INFLUENCE OF SERVICE QUALITY ON CUSTOMER RETENTION AMONG DEPOSIT TAKING SACCOs IN KENYA: A CASE OF MWALIMU NATIONAL SACCO IN NAIROBI

WAITHERA WAIYEGO MURAGURI

11S03EMBA016

AN APPLIED RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION DEGREE IN THE BUSINESS SCHOOL OF AFRICA NAZARENE UNIVERSITY

SEPTEMBER 2020

DECLARATION

I declare that this applied research project is my original work and that the research has not been presented in any other University for academic credit

Signature: ---------- Date: 28/9/20

Name of student: Waithera Waiyego Muraguri

SUPERVISOR'S DECLARATION

This applied research report is submitted for examination with my approval as the University Supervisor.

Signature: ---------- Date: 28/9/20

Name of supervisor: Dr. Isaiah Imaita

AFRICