmadi, & Fatehipoor, 2013). CRM evolved from organization processes such as Relationship Marketing (RM) and the increased emphasis on improved customer retention through the effective management of customer relationships".

CRM is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create a superior value for a company and the customer (Nwogwugwu, 2018).As per the different works on RM theory survival of a company in a competitive environment depends upon how it builds a long lasting relationship to achieve maximum value from them. This theory is therefore important in explaining the many efforts non-deposit taking MFIs like Fincredit are employing to retain their clientele and ensure their survival in the long run through different strategies one being customer relationship management. The is therefore important for this study.

2.2.2 Maslow hierarchy of needs.

Maslow's hierarchy of needs theory is a theory that stresses that human needs are in a chronological order of five levels where by one attains the first level before moving to the next level. These have been increased to seven levels by subdividing the first five levels of the pyramid (Lemur, 2018). I have adapted this theory to inform my study, this is embedded in the article "It is quite true that man lives by bread alone- when there is no bread. But what happens to man's desires where there is plenty of bread and when his belly is chronically filled? At once

other (and "higher") needs emerge and these are rather physiological hungers, dominate the organism. And when these are satisfied again new (and still "higher) needs emerge and so on. This is what we mean by saying that the basic human needs are organized into a hierarchy of relative prepotency". (Maslow, 1943, P.375). Maslow continued to refine his theory based on the concept of hierarchy of needs over several decades (Maslow, 1943, 1962, 1987). Regarding the structure of his hierarchy, Maslow (1987) proposed that the order in the hierarchy "is not nearly rigid" (p.68) as he may have implied in his earlier description. This theory taken to my study explains the behavior of customers and when an organization understands the theory, right efforts towards satisfying customers, which results into customer retention through customer loyalty witnessed by intension to repurchase and intention to make referrals.

2.3 Relationship between complaints handling and customer retention

The research investigated the relationship between complaints handling and customer retention. There are already studies that point out that proper complaint handling can result into customer satisfaction, loyalty hence achieving customer retention objective of a firm(Lombard, 2011).

According to (Blodgett et al., 2015) , a well implemented complaints-handling process is of key strategic relevance because it can improve customer retention. Jerger & Wirtz(2017) stress that customers whose complaints are well handled can be more satisfied and are less likely to switch to other companies than customers who did not have any complaint presented(Halstead, 1992)**.**

Naylor and Kleiser (2000) in their study revealed that proper handling of customers' complaints results into less negative talk through word of mouth hence increasing referrals and repurchase intentions among the customers. (Ang & Buttle (2006) says that complaints must be properly

processed for the companies not to lose customers and hence benefit from listening to complaints of customers.

As per recommendations from the above studies, Fincredit has instituted different strategies aimed at improving the way complaints of customers are handled yet the rate at which customers are terminating their loan agreements is on a rise. It's upon this that study re-examines the relationship of complaints handling and customer retention in the context of non-deposit taking microfinance institutions.

2.4 Relationship between two-way communication and customer retention

In the recent competitive environment, the attitudes towards customers have changed. Previously microfinance institutions used to take customers as objects of profit making and all they needed was the exploitation of their customers. Customers have become so dynamic, empowered and non-microfinance institutions will have to embrace customer relationship management (CRM). Two-way communication is key towards achieving long term relationships if non-deposit taking microfinance institutions are to benefit from the long time value of their customers. Customers are now taken as partners in business and indeed a customer is the bosses. In this regard two-way communication has become a key component in the relationship between customers and their respective financial service providers.

Rootman (2006) emphasizes that organizations need to investigate needs, customer relationships with both existing and potential customers and they have to satisfy their customer needs. This investigation is through opening communication channels with the customers so as two-way communication is embraced (Stokes & Lomax, 2002).

Lombard (2011) stressed that communication is an interactive dialogue between the company and its customers takes place during the pre-selling, selling, consuming, and post- consuming

stages. Similarly, (Ndubisi and Wah, 2005) emphasized that communication in a business relationship means providing information that can be trusted, providing information when problems occur and fulfilling promises.

Zeithaml et al (2006) therefore concluded that having open communication channels between the stakeholders in the organization prevents service problems before they occur and minimize them when they arise.

In line to the above research, Fincredit and other financial institutions in Uganda have put in place different communication practices to improve their interaction with customers in an open manner. However, reports from Fincredit have indicated declining customer commitment and loyalty.

2.5 Relationship between refund system and customer retention

In the last decade most of the non-deposit taking micro finance institutions have put their focus on offering loans mainly to civil servants. This is because of the security of salary where the system of coding is used in collection which is more secure and less risky to these institutions. This has however come with a lot of challenges like extra deductions after the client has completed the loan due to delays in removing the code. This has left most of the civil servants cursing all microfinance institutions. The general public talk is that a micro finance institution that may come with solutions to this plight might take away most of the customers in the civil service sector though there are no clear studies to this effect in Uganda.

According to Hanna and Wozniak (2000), a proper refund system assures customers of getting what belongs to them and in turn results into customer satisfaction. This therefore improves customer loyalty among the customers. Loyal customers less engage in negative communication and are willing to make referrals. Customers easily refer friends to financial

institutions where they feel comfortable and are satisfied with the services like when an expected refund is easily made.

Stokes and Lomax (2002) indicate that word of mouth influences customers purchasing decisions. In this view, it's important for non-deposit taking microfinance institutions in Uganda like Fincredit to fulfill customer expectations in regards to giving them their refunds.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

In this chapter, the methodology for the study is presented. The chapter includes the research design, study population, sample size and selection, sampling techniques and procedure, data collection instruments, validity and reliability, procedure of data collection, data analysis and measurement of research variables.

3.2   Research design

This study adopted a case study design. This design investigates a contemporary phenomenon focusing on the dynamics of the case within its real life context. Whereas this study design is criticized, there are many recommendations world over as it gives the opportunity to have a good view of really situation on ground. In addition its ability to lead into creation of new hypothesis, natural data collected and flexibility compared to other designs is worth noting (Teegavarapu, Summers, & Mocko, 2009). This study was quantitative in nature hence a closed questionnaire was used for data collection. In adopting the results from this study, a few weaknesses need to be pointed out as noted by other scholars for instance some level of subjectivity, inability to conduct on a large scale and generalization of results.

Furthermore, the study was majorly exploratory aimed at identifying the relationship between Customer relationship management and customer retention. This study used customers' views as unit of analysis since they are in best position to share their experience of the selected elements of customer relationship management and customer retention.

3.3 Study Population

The study population for this study as provided was 1,200 customers of Fincredit Mbale regional office situated in Eastern Uganda (Fincredit Report, 2018). During a pilot study of the customers it was found out that only customers who had finished more than one and a half a year were able to read, understand and comprehend the variables and questions under study with ease. The total number of these customers as provided by Fincredit internal sources was 650 customers hence this was taken as the target population. McLeod (2014) defined a target population as total group of individuals from which a sample might be drawn. It's from here that the sample size was drawn using Krejchie and Morgan (1970) statistical table.

3.4 Determination of sample size

The target population for this study was 650 customers. These were customers who had been in Fincredit for more than 18 months. A sample size of 242 was determined using Krejchie and Morgan (1970) statistical table as cited and recommended by (Pourhoseingholi, Vahedi, & Rahimzadeh, 2013). This was used to carry out the quantitative study. Table 1 below gives a breakdown of the categories included in the sample.

Table 1: A breakdown of categories included in the sample

Category	Unit
Teachers	163
Police officers	24
Prisons officer	10
Nurses	17
Doctors	5
Administrators	10
Others	13
Total Sample	**242**

From the above categories, the study was able to realize questionnaires from 99 teachers, 15 police officers, 6 prisons officers, 10 nurses, 3 doctors, 6 administrators and 8 from others.

3.5 Data Collection methods and instruments

A structured questionnaire developed with guidance of the supervisors was designed. A structured questionnaire is a document that consists of a set of standardized questions with a fixed scheme. This instrument was suitable since this research was quantitative in nature. It's also known as closed questionnaire. 242 questionnaires were distributed to the customers as they came to the office at random. Some filled the questionnaires immediately but some decided to go with them and return later. Of the 242 questionnaires distributed only 147 were returned which was 60.7 %. According to Fincham (2008) a response rate of 60 % and above is considered very good. Table 2 below shows the demographics of the customers included in the study

Table 2: Demographics of customers included in the study

	Categories	Frequency	Percentage
Sex of respondent	Male	90	61.2
	Female	57	38.8
Age bracket of respondent	Below 30	18	12.2
	31-40	40	27.2
	41-50	61	41.5
	51-60	27	18.4
	Above 60	1	0.7
Education level of respondents	Certificate	73	49.7
	Diploma	48	32.7
	Bachelors	23	15.6
	Masters	2	1.4
	Others	1	0.7

Longevity as customers	Between 1 and 2 years	48	32.7
	Between 3 and 4 years	55	37.4
	Between 5 and 6 years	42	28.6
	Above 6 years	2	1.4
Product usage	1-12 months	27	18.4
	13-24 months	44	29.9
	24-36 months	49	33.3
	37-48 months	27	18.4
Number of times received the product	Once	52	35.4
	Twice	62	42.2
	Thrice	30	20.4
	Others	3	2.0
Profession of the customer	Teacher	99	67.3
	Police officer	15	10.2
	Prisons officer	6	4.1
	Nurse	10	6.8
	Doctor	3	2.0
	Administrator	6	4.1
	Others	8	5.4

As seen in table 2 above, then highest proportion of respondents (61.2%) were males. Most of the respondents in the age bracket 41 and 50 years old accounting for 41.5%. In terms of education level, respondents who had attained a certificate were the majority with 49.7%. Customers who had been in Fincredit for a period between 3 and 4 years were 37.4%. In addition, the loan product most used by majority of the customers was between 25 and 36

months accounting for 33.3%. Majority of the customers had taken a loan twice (42.2%). Lastly in terms of profession majority of the customers (67.3%) were teachers.

3.6 Sampling technique

Convenience sampling technique was used in the study. In this sampling technique, subjects are selected because of their convenient accessibility and proximity to the researcher (Leiner, 2014). Given that the biggest clientele were teachers yet the research was conducted in holidays, it was very difficult to get hold of them. The others like nurses and police officers were particularly busy up and down. It was there right and fitting to adopt convenience sampling to obtain a reasonable sample. Consequently, odd customers who had found to visit the office and had been customers for more than 18 months were asked to fill the questionnaires. It became difficult as some of the customers opted to go with the questionnaires and return them later but never returned them. This resulted into the 60.7% response rate as many of those who took the questionnaires didn't keep to their promise of returning them.

3.7 Data collection method

A survey data collection method was employed in the study where the questionnaire instrument was self-administered with minimal guidance from the researcher. These survey data collection methods were adopted following recommendations by (Teegavarapu et al., 2009).

3.8 Data collection procedure

After the approval of the research proposal, a copy was submitted to graduate school. A letter of introduction from the University was therefore granted so that the organization could not mistake the research to be for non-academic effort.

The research letter is included in the Appendix. With the help of a research assistant, the survey instrument was completed in form of an interview with the respondents in Fincredit Mbale regional office for two weeks.

3.9 Measurement of the study variables

The variables were measured using the selected aspects of customer relationship management; two-way communication, complaints handling and refund system and the dependent variable customer retention was measured using customer loyalty. The next sections give an impetus of each of the variables, their respective statements and their Cronbach's Alpha statistic

Two-way communication. In this study, two-way communication was viewed in terms of communication with customers, accuracy of information and convenience in channels of communication. Particularly using a Likert scale, customers were asked questions to what extent they agreed on a scale of 1 to 5 (1=strongly disagree and 5=strongly agree) to the following statements: (1) I am always provided with accurate information when I need it (2) I always receive all loan progress information from the company (3) I always receive communication about any changes in the services provided (4) I am always followed up my loans officer to find out how am progressing after receiving the loan (5) The company uses the most convenient channels of communication (6) I receive instant messages when I receive the loan I applied for. These items gave Cronbach's Alpha statistic of 0.785, which is above the widely used cutoff point of 0.70 as recommended by Amin (2005).

Complaints handling: In this study, complaints handling variable, viewed in terms of customers' response to customer complaints and procedures taken in handling them. These included the extent to which the customers rated complaint handling through the following statements in a likert scale of 1 to 5 (1=strongly disagree and 5=strongly agree): (1) I am

satisfied with the complaints handling procedure of Fincredit, (2) My complaint is quickly resolved when I present it to the office (3) I am always satisfied with the answers I receive when I present my complaint (4) I always receive answers when I present my complaint to the office (5) I am always informed of the progress of the complaint I submit to the office (6) My complaints are always recorded and taken serious of by the responsible officer (7) I always have an opportunity to present my complaints to the manager and amicably resolve it (8) I am always informed of my right to complain when not satisfied with the service. These items had a Cronbach's Alpha of 0.854 which is way above the recommended 0.7 by Amin (2005).

Table 3 below gives detailed factor loadings and Cronbach's Alpha statistic for the scales of the different dimensions of the variable of complaints handling.

Refund system: The refund system variable was conceptualized in this study in terms of customers' awareness, availability, effectiveness and trust of the refund system. Specifically respondents were asked to what extent they agree on a scale of 1 to 5 (1=strongly disagree and 5=strongly agree) with the following statements: (1) I am satisfied with the refund system of Fincredit (2) I am happy with the way refunds are made in Fincredit (3) I always receive my refund when over deductions have been made by Fincredit (4) I am aware of a refund procedure when over -deductions are made (5) I easily get my refund when over deductions are made (6) I am certain that I will receive my refund when over deductions are made from my account. These items had a Cronbach's Alpha of 0.851 which is above the recommended 0.7 by Amin (2009).

Customer retention: The customer loyalty variable was viewed in terms of intentions for repurchase and willingness to make referrals. Specifically respondents were asked to what extent they agree on a scale of 1 to 5 (1=strongly disagree and 5=strongly agree) with the following statements: (1) I will often come for more loans (2) I will refer my friends to Fincredit

for loans (3) I am often satisfied with Fincredit loan application process (4) I am continuously attracted by Fincredit loan services (5) I am happy to be a customer of Fincredit (6) My first loan experience with Fincredit was good (7) The loan from Fincredit served my purpose. These items had a Cronbach's Alpha of 0.897 which is above the recommended 0.7 by Amin (2009).

Table 3 below provides a summary of the factor loading for the items included in analyzing each of the variables

Table 3: Factor analysis

VARIABLES AND THEIR MEASURES	*Factor loading*
Two-way communication α=0.785	
Provision of all loan progress information to customer	.743
Convenience of the available channels of communication	.729
Follow of customers by the loans officer to find out the progress with the loan they received	.719
Communication of any changes in the services provided to customers	.713
Provision of accurate information to customers when needed	.713
Messages to customers the loan applied is paid to them	.555
Total Variance Explained	**48.713**
Kaiser-Meyer-Olkin (KMO)	**0.827**
Bartlett's Test of Spherecity	**210.182*****
Complaints handling α=0. 854	
Complaints handling procedure of the company	.747
Response to resolved complaints when presented to the office	.783

Satisfaction with answers received when customers complaints are presented	.811
Answers when customers complaints are presented to the office	.662
Information of the progress of the complaints submit to the office by customers	.734
Recording and taking serious customers complaints of by the responsible officer	.740
Opportunity for customers to present their complaints to the manager	.547
Information to customers about their right to complain when not satisfied with the service	.577
Eigen value	**3.984**
Total Variance Explained	**49.804**
Kaiser-Meyer-Olkin (KMO)	**0.868**
Bartlett's Test of Spherecity	**420.561***
Refund system α=0.851	
Satisfaction with the refund system of Fincredit	.806
Happy with the way refunds are made in Fincredit	.775
Payment of refund when over deductions have been made by Fincredit	.829
Customer awareness of the refund procedure when over -deductions are made	.737
The easiness to get customer refund when over deductions are made	.812

Certainty of customers to receive their refunds when over deductions is made.	.578
Eigen value	**3.475**
Total Variance Explained	**57.911**
Kaiser-Meyer-Olkin (KMO)	**0.817**
Bartlett's Test of Spherecity	**377.790*****
Customer retention α=0.897	
Willingness to come for more loans	.847
Willingness to make referrals	.866
Rating of Fincredit loan application process	.736
Attraction to Fincredit loan services	.818
Level of happiness as a customer of Fincredit	.880
Rating of first loan experience with Fincredit was good	.655
Loan from Fincredit served my purpose.	.720
Eigen value	**4.401**
Total Variance Explained	**62.871**
Kaiser-Meyer-Olkin (KMO)	**0.899**
Bartlett's Test of Spherecity	**591.211*****

N=105, ***p<0.00, **p<0.01, *p<0.05, α is Cronbach's Alpha coefficient computed for scales with three items and more

3.10 Validity and Reliability

3.10.1 Validity.

The instrument was pretested with presentation of fifteen questionnaires to fifteen respondents to achieve content validity. From the pretest, it was discovered that the instrument was good for customers who had finished more than 18 months' s customers with Fincredit as they had gotten some good experience of the variables under study. This is what resulted into the target population of 650. There were few small changes made in tense used in the questions and spellings.

Further still, Factor analysis was done to ensure validity. In this, related variables are incorporated to reduce on the instrument and make it more meaningful. It was only those items whose factor loadings were above the threshold of 0.5 which were left for this study as shown in table 3 above.

In regards to the engine values, the items used in the study had their values above 1 which again strengthened the validity of the instrument.

3.10.2 Reliability

To ensure reliability, the variables under study were tested using Cronbach's Alpha. The Cronbach's alpha for Complaints handling, Two-way communication, refund system and customer loyalty were 0.854, 0.785, 0.851, and 0.897 respectively. All the variables had their Cronbach's alpha above 0.7 which gave the research the confidence in the instrument's reliability.

3.11 Data Analysis

Statistical Package for Social Sciences version 23 (SPSS 23) was utilized in data analysis. Before data analysis, the data generated by the questionnaires was cleaned, edited and coded.

In the software several tests were conducted including but not limited to: descriptive analysis, factor analysis, Cronbach's Alpha, correlations.

Descriptive statistics, correlations analysis were performed to establish the relationship between the selected elements of customer relationship management and customer retention.

