

**SERVICE QUALITY AND CUSTOMER RETENTION IN COMMERCIAL BANKS: A
case study of Stanbic bank, Mukono branch Kampala, Uganda**

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S20B05/015

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL
FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF BACHELOR'S
DEGREE IN BUSINESS ADMINISTRATION OF UGANDA
CHRISTIAN UNIVERSITY**

June, 2023



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DECLARATION

I **Nassimbwa Linda**, hereby declare that this dissertation was produced out of my own effort and has not been submitted to any other institution for the same award, and Uganda Christian University is the first institution to receive this work of a Bachelor's degree in Business Administration.

APPROVAL

This study was conducted with my supervision and the report was submitted for examination with my approval

Supervisor

Date.....

Sign.....

DEDICATION

I dedicate this dissertation to my beloved father Mr. Busulwa Robert, my mother Ms. Nagawa Betty and Ms. Namugerwa Annet, my siblings Ssebuliba Ryan, Nsereko Raymond, Male Rodney, Whitney Nakamatte, Busulwa Robin and Nabanoba Abigail and my other relatives who have supported me spiritually, financially and socially for my wellbeing at the University and my friends (Patience, Shadrach, Druscilla, Faith, Innocent) who were very helpful in guiding and sharing ideas with me. May God greatly bless you abundantly.

ACKNOWLEDGEMENT

I would like to extend my sincere gratitude to the following persons who made contributions and guidance during the compilation of this dissertation and among them were my supervisor Dr. Olobo Maurice, Mr. Busulwa Robert and Mr. Matovu Asadu, who extended guidance to me on how to write this dissertation and making it a success.

May the good Lord greatly bless you.

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ABSTRACT

This study was based on an analysis of the effect of service quality on customer retention in commercial banks. It focused on critically examining the following objectives; (1) To find out the factors that determine service quality in commercial banks; (ii) To find out ways of managing service quality in commercial banks; (iii) To determine the relationship between service quality and customer retention in commercial banks.

The study used a descriptive cross sectional survey design which included both qualitative and quantitative methods of data collection. The quantitative method was used to collect numerical data in form of numbers representing particular facts or measurement which helped the researcher to obtain information from respondents in depth. While the qualitative method explored a wide array of dimensions like the texture and leave of everyday life, the understanding and experiences of the research participants and the significance of the meaning they generate.

After conducting the study, findings revealed that service quality and customer retention both go hand in hand and this meant that Stanbic bank should improve on their service quality and implement more efficient management systems because the higher the service quality the higher the customer retention in the bank. And from the findings of the study and the conclusions drawn, the researcher came up with recommendations to ensure that management of service quality is emphasized and these as included; more training of workers in order to improve their knowledge about work and service delivery 1; Good customer care to maintain and expand the market reach; Physical facility extensions in order to create space for offering quality services to customers with no congestion among others.

CHAPTER ONE

1.1 Introduction

This chapter gives an over view of the research, background of commercial banking in general and Stanbic bank in particular, it also identifies the problem leading to the research and the resulting objectives, research significances and limitations.

1.1 Background of the Study

During the past two decades, structural and technological factors have significantly changed the banking environment throughout the world (Angur 1999). In the changing economy, Service quality as a critical measure of organizational performance continues to compel the attention of banking institution and remains at the fore front of service marketing literature and practice (Lasser 2000). According to Zethiaml & Bitner (2003), "service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service which are reliability, responsiveness, assurance, empathy, tangibles, and satisfaction on the other hand is more inclusive and influenced by perceptions of product quality and price as well as situational and personal factors. According to Dahaner (1997), the interest is largely driven by the realization that higher service quality results into customer's satisfaction and loyalty, greater willingness to recommend someone else, reduction in complaints and improved customer retention rates. Undoubtedly owing to the belief that delivery of high service quality is a must for attaining customer satisfaction and the number of other desirable behavior out comes today, banks that offer good service quality create good client relationship In order to create it the organization strives to offer the best it can to its clients and which translates in high customer retention because of the exception care and concern the organization will have for its clients.(Cronin, & Taylor (1992)). This minimizes as much as possible the migration of its clients to its competitors in other words showing the impact service quality has on customer, retention in commercial banks. However, due to the inconsistencies in bank balances of customers, long lines in the banks in order to access their services have strongly

affected the quality of service offered by commercial banks (Aladwani). Therefore the researcher intends to investigate and find out the effect of service quality on customer retention in commercial banks putting into consideration Stanbic bank, Mukono branch.

1.3 Statement of the Problem

Commercial banks offer a wide range of services to their customers and strive to close the gap between what the customers are offered and what they expect to be offered like money transfer services, introduction of ATMs in order to ease access to money at all times.

However customers are dissatisfied with the services rendered as according to (www.stanbicbank.co.ug/news) indicates different customer complaints regarding inconsistencies on their bank balances, long lines. Upon this background the researcher intends to carry out a research on service quality and customer retention considering Stanbic bank, Mukono branch, as the case study

1.4 Purpose of the Study

The purpose of the study was to establish the relationship between service quality and customer retention in commercial banks.

The Objectives of the Study

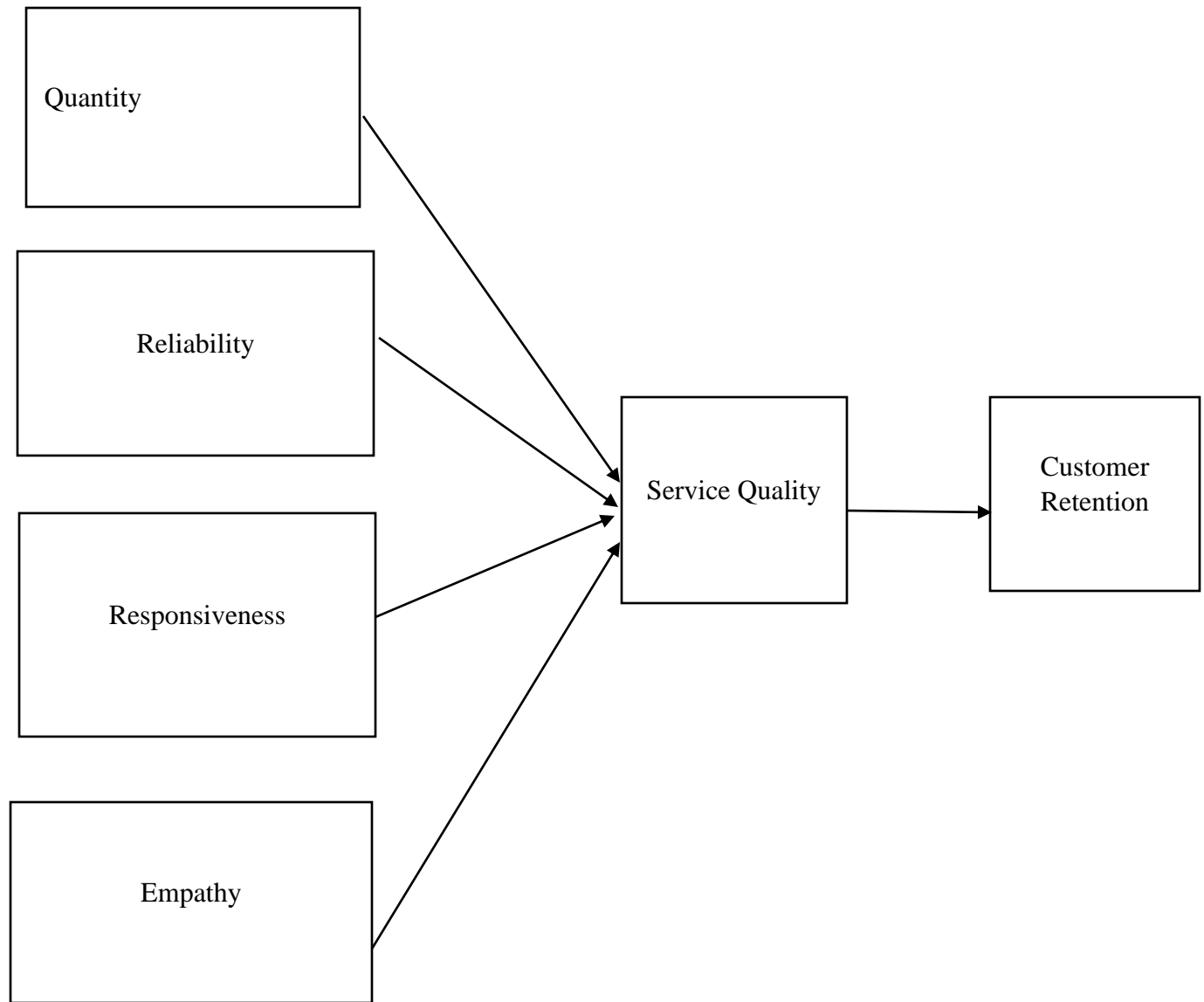
- To determine the factors that influence service quality in commercial banks.
- To examine the level of customer retention in commercial banks.
- To determine the relationship between service quality and customer retention in commercial banks.

1.5 Research Questions

The study was guided by the following questions;

- (i) What are the factors that influence service quality in commercial banks?
- (ii) What is the level of customer retention in commercial banks?
- (iii) What is the relationship between service quality and customer retention?

1.6 Conceptual Frame Work



1.7 Scope of the Study

1.7.1 Geographical Scope

The study was conducted at Stanbic bank, Mukono branch, Uganda

1.7.2 Subject Scope

The study was confined to assess the relationship between service quality and customer retention in commercial banks.

1.7.3 Time Scope

The scope took a period of three months from June to August 2023

1.8 Significance of the Study

- To provide insight for bank owners on the relationship between service quality and customer retention.
- To enable academicians to acquire knowledge as regards service quality and customer retention in Uganda's banking sector.
- The study is to inform policy makers to develop policies that are geared towards strengthening service quality in commercial banks.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides a critical review of the theoretical frame work, related literature on customer retention, service, quality, importance of service quality, the factors that determine service quality and literature summary.

2.1 Theoretical Frame Work

Servqual Model.

Despite several models being identified in the literature for measuring service quality, SERVQUAL model – developed by Parasuraman et al., (1985), SERVQUAL is a multi-item scale which stands for service quality, remains the most often used approach for measuring service quality. It is the instrument which is predominantly used to measure customers' perception of service quality. The model is most acknowledged and applied in a variety of industries. Originally, the model provided a list of ten determinants of service quality: access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding and tangibles. Later reviews merged correlated variables and reduced the determinants to five consolidated dimensions, namely tangibles, reliability, responsiveness, assurance and empathy as the instruments for measuring service quality (Parasuraman et al., 1988; Zeithaml et al., 1990). The simplified model is simple and has been useful for quantitatively assessing customers experience in service.

2.2 Customer Retention Explained

Customer retention refers to the ability of a company to retain its existing customers and encourage repeat purchases or continued engagement over an extended period of time. In a competitive marketplace, customer retention is essential for long term profitability and sustainable growth.

Customer defection is a problem and customer retention an opportunity in both manufacturing and service industries and service quality begins and ends with the customer (Ross 1995). This entails that any company interested in retaining customers must focus on customers

Customer retention as a concept draws strength from relationship marketing and is a separation from customer attraction, which is inclined towards transactional marketing. Customer retention is the act of keeping customers resulting from service quality and customer satisfaction (Ross 1995)

Kotler (2000) argues that customer retention is an important phenomenon because it has a bearing on costs and profitability over time. Sasser (1990) also supports this argument. Comparatively, customer acquisition requires substantial skills in lead generation, lead qualification, and account conversion. Consequently, it is not enough to attract new customers; the company must keep them. As a result he recommends four steps to reducing the defection rate (the rate at which the company loses customers):

- The company must define and measure its retention rate.
- The company must distinguish the causes of customer attrition and identify those that can be managed better.
- The company needs to estimate how much profit it loses when it loses customers.
- The company needs to figure out how much it would cost to reduce the defection rate.

2.3 Service

Kotler (2000) defines a service as any activity or benefit that one party can offer to another that is essentially intangible and doesn't result in the ownership of anything. Payne (1998) asserts that production may or may not be tied to physical product. Service is characterized by intangibility, heterogeneity inseparability and perishability. In my view the services offered and the service providers who are the

banks are inseparable in the buyers mind and must meet individual customer needs for higher customer retention.

Cowell (1984) refers to a service as an activity separately identified that is not tied to a sale of a product or any other services but produces want or satisfaction. In other words, a service must be able to maintain the long term clients of the bank. According to Lexington (1990) service refers to the activity or a series of activities of more or less intangible nature that normally but not necessarily take place in interactions between customer and service employees and! or physical resources and! or systems of the service provider which are provided as solutions to customer problems

2.4 Quality

Mahuda (2006) asserts that quality is the degree to which a product or service satisfies a customer's requirements or expectations, Marcourse (2003) defines quality as satisfying customer expectation. This is in line with what Kotler (2000) asserted that quality is "freedom from defects" and that it begins with customer needs and ends with customer satisfaction. According to Balunywa, (1995) quality means attributes of a product or a service.

Quality can be graded in terms of good and poor quality. However according to the research done the services provided by commercial banks have to be of good quality to retain its loyal clients. 1-lorward (2005) defines quality as a predictability degree of uniformity and dependability at low cost and suited to the market. To the researcher's understanding quality is an expectation of customers on what commercial banks should offer in terms of excellence and superiority.

2.6 Service quality

According to Kotler (2014), service quality means understanding customer's needs and identifying ways to meet and exceed them. It is orientation of all resources and all people in the organization towards customer satisfaction. Furthermore in the researcher's view service quality has a direct impact on performance and hence customer satisfaction and retention in commercial banks.

Payne (1998).States that perceived service quality is a measure of performance and that a quality of the service is categorized into major components, which include technical and functional quality of service. He highlights the nature of quality of assessment and influences the corporate image of banks in comparison with its competitors.

Marsh (1980) emphasizes the fact that service quality is the platform of which retail banking builds its business thus politeness, professionalism, efficiency, general attitudes and even the way the staff is dressed, play a role in convincing the public that the bank provides quality service. In other words in the researcher's view attracting new customers and retaining the old ones.

2.6 What are the factors that influence service quality in commercial banks.

Different factors or dimensions of service quality were identified by Valerie.& Zeithrnl (1998) studying various service categories such as retail banking, long distance telephone services, security brokerages and credit card institutions. These factors are explained below;

2.6.1 Reliability

The reliability and consistency of performance of service facilities, goods and staff is seen as important (Johnston, 1997). This includes punctual customer. According to Fitzsimmons and Fitzsimrnons (2001), reliability accurately with error free.

2.6.2 Responsiveness

Johnston (1997) describes responsiveness as the speed and timeliness of service delivery. This includes the speed of through put and the ability of the waiting and queuing time; Fitzsimrnons and Fitzsimrnons (2001) argue that when the customer is kept waiting for no apparent reason creates unnecessary negative perception of quality. Conversely, the ability for the bank of recover quickly when service fails and exhibit professionalism will also create very positive perception of quality.

2.6.3 Empathy

According to Chase et al. (2001), empathy is the provision caring, individualized attention to customers. Fitzsimmons and Fitzsimmons (2001) posit that empathy includes approach ability, sensitivity, and effort to understand the customer's needs. Johnston 1997 describes empathy as the ability to make the customer feel welcome, particularly by the contact staff.

2.6.4 Tangibles

The tangibles encompass the appearance of the company representatives, facilities, materials, and equipment as well as communication materials. The condition of the physical surroundings is seen as tangible evidence of care and attention to detail exhibited by the service provider (Fitzsimmons and Fitzsimmons, 2001). Davis et al (2003) summarizes tangible as the physical evidence of the service

2.7 Literature Summary

This part of the study summarizes the information as researched by the past scholars by way of definitions. Service is defined as an intangible and tangible activity or benefit that one party can offer to another that essentially may not result in the ownership of anything however creating want or satisfaction. On the other hand quality is the degree of satisfaction of customers' requirements or expectations.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter focuses on the methodology. It shows the whole process followed when processing and analyzing data. This includes research design, study population, sample size, data collection methods and instrument, procedures of data collection, data sources, validity and reliability of research tools, data processing and analysis, limitations of the study.

3.1 Research Design

The researcher used a descriptive cross sectional survey design. A cross sectional survey deals with one part of the population at a time. It included both qualitative and quantitative methodology of data collection (Maicibi 2000).

Quantitative method was used to collect numerical data in form of numbers representing particular facts or measurement Wangusa (2007) which helped the researcher to obtain information from respondents in depth.

Mason (2002) indicated that qualitative research, the researcher is able to explore a wide array of dimensions like the texture and leave of everyday life, the understanding and experiences of the research participants and the significance of the meaning they generate.

3.2 Study Population

The target population was from four departments namely; accounting department, human resource management department, finance department and marketing department, the researcher used purposive sampling method

3.3 Sample size and sampling techniques

The sample size constituted 40 respondents where the researcher employed proportionate sampling techniques that involved the use of random sampling in order to enable each respondent to have equal chances of being selected in the study.

3.4 Data collection methods and instruments

The researcher applied a questionnaire method while collecting data with a self-administered questionnaire as an instrument because it offers a greater anonymity since there no face to face interaction between the respondent and the interviewer and this helped the researcher to be in position to collect right and accurate data especially on sensitive questions.

The researcher used interview method to collect data. The researcher applied an interview guide as an instrument to collect information from people involving person to person interactions. This enabled the researcher to obtain immediate response which eased the researcher study process.

3.5 Procedures of data collection

A pilot study was carried out in Stanbic Bank, Mukono branch to test validity and reliability of the data collection instrument.

3.6 Data collection

The researcher used both primary and secondary sources of data.

3.6.1 Primary Data

Primary data refers to data observed or collected from first-hand experience, original data collected at the source and compiled for the purposes of this study. This was collected from self-administered questionnaire.

3.6.2 Secondary data

This is data that is extracted from existing literature for example the bank publications, journals, text books from the Hamu Mukasa Library.

3.7 Validity

To ensure the validity of the instrument (questionnaire), the research supervisor helped as an expert to assess the validity of the research instrument.

3.8 Data processing and Analysis

Data processing and analysis was guided by the objectives of the study and research questions. The collected data was arranged and categorized accordingly. The researcher edited and coded the data for accuracy and completeness of information obtained and responses were summarized using frequencies, percentages and presented in tables. Data from interviews was later interpreted and discussed alongside with that from the questionnaires. Conclusions and recommendations were made in relation to the study on the effect of service quality on customer retention in commercial banks.

3.9 Limitations of the Study.

The researcher anticipated to meet the following challenges in the course of the study

- Shortage of funds limited the researcher since the study conducted was self-sponsored.
- Time the researcher faced time constraints according to the time given to collect and compile data to finish the research while attending classes

CHAPTER FOUR

RESEARCH FINDINGS AND ANALYSIS

4.0 Introduction

The chapter presents and discusses the findings of the study. The findings serve to reference the existing knowledge proven about the extent to which service quality affected customer retention in commercial banks.

The chapter involves analysis, interpretation and presentation of the data. Data is analyzed, presented and discussed according to the research objectives and questions formulated in chapter one. Data was collected and analyzed in the form of tables basing on the responses got from respondents.

4.1 Nature of Respondents

This section highlights the nature of the respondent's bio data which includes gender, Age, length of the period they stayed in the bank, the data on the respondent's demographics as presented in the subsections below;

4.1.1 Period spent with Bank

The study investigated the length of period in years served by the respondents in the organization and the findings are presented in the table 4.1.1.

Table 4.1.1. Period spent with Bank

| Time | Respondents | Percentage (%) |
|------------------|-------------|----------------|
| Less than 1 year | 1 | 2.5 |
| 1-2 years | 4 | 10 |
| 2-4 years | 10 | 25 |
| Above 4 years | 25 | 62.5 |
| Total | 40 | 100 |

The table 4.1.1 shows that 2.5% of employees of Stanbic bank have stayed in the Organization for less than 1 year, both respondents of 1-2 and 2-4 years who have stayed in Stanbic Bank have taken 10% and 25% respectively, finally 62.5% have stayed for more than 4 years. This implies that the biggest percentage of the respondents had worked with the bank for a recognizable period of time thus being knowledgeable enough to provide valid responses on the quality of service provided by the bank.

4.1.2 Age of Respondents

The study obtained details about the age groups of the respondents for purposes of understanding their age and possibly the experience they have in their respective positions. Details of the findings are shown in the table 4.1.2 below;

Table 4.1.2: Age of Respondents.

| Age | Male | Female | Respondents | Percentage (%) |
|--------------|-------------|---------------|--------------------|-----------------------|
| 20-29 | 12 | 18 | 30 | 75 |
| 30-39 | 4 | 3 | 7 | 17.5 |
| 40-49 | 0 | 3 | 3 | 7.5 |
| Total | 15 | 25 | 40 | 100 |

Table 4.1.2 shows that the majority respondents are between the ages brackets of 20-29 and 30-39 in the orders of 75%, 17.5% and 40-49 took 7.5%, none were above 50. This can be concluded that the majority of the respondents are in the productive age brackets of their life and are reasonably experienced.

4.2 Management of Service Quality.

According to the findings, most of the respondents strongly agreed that commercial banks manage service quality as presented in the table 3 below;

Table 4.2: Management of Service Quality

| Response | Respondents | Percentage (%) |
|----------------|-------------|----------------|
| Agree | 7 | 17.5 |
| Strongly Agree | 30 | 75 |
| Disagree | 3 | 7.5 |
| Total | 40 | 100 |

From the table 4.2; 17.5% respondents agreed that commercial banks manage service quality, 75% strongly agreed and only 7.5% disagreed that Stanbic bank manage service quality and none strongly disagree. The biggest percentage of the respondents showed that service quality in Stanbic bank is a great factor that is considered in order to retain its customers.

4.2.1. Physical Facilities and Organizational Design.

The study was interested to find out if the physical facilities and organization design are adequate for the provision of services in the bank and according to the findings as presented in table 4.2.1, most of the respondents disagreed that physical facilities and Organizational design in Stanbic Bank are adequate.

Table 4.2.1: Physical Facilities and Organizational Design

| Response | Respondents | Percentage (%) |
|-------------------|-------------|----------------|
| Agree | 15 | 37.5 |
| Strongly Agree | 5 | 12.5 |
| Disagree | 17 | 42.5 |
| Strongly Disagree | 3 | 7.5 |
| Total | 40 | 100 |

From the table 4.2.1, 37.5% agreed and 12.5% strongly agreed that the physical facilities and organizational design are adequate for the services in Stanbic Bank, 42.5% of the respondents disagreed and 7.5% strongly disagreed. In conclusion this means that Stanbic Bank customer and employees are faced with congestion due to inadequate physical facilities and this affects provision of service quality to its customers.

4.2.2 Accessibility of services offered by the bank

The study was interested find out whether services offered by Stanbic Bank are accessible to its customers. According to the findings as presented in table 4.2.2, majority respondents strongly agreed that the services offered by Stanbic Bank are accessible to the customers.

Table 4.2.2: Accessibility of services offered by the bank

| Response | Respondents | Percentage (%) |
|--------------------------|--------------------|-----------------------|
| Agree | 15 | 37.5 |
| Strongly Agree | 17 | 42.5 |
| Disagree | 5 | 12.5 |
| Strongly Disagree | 3 | 7.5 |
| Total | 40 | 100 |

From the table 4.2.2, 37.5% agreed that the services offered by Stanbic Bank are accessible to the customers, 42.5% strongly agreed, 12.5% disagreed and 7.5% strongly disagreed. The majority respondents show that bank services are accessible to the customers which mean the customers appreciate those services offered to them.

4.3 Responsiveness in helping customers and providing prompt services.

According to the findings in table 4.3, majority of the respondents agreed that there is responsiveness in helping customers in Stanbic bank and none of the respondents disagreed and this clearly indicates that they provide their services promptly

4.3: Responsiveness in helping customers

| Response | Respondents | Percentage (%) |
|----------------|-------------|----------------|
| Agree | 35 | 87.5 |
| Strongly Agree | 5 | 12.5 |
| Total | 40 | 100 |

From the table 4.3, 87.5% respondents agreed that Stanbic Bank responsively help customers, 12.5% strongly and none disagreed. This means the staff of Stanbic Bank responds quickly in the provision of service and in case of customer complaints are handled quickly, this shows service quality in Stanbic Bank hence increasing customer retention.

4.3.1 Communication between the management and customers.

Communication is an important factor in offering service quality and customer retention. According to the findings, majority respondents agreed that there is effective communication between management and customers in Stanbic Bank.

Table 4.3.1: Communication between management and customers

| Response | Respondents | Percentage (%) |
|----------------|-------------|----------------|
| Agree | 19 | 47.5 |
| Strongly Agree | 17 | 42.5 |
| Disagree | 4 | 10 |
| Total | 40 | 100 |

From the table 4.3.1, 47.5% agreed that there is effective communication between the management and the customers of the bank, 42.5% respondents strongly agreed, and 10% disagreed. This implies that in the bank they have listening skills and a common understanding between the customers and the service providers though some improvements are needed.

4.4 Is there a relationship between service quality and customer retention

According to the findings, most of the respondents agreed that service quality and customer retention in Stanbic Bank have positive relationship as presented in table 4.4 below

Table 4.4: Is there a relationship between service quality and customer retention.

| Response | Respondents | Percentage (%) |
|----------------|-------------|----------------|
| Agree | 32 | 80 |
| Strongly Agree | 7 | 17.5 |
| Disagree | 1 | 2.5 |
| Total | 40 | 100 |

From the table 4.4, 80% respondents agreed that there is a positive relationship between service quality and customer retention in Stanbic Bank, 17.5% strongly agreed that they are directly related and 2.5% believe that there is no relationship between service quality and customer retention in Stanbic bank. In conclusion since the majority indicated that they is a positive relationship, it gives the bank the need to always maintain its service quality in order to retain its customers.

4.5 The factors that determine service quality in Stanbic Bank?

A detailed analysis is presented in table 4.5 showing the factors that the respondents believe to influence service quality in the bank

| Factors | Frequency | Percentage (%) |
|--------------------------------------|-----------|----------------|
| Good customer care service | 12 | 30 |
| Speed and skills of staff | 5 | 12.5 |
| Having a reliable system | 10 | 25 |
| Understanding customer needs | 8 | 20 |
| Communication with service providers | 5 | 12.5 |
| Total | 40 | 100 |

From the findings, 30% believe good customer care services affects service quality, 20% believe understanding customer needs is the best factor, 12.5% gave communication between service providers and customers, another 14% believe its speed and skills of staff and finally another 25% indicated that having a reliable system used in the bank is a factor that determine service quality in Stanbic bank. In conclusion different factors that determine service quality are identified by the employees but majority gave offering good customer care services.

4.6 The relationship between service quality and customer retention in Stanbic Bank?

The study sets one of its objective to critically analyze if there is a relationship between service quality and customer retention and this is presented in the table 4.6

Table 4.6: Relationship Between Service Quality and customer Retention in Stanbic Bank?

| Relationship | Response | Percentage (%) |
|-----------------------|----------|----------------|
| Positive relationship | 32 | 80 |
| Directly related | 26 | 15 |
| No relationship | 2 | 5 |
| Total | 40 | 100 |

From the table 4.6, 80% of the respondents believe that there is a positive relationship between service quality and customer retention, 15% wrote that there directly related and 5% believe they is no relationship between service quality and customer retention in Stanbic Bank. In conclusion, Stanbic Bank should improve on their service quality and implement more efficient management skills because the higher the service quality the higher the customer retention in the bank.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter basically summarizes the main findings and attempts to make recommendation and draw appropriate conclusions for better policies that can be adopted by Stanbic Bank to be able to meet the demands of their customers, retain them and to attract new ones.

5.1 Summary of Finding

Findings in the table 4.2 revealed that majority of the respondents believe that the bank manages its service quality though a few disagreed. Findings also revealed that standard procedures for maintaining service quality like regular assessments, customer focus, flexibility, ethical behaviors majority of the respondents confirmed that they are being followed though a few disagreed. From the findings presented, show that the majority of the respondents agreed that Stanbic Bank has got an adequate physical facilities and organizational design to offer its services to customers. Findings revealed that majority strongly agreed that Stanbic Bank's services are accessible to its customers and also a few disagreed. Findings from table 4.3, it is clearly evident that respondents agreed that there is reliability in performing promised services in the bank however some respondents of 6.7% strong disagreed. Findings also revealed that there is responsiveness in helping customers and providing prompt services and none of the respondents were different. Findings presented also that majority of the respondents agreed that there is communication between the management and customers in service delivery. Findings revealed that majority of the respondents believed that Stanbic Bank offers its services to the customers with empathy and a few strongly disagreed. The findings reveal that majority agreed that there is a positive relationship between service quality and customer retention.

From the findings, majority identified that good customer care service as a great factor that determines service quality and others identified other factors like motivation of employees, understanding customer needs, honest, communication between service providers and customers, speed and skills of staff and finally having a reliable system used in the bank.