The findings were then presented in chapter four below.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THE RESULTS

4.1 Introduction

This chapter has the presentation, analysis and interpretation of the study findings. The chapter begins with the descriptive statistics of the study specifically on the customer's perception on Fincredit's practice of two-way communication, complaints handling, refund system. Thereafter, the relationship between the key variables of interest, that is two-way communication, complaints handling, refund system and customer loyalty is presented. In the last section, the regression analysis results and the mediating effect of customer satisfaction are presented.

4.2 Customer's rating of the two-way communication in Fincredit.

Communication is a key component in credit financial institutions. The talk among most of the civil servants who are customers to these institutions in Uganda decry the false, inaccurate information given to them before taking loans; wrong interest rates, no follow ups, non-disclosure of correct monthly deductions and loan periods among others. These factors are encompassed in two-way communication.

Table 4 below gives evidence of how Fincredit customers perceived two-way communication. Particularly, the evidenced collected focused on, accuracy of information, provision of loan progress information, communication of changes in services provided, after sales follow by loans officers, convenience of channels of communication and messaging customers when loan applied is paid.

Table 4: Reported level of two-way communication in Fincredit

Two-way communication	Mean	S.D
Provision of accurate information to customers when needed	3.67	1.067
Provision of all loan progress information to customer	3.45	1.074
Communication of any changes in the services provided to customers	3.38	1.213
Follow up of customers by the loans officer to find out the progress with the loan they received	2.81	1.184
Convenience of the available channels of communication	3.67	1.029
Messages to customers the loan applied is paid to them	3.64	1.134

Note: These items were measured on a five point likert scale where 1=strongly disagree and 5=strongly agree. S.D indicates the degree to which individual scores by respondents are far from the mean.

From Table 4 above, the findings reveal that generally Fincredit customers perceive two-way communication on the issues included in the study to be slightly above average on the scale of 1 to 5. It can however be seen that there are notable variations on the various forms of two-way communication evaluated. For instance, in terms of the extent to which loans officers do after sales follow up to find out how customers are progressing after receiving the loan was 2.81 with standard deviation of 1.184. In this regard, after sales follow up of customers by loans officers posed the least in all aspects investigated under two-way communication in Fincredit.

The second lowest item was communication of any changes in the services provided to customers with the mean score of 3.38. The area of two-way communication considered to be

relatively moderate was provision of loan progress information to customers (Mean=3.45,& S. D=1.074)).The aspect of two-way communication of sending instant messages to customers when the loan applied is paid was considered to be high (Mean=3.64,& S. D=1.134). In the sample, the aspects two-way communication considered to be highest were provision of accurate information to customers (Mean=3.67, S. D=1.067) and convenience of the available channels of communication (Mean=3.67, S. D=1.029). Generally, the standard deviation statistics are not very high indicating reasonable validity of the reported mean values.

4.3 Customer's rating of the way complaints are handled in Fincredit

Customers that run to credit microfinance institutions are in most cases and a fix that requires urgent financial support. Due to this most of them sign loan agreements without reading them. The time they are settled is when they begin to discover the hidden meanings and realize that at times their loans officers verbally told them contradicting information. As a result, there are many complaints that arise and hence complaints handling is a key aspect in the microfinance business. Table 5 below gives results of how customers perceive complaints handling in Fincredit.

Table 5: Reported level of complaints handling in Fincredit

Complaints handling	Mean	S.D
Complaints handling procedure of the company	3.32	1.116
Response to customers' complaints when presented to the office	3.15	1.273
Satisfaction with answers received when customers complaints are presented	3.30	1.155
Answers when customers complaints are presented to the office	3.86	.889

Information of the progress of the complaints submit to the office by customers	3.41	1.071
Recording and taking serious customers complaints of by the responsible officer	3.35	1.103
Opportunity for customers to present their complaints to the manager	3.71	1.020
Information to customers about their right to complain when not satisfied with the service	3.63	.988

Note: The respondents were asked to what extent they measured Fincredit's complaints handling on a five point likert scale where 1=strongly disagree and 5=strongly agree. S.D indicates the degree to which individual scores by respondents are far from the mean.

As shown in table 5 above, respondents rated Fincredit's complaints handling to be above average. The highest score was on the item of answers to customers when they present their complaints to the office with a mean of 3.86 and a standard deviation of 0.889. On the other hand, the item of response to customers' complaints was rated least with a mean of 3.15 and a standard deviation of 1.273.

In general respondents agreed that the complaints handling process of Fincredit was above average.

4.4: The refund system of Fincredit.

With the delay in removal of codes from customer's salary accounts, civil servants all over Uganda are in a dilemma on whether they should obtain salary coded loans from non-deposit taking micro finance institutions or not. This has become a topic and resulting into increasing desire by the customers to switch across institutions with the hope to get terms elsewhere. This

however is not offering a permanent solution since the system involves a lot of players. There are thoughts by most civil servants that a credit institution that will have a clear and timely refund system would be the darling of the civil servants.

Attention of the study also focused on how the customers weighed the refund system of Fincredit and table 6 below shows how customers rated different aspects of the refund system.

Table 6: Rating of the refund system of Fincredit

Refund system	Mean	S.D
Satisfaction with the refund system of Fincredit	3.08	1.010
Happy with the way refunds are made in Fincredit	3.08	1.095
Payment of refund when over deductions have been made by Fincredit	3.08	.910
Customer awareness of the refund procedure when over - deductions are made	3.06	.995
The easiness to get customer refund when over deductions are made	2.98	.961
Certainty of customers to receive their refunds when over deductions is made.	3.42	.950

Note: The respondents were asked to what extent they measured Fincredit's refund system on a five point likert scale where 1=strongly disagree and 5=strongly agree. S.D indicates the degree to which individual scores by respondents are far from the mean

Table 6 above shows that customers rated Fincredit's refund system generally to be slightly average. The least score was on the item that measured how easily customers get their refunds with a mean of 2.98 and a standard deviation of 0.961. However customers are certain of

receiving their money when over deductions are made with a mean of 3.42 and standard deviation of 0. 950. This was the highest score among the items measured under this study.

Generally, the very small distance from the mean indicate that there is need to improve the refund system.

4.5 Customer retention as a measurement for retention

Customer retention is measured by customer loyalty. For this study customer retention was viewed mainly in terms of willingness to make referrals and intentions for repurchase. Its only customers who are loyal that will recommend their friends to purchase a loan in any credit institution. This is because customers protect their image and can recommend others if they are only happy with the services offered. It's upon this that the study measured loyalty of the customers to ascertain their willingness to make referral, intentions for repurchase, rating of loan application process, happy to be a customer, first loan experience and loan serving their purpose.

Table 7 below presents the findings from the study on the items investigated under customer retention.

Table 7: Level of customer retention

Customer retention	Mean	S.D
Intentions to come for more loans	3.82	.986
Willingness to make referrals	3.91	1.020
Rating of Fincredit loan application process	3.80	.921
Attraction to Fincredit loan services	3.55	1.028
Level of happiness as a customer of Fincredit	3.80	1.018

Rating of first loan experience with Fincredit was good	3.79	1.178
Loan from Fincredit served my purpose.	4.07	.963

Note: The respondents were asked to what extent they measured agreed to the items under study on a five point likert scale where 1=strongly disagree and 5=strongly agree. S.D indicates the degree to which individual scores by respondents are far from the mean

From table 7 above, it's evident that customers of Fincredit are generally loyal to the company. This is shown by the means which are all above average. Respondents highly agreed that the loan from Fincredit served their purpose with a mean of 4.07 and a standard deviation of 0.963. In addition, respondents were highly willing to make referrals with the highest mean of 3.91 and a standard deviation of 1.020. This is followed by intentions to come for more loans with a mean of 3.82 and a standard deviation of 0.986. On the other hand, attraction to Fincredit loan services was least rated of the items under customer loyalty measured with a mean of 3.55 and a standard deviation of 1.028

4.6. The relationship between two-way communication, complaints handling, refund system and customer retention

The variables under study were analyzed to ascertain their relationships. This was through the use of Pearson correlation. The correlations aimed at identifying the link between the selected CRM elements; two-way communication, complaints handling and refund system and customer retention

4.6.1 Relationship between complaints handling and customer retention in Fincredit Mbale regional office

The study assessed the relationship between complaints handling and customer retention in Fincredit Mbale regional office using Pearson correlation analysis as presented in the table 8 below;

Table 8: Relationship between complaints handling and customer retention using Pearson correlation.

		Complaints handling	Customer Loyalty
Complaints handling	Pearson Correlation	1.000	0.385**
	Sig. (2-tailed)		.000
	N	147	147
Customer Loyalty	Pearson Correlation	0.385**	1.000
	Sig. (2-tailed)	.000	
	N	147	147

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

The findings from table 9 above revealed that there exists a positive relationship (r= 0.385, P<0.001) between complaints handling and customer retention of Fincredit. The association between complaints handling and customer retention is observed to be significant since the p-value (0.000) was less than the 0.01 level of significance. The findings imply that an improvement in complaints handling. This is an indication that effective handling of customer complaints has a significant positive but weak relationship with customer retention at Fincredit Mbale regional

On this note, the null hypothesis H0$_1$: There is no significant relationship between complaints handling and customer retention in Fincredit was rejected and the alternative H1$_1$: There is

significant relationship between complaints handling and customer retention in Fincredit is accepted

4.6.2 Relationship between two-way communication and customer retention in Fincredit Mbale regional office

In a bid to establish the relationship between two-way communication and customer retention in Fincredit Mbale regional office and the findings revealed the results as below using Pearson correlation analysis.

Table 9: Pearson correlation analysis for assessing relationship between two-way communication and customer retention

		Two way communication	Customer retention
Two way communication	Pearson Correlation	1	0.263**
	Sig. (2-tailed)		.001
	N	147	147
Customer retention	Pearson Correlation	0.263**	1
	Sig. (2-tailed)	.001	
	N	147	147

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

The findings in table 9 above revealed that there is a significant positive and weak relationship (r= 0.263, P<0.001) between two-way communication and customer retention at Fincredit Mbale regional office. This is an indication that effective communication with clients has a significant positive and weak signal to customer retention at Fincredit Mbale regional office.

In this regard the null hypothesis $H0_2$: Two-way communication is not significantly related with customer retention in Fincredit was rejected and the alternative $H1_2$: Two-way communication is significantly related to customer retention in Fincredit Mbale regional office was adopted.

4.6.3 Relationship between Refund system and customer retention in Fincredit Mbale regional office

The research also made an investigation to establish the relationship between refund system and customer retention at Fincredit and the results are presented below;

Table 10: Pearson correlation analysis to assess the relationship between Refund system and customer retention in Fincredit

		Refund system	**Customer retention**
Refund System	Pearson Correlation	1	0.375^{**}
	Sig. (2-tailed)		.000
	N	147	147
Customer retention	Pearson Correlation	0.375^{**}	1
	Sig. (2-tailed)	.000	
	N	147	147

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

The outcomes in table 10 above revealed that there exists a weak but positive relationship between Refund system and customer retention. The positive relationship between Refund system and customer retention was significant since the p-value (0.000) was less than0.01 level of significance. The findings imply that a good refund system at Fincredit has a significant, positive but weak relationship to customer retention.

Similarly, the findings saw the null hypothesis $H0_3$: There is no significant relationship between refund system and customer retention in Fincredit rejected and the alternative $H1_3$: There is no significant relationship between refund system and customer retention in Fincredit accepted.

CHAPTER FIVE

DISCUSSION OF THE FINDINGS, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on discussion of the findings, summary, conclusions and recommendations of evidence produced in the latter chapter. This discussion is arranged as follows. The first section gives the discussion of evidence related to the customers' perception of complaints handling, two-way communication and refund system. The next section discusses the relationship between complaints handling, two-way communication, and refund system and customer retention.