Findings revealed that majority identified regular supervision of staff is a better way of managing service quality in commercial banks, others identified introducing of c-products like mobile-banking, spacious space for staff to offer services to customers, setting of realistic and achievable targets for staff, curbing queues and high motivation of staff.

Findings revealed that is a positive and a direct relationship between service quality and customer retention while others believed that they is no relationship.

5.2 Conclusion

The primary goal of the study was to examine the impact of service quality on client retention in commercial banks, with Stanbic Bank (Mukono Branch) serving as the case study. The majority of respondents indicated that Stanbic Bank considers customer retention to be one of the most important factors, and that element is service quality. The conclusions showed that the bank concentrates on upholding its standard operating standards in order to keep existing clients and draw in new ones. The results showed that the physical facilities were insufficient, causing consumers and employees to be congested, which has an impact on how well the company serves its clients. Since the majority of respondents indicated that the bank's services are available to its clients, this suggests that customer appreciate services offered to them thus retention.

The results showed that bank employees provide more of their services with empathy, but staff still needs additional training on how to interact with and take care of consumers.

Findings showed a correlation between service quality and customer retention. As a result, Stanbic Bank should enhance their service quality and put in place more effective management systems since higher service quality correlates with greater customer retention in the bank.

5.3 Recommendations

The researcher came up with recommendations to ensure that management of service quality is prioritized based on the findings in chapter four and the inferences made. These recommendations are as follows:

- There is a need for more training of employees to improve their knowledge of work and service delivery, lessen stress, and motivate them to provide quality service to the customers.
- Stressing good communication with clients is important. Customers must be treated like kings and with the utmost respect.
- Physical facility expansions are required to make room for delivering consumers high-quality services without being backed up.
- In order to be competitive in the face of growing new technologies, commercial banks need transition from conventional banking notions to modern banking principles.

5.4 Areas of Further Study

- The effect of service quality on the competitiveness of commercial banks
- How customer retention affect the performance of commercial banks.
- The effect of service quality on profitability of commercial banks

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APPENDIX

QUESTIONNAIRE,

Dear Sir/Madam,

I am NASSIMBWA LINDA, a student at Uganda Christian University, Mukono, pursuing a bachelor's degree program in Business Administration. As part of fulfilling the requirements for the program, I am undertaking a study on Service quality and Customer Retention in Commercial banks. In this respect you have been chosen as a member of the study sample. I wish to appeal to you to contribute to the completion of this study by kindly sparing a few minutes to complete the questionnaire. You are required not to disclose your identity. I wish to assure you that your answer will be treated in strict confidence and used for the stated academic purpose only

Please tick in one of the boxes provided to indicate the demography status that reflects you.

SECTION A. BIO DATA

GENDER

- **Female**
- **Male**

MARITAL STATUS

- **Single**
- **Engaged**
- **Married**

AGE BRACKET

- **20-29**
- **30-39**
- **40-49**
- **Above 50**

HIGHEST LEVEL OF FORMAL EDUCATION

- UCE
- UACE
- FIRST DEGREE
- MASTER'S DEGREE

PERIOD SPENT WITH THE STANBIC BANK

- LESS THAN 1 YEAR
- 1-2 YEARS
- 2-4 YEARS
- ABOVE 4 YEARS

SECTION B

Use the scale below to answer the following questions

- AGREE (A)
- STRONGLY AGREE (SA)
- DISAGREE (D)
- STRONGLY DISAGREE (SD)

| QUESTIONS | A | SA | D | SD |
|--|---|----|---|----|
| Stanbic bank manages service quality | | | | |
| Physical facilities and organizational designs are adequate | | | | |
| Services offered by the commercial bank are adequate | | | | |
| There is a relationship between service quality and customer retention | | | | |
| There is responsiveness in helping customers and providing prompt services | | | | |

SECTION C

Tick the answer you agree most with

FACTORS THAT DETERMINE SERVICE QUALITY

| FACTORS | (TICK) |
|--------------------------------------|--------|
| Good customer care service | |
| Speed and skills of staff | |
| Having reliable system | |
| Understanding customer needs | |
| Communication with service providers | |

TYPE OF RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER RETENTION

| RELATIONSHIP | (TICK) |
|-----------------------|--------|
| Positive relationship | |
| Directly related | |
| No relationship | |

THANK YOU