5.1.1 The prevailing nature of complaints handling practice at Fincredit.

The study results in table 5 in chapter four provided evidence in regards to the key aspects underlying complaints handling in Fincredit specifically in terms of how proper handling of customer complaints can help an organization to build loyalty among its customers. Previous studies in other contexts point us to availability of proactive, effective complaints resolution mechanisms, satisfactory handling of complaints, quick response to customer's complaints and open discussion with customers about their complaints among others as some of the important areas in examining the level of complaints handling in an organization (Naylor and Kleiser, 2000

In the study, the evidence from table 5 reveal that in Fincredit Mbale regional office, customers perceived the aspects of complaints handling to be moderate ranging from 3.15 to 3.86 mean score with their respective standard deviations showing limited variation of individual respondent score from the mean., This evidence seems to agree with previous research on

complaints handling in the context of commercial (Naylor and Kleiser, 2000). This evidence implies that though there is a moderate level of complaints handling, there seems to be some reasonable effort in Fincredit towards handling customers' complaints. This evidence suggests that though we observe moderate level of complaints handling in the study this does not mean that there is completely no complaints' handling. In fact, there seems to be great effort trying to provide answers to customers who present complaints and providing an opportunity to the customers to present their complaints to the manager which is important indicators of the existence of a complaints handling system. These areas in particular received the highest scores that is to say 3.86 and 3.71 respectively.

However the moderate scores generally that range from 3.15 to 3.86 reveal that there is still a lot to be done by Fincredit to improve on the way they handle customers complaints to achieve the desired levels of customer retention (Lombard, 2011)

5.1.2 The discussion of Findings in relation to two-way communication

The study as seen in table 4 reveal that generally Fincredit customers perceive two-way communication on most of the issues included in the study to be slightly above average except one item (after sales follow up of customers by loans officers) with an average of 2.81 which is below average. This brings in question the level of training the loans officers go through during orientation. It also puts in question the level of motivation the loans officers have towards their work and the environment in which they work from.

The findings reveal therefore that there are little efforts by Fincredit in trying in trying to provide information to customers. The company needs to put in place more modalities to try to make its communication with customers effectively. The company may need to train its loans officers in aspects of communication like provision of after sales follow up of the customers to build long term relationships (Ndubisi, 2007)

5.1.3 The discussion of the findings in relation to the refund system.

Evidence from the findings in table 6 revealed that there are very little efforts by Fincredit in addressing the issues of refunds to customer. This is evidenced by the average scores of the respondents on the items measured in this area. The highest score is 3.42 with the rest of the means only above average by less than 0.9. Despite this, customers are averagely certain of receiving their money when over deductions are made with a mean of 3.42.

This evidence seems to agree with previous research in other contexts that a proper refund system assures customers and builds loyalty and trust other context (Hanna and Wozniak, 2000)

Generally, the very small distance from the mean indicate that there is need for Fincredit to improve its refund system greatly as this will reduce negative communication by the customers about the company. Word of mouth increases customers purchasing decisions (Stokes and Lomax, 2002).

5.1.4 The relationship between customer relationship management and customer retention

In the study the relationship between two-way communication, complaints handling and refund system were evaluated. The evidence demonstrates that all the three aspects of CRM practiced evaluated are important areas of consideration in terms of enhancing customer retention in Fincredit Mbale regional office, with the findings in tables 8, 9 and 10 showing statistically significant positive weak relationships. While two-way communication, complaints handling, and refund system were all being practiced by Fincredit, the current study findings reveal that if customer's complaints are handled well, Fincredit will achieve the highest level of customer retention. This is in agreement with the previous research that a customer who presents a

complaints in more likely to be retained depending on how the complaint is handled (Jesri et al., 2013; Ndubisi, 2007)

Further, it's also revealed that a proper refund system is significantly correlated to customer retention. This evidence also resonates well with the current debate that a clear refund system builds customer trust and assurance to customers hence loyalty is achieved (Hanna and Wozniak, 2000). Loyal customer makes referrals and less engage in negative talk about the company. Stokes & Lomax (2002) indicates that word of mouth influences customers purchasing decisions.

In addition, the evidence revealed that two-way communication is statistically significant to customer retention. This is not different from previous research findings in other contexts that attracting and attaining customer can be achieved through co-operation, trust, commitment and sharing of information (Lombard, 2011). The communication should be proactive right from the time of introduction of a loan product to the customer by the loans officer to post customer relations.

Specifically, evidence revealed the existence of the two-way communication, complaints handling and refund system in Fincredit that just need to be enhanced to achieve maximum customer retention.

5.2 Conclusions

In order to understand the level of CRM, descriptive statistics were employed. The general pattern of the findings revealed that there is some level of customer relationship management in Fincredit Mbale regional office. Though this was limited and varying depending on the element of customer relationship management under study.

Specifically, the study reveals that complaints handling and two-way communication are elements of customer relationship management being done relatively well as compared to refund system. In the study, this is particularly the case because Fincredit's refund system was just created recently and is under development to ensure that it meets the required standards. More interestingly, in evaluating the easiness of customers receiving their refunds, the study reveals that customers generally perceive that it's not easy to get a refund in Fincredit when over deductions are made.

Furthermore, the findings revealed that complaints handling was the CRM element being done relatively well. In particular provision of answers on customers' complaints was best done in this area. In the area of two-way communications, the study revealed that two-way communication is moderately being well handled except on the aspect of after sales follow up of customers by loans officer which was below average.

The evidence also questioned the level of customer awareness of the refund procedure in Fincredit Mbale regional office. Similarly concerns on the response to customers' complaints are observed from the data regarding complaints handling. Generally, the evidence shows those customers are satisfied with Fincredit particularly in the provision of instant messages when the loan is paid. This status could however be explained the sms system by the banks when transactions are made to customers' accounts which is not entirely the work of Fincredit.

To examine the relationship between CRM aspects of complaints handling, two-way communication and customer retention, the study adopted Pearson correlation. Generally, the study revealed that all the three aspects of CRM are important in enhancing customer retention. The relationships were not only positive but also significant. With these findings the study contributes to debate among microfinance institutions as to whether their efforts should be only sales and profit oriented in enhancing business growth and development. None deposit taking

microfinance institutions are placing little emphasis on CRM and investing a lot of money in sales and profit geared strategies. This may be achieved in the short run but cannot generally create long term relationships with customers which are a determinant for the long term survival of financial institutions (Rootman, 2006). In the study however, it is revealed that all efforts of CRM aimed at gaining customer retention have a positive significant relationship.

On this note the study rejects all the null hypotheses of the study in favor of the alternative hypotheses

5.3 Recommendations

In the study it was demonstrated that the refund system was moderate and particularly Fincredit Mbale regional office scored below average on the item of how easily they make customers refunds. In this regard, given the importance of customers' perception in creating negative communication through word of mouth, refunds should easily be made to the customers. Specifically, the study recommends non deposit taking microfinance institutions especially Fincredit should enhance their refund systems and make it a priority in paying customer refunds.

This can be through, creation of an independent department in charge of making refunds to customer timely. The study revealed that the channels of communication are relatively convenient. This should be used to communicate to customers about the availability of their refunds, process of getting it, progress in processing it, and when they should expect to receive. In this line, the study recommends that non deposit taking microfinance institutions especially Fincredit should circulate weekly lists to different responsible officers.

One of the issues identified in the study was after sales follow up on customers by loans officers to find out how they are progressing with the loan they got. Follow up is an important aspect

in building strong long term relationships with customers. In regard to this therefore, the study recommends that non deposit taking microfinance institutions especially Fincredit should do monthly trainings of its loans officers at least once at branch levels. This should be enhanced with an annual training at the head office through team building activities. In addition, proper orientation of loans officers should be done by the responsible officers. This program should be standardized so that all the loans officers go through the same orientation process.

The other issue observed in the study is response to customers' complaints. This study recommends that non deposit taking microfinance institutions especially Fincredit should establish proper standardized complaints handling systems. Complaints should be recorded on a daily basis and comments provided by the responsible officer. The customers should always be informed of the progress of their complaints on a daily basis. The study further recommends that non deposit taking microfinance institutions especially Fincredit should design a complaints handling manual and distribute it to all responsible offices. This should be pinned in the offices for access by customers.

5.4 Study limitations and future research areas

Despite the fact that the study has advanced a number of suggestions and made an attempt to offer reliable evidence, the findings of the study should be interpreted in light of the following limitations. First, the study obtained a response rate of 60.7%. This is because the respondents were civil servants who were very busy with limited time to respondent to the questionnaire. The response rate was however significant given that it was above average.

However, given that the statistics conducted require a large sample size, what was observed was significant. It is likely that the significances observed would have even been much stronger with a large sample size.

Secondly, the study adopted a case study design. In interpreting the results therefore, it is important to understand that is sometimes subjected to bias. It's should be noted however that the responses were from individual customers that left limited room for bias.

Further studies are specifically recommended in the following areas. Studying how customer satisfaction can be introduced in as a mediating variable in the study of the relationship between Customer relationship management and customer retention in non-deposit taking microfinance institutions in Uganda is an interesting area for future research given the fact that most institutions don't conduct company research to ascertain whether these satisfy the customers. Furthermore, future studies can examine the effect of each of the selected elements of customer relationship management on customer retention specifically in non-deposit taking microfinance institutions in Uganda

REFERENCES

AMFIU. (2017). *The State of Microfinance in Uganda*.

Ang, L., & Buttle, F. (2006). Customer retention management processes: A quantitative study. *European Journal of Marketing*, *40*(1–2), 83–99. https://doi.org/10.1108/03090560610637329

Angelova, B., & Zekiri, J. (2011). Measuring Customer Satisfaction with Service Quality Using American Customer Satisfaction Model (ACSI Model). *International Journal of Academic Research in Business and Social Sciences*. https://doi.org/10.6007/ijarbss.v1i2.35

Banque mondiale des femmes. (2003). What Do Microfinance Customers Value? *Women's World Banking, What Works*.

Berry, L. L. (1995). Relationship marketing of services—growing interest, emerging perspectives. *Journal of the Academy of Marketing Science: Official Publication of the Academy of Marketing Science*. https://doi.org/10.1177/009207039502300402

Blodgett, J., Bakir, A., Saklani, A., & Bachheti, M. (2015). Customer Complaint Behavior: an Examination of Cultural Vs. Situational Factors. *Journal of Consumer Satisfaction/Dissatisfaction & Complaining Behavior*.

Eddy, B. K. (2016). Evaluation of customer satisfaction with services of a micro-finance institution: Empirical evidence from Women Association for Social and Economic Gain customers in Togo. *African Journal of Marketing Management*, *5*(2), 26–37. https://doi.org/10.5897/ajmm11.128

Eiriz, Vasco, & Wilson, Dom. (2006). Research in relationship marketing: antecedents, traditions and integration. *European Journal of Marketing*. https://doi.org/10.1108/03090560610648057

Eiriz, V., & Wilson, D. (2006). Research in relationship marketing: Antecedents, traditions and integration. *European Journal of Marketing*. https://doi.org/10.1108/03090560610648057

Hallowell, R. (1996). The relationships of customer satisfaction, customer loyalty, and profitability: an empirical study. *International Journal of Service Industry Management*. https://doi.org/10.1108/09564239610129931

Halstead, D., & Page, T. J. J. (1992). The Effects of Satisfaction and Complaining Behavior on Consumer Repurchase Intentions. *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*.

Ibrahim, M., & Abdallahamed, S. (2014). Service Recovery and Customer Satisfaction : A Case of Uganda Telecom. *European Journal of Business and Management*.

Jerger, C., & Wirtz, J. (2017). Service Employee Responses to Angry Customer Complaints. *Journal of Service Research*. https://doi.org/10.1177/1094670517728339

Jesri, P., Ahmadi, F., & Fatehipoor, M. (2013). Effects of relationship marketing (RM) on customer loyalty (case study: mehr bank, Kermanshah province, Iran). *Interdisciplinary Journal of Contemporary Reseach in Business*.

Kasekende, L. (2016). *Bank of uganda*. (August), 1–8.

Kotler, P., & Zeithaml, V. (2000). Marketing Management , Millenium Edition. *Marketing Management*. https://doi.org/10.1016/0024-6301(90)90145-T

Krejchie and Morgan. (2012). Sample Size Determination Using Krejcie and Morgan. *Kenya Projects Organization (KENPRO)*.

Lemur, H. (2018). 7 Maslows hierarchy of needs is a theory in psychology proposed by Abraham.

Lockshin, L., & Mcdougall, G. (1998). Service problems and recovery strategies: An

    examination of the critical incident technique in a business-to-business market.

    International Journal of Retail & Distribution Management.

    https://doi.org/10.1108/09590559810246395

Lombard, M. R. (2011). Customer retention through customer relationship management: The

    exploration of two-way communication and conflict handling. *African Journal of*

    Business Management, *5*(9), 3487–3496. https://doi.org/10.5897/AJBM10.759

Lundaeva, E. (2018). *Customer Experience Management: An Essential Factor in Building*

    Customer Loyalty. 1–53.

Ndubisi, N. O. (2007). Relationship marketing and customer loyalty. *Marketing Intelligence*

    and Planning. https://doi.org/10.1108/02634500710722425

Ngambi, M. T., & Ndifor, P. S. (2015a). Customer Relationship Management and Firm

    Performance : Revisiting the Case of the Camccul Microfinance Institutions.

    International Journal of Information Technology and Business Management, *38*(1), 12–

    21.

Ngambi, M. T., & Ndifor, P. S. (2015b). Customer Relationship Management and Firm

    Performance : Revisiting the Case of the Camccul Microfinance Institutions.

    International Journal of Information Technology and Business Management.

Nwogwugwu, D. I. (2018). Effective Customer Relations as a Public Relations Strategy in

    Financial Institutions. A Study of Access Bank PLC Ibadan, Oyo State, Nigeria.

    International Journal of Communication, (June 2017).

Pourhoseingholi, M. A., Vahedi, M., & Rahimzadeh, M. (2013). Sample size calculation in

    medical studies. *Gastroenterology and Hepatology from Bed to Bench*.

Seibel, H. D., & Almeyda, G. (2003). Women And Men In Rural Microfinance: The Case Of

Uganda. In *Information Systems*.

Stokes, D., & Lomax, W. (2002). Taking control of word of mouth marketing: The case of an entrepreneurial hotelier. *Journal of Small Business and Enterprise Development*. https://doi.org/10.1108/14626000210450531

Teegavarapu, S., Summers, J. D., & Mocko, G. M. (2009). *Case Study Method for Design Research: A Justification*. (January), 495–503. https://doi.org/10.1115/detc2008-49980

Wirtz, B. W., Pistoia, A., Ullrich, S., & Göttel, V. (2016). Business Models: Origin, Development and Future Research Perspectives. *Long Range Planning*. https://doi.org/10.1016/j.lrp.2015.04.001

Zeithaml, C. P., & Zeithaml, V. A. (2006). Environmental Management: Revising the Marketing Perspective. *Journal of Marketing*. https://doi.org/10.2307/1251213

Zeithaml, V. A., Parasuraman, A., & Berry, L. L. (1985). Problems and Strategies in Services Marketing. *Journal of Marketing*. https://doi.org/10.2307/1251563

APPENDICES

APPENDEX 1: QUESTIONNAIRE

Dear Respondent,

I am Boniface Wanja, a Master's student of Business Administration in Kyambogo University Faculty of Graduate School department of School of management and entrepreneurship. I wish to request you to participate in this study. I intend to analyze the role of selected elements of customer relationship management on customer retention outcomes through the mediating factor of customer satisfaction in non-deposit taking microfinance institutions. The study focuses on a unique case of Fincredit Mbale regional office customers given the successful growth of this entity in growing clients. Any information provided will be treated with confidentiality and will only be for study purposes. Your response is highly appreciated.

1.What is your sex?

☐ Male

☐ Female

☐ If others, please specify…….

2. What is your age bracket?

☐ Less than 30 years

☐ 31-40 years

☐ 41-50 years

☐ 51-60 years

☐ Over 60 years

3. What is your highest level of education attained?

☐ Certificate

☐ Diploma

☐ Bachelors

☐ Masters

☐ If others, please specify…….

4. How long have you been a client of Fincredit?

☐ 1-2 years

☐ 3- 4 years

☐ 5-6years

☐ If others, please specify…….

5. Which loan product have you received before?

☐ 1-12 months

☐ 13-24 months

☐ 25-36 months

☐ 37-48 months

6. How many times have you got a loan with Fincredit?

☐ Once

☐ Twice

☐ Thrice

☐ If others, please specify…….

7. What is your profession?

☐ Teacher

☐ Police

☐ Prisons

☐ Nurse

☐ Doctor

☐ Administrator

☐ If others please specify…….

8. Two-way communication

Please tick only one which best describes your view on the following statements.

Likert Scale	5	4	3	2	1
	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
I am always provided with accurate information when I need it					
I always receive all loan progress information from the company					
I always receive communication about any changes in the services provided					
I am always followed up by the loan company to find out how am progressing after receiving the loan					
The company uses the most convenient channels of communication					
I receive instant messages when I receive the loan I applied for.					

9. Complaints handling in Fincredit

Please tick only one which best describe your view on the following statements

Likert Scale	5	4	3	4	1
	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
I am satisfied with the complaints handling procedure of the company					
My complaint is quickly resolved when I present it to the office					
Iam always satisfied with the answers I receive when I present my complaint					
I always receive answers when I present my complaint to the office					
I am always informed of the progress of the complaint I submit to the office					
My complaints are always recorded and taken serious of by the responsible officer					
I always have an opportunity to present my complaints to the manager and amicably resolve it					
I am always informed of my right to complain when not satisfied with the service					

10. Refund System of Fincredit

Please tick only one which best describe your view on the following statements

Likert Scale	5	4	3	2	1
	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
I am satisfied with the refund system of Fincredit					
Iam happy with the way refunds are made in Fincredit					
I always receive my refund when over deductions have been made by Fincredit					
I am aware of a refund procedure when over -deductions are made					
I easily get my refund when over deductions are made					
I am certain that I will receive my refund when over deductions are made from my account.					

11. Customer Loyalty

Please tick only one which best describe your view on the following statements

Likert scale	5	4	3	2	1
	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
I will often come for more loans					
I will refer my friends to Fincredit for loans					
I am often satisfied with Fincredit loan application process					
I am continuously attracted by Fincredit loan services					
I am happy to be a customer of Fincredit					
My first loan experience with Fincredit was good					
The loan from Fincredit served my purpose.					

Thank you so much for your time

God bless you

APPENDIX TWO: LETTER FROM THE UNIVERSITY

APPENDIX THREE: ACCEPTANCE LETTER FORM FINCREDIT.

APPENDIX FOUR: KREJCHIE AND MORGAN (1970) STATISTICAL TABLE

TABLE FOR DETERMINING SAMPLE SIZE FROM A GIVEN POPULATION

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size
        "S" is sample size.

Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement, 1970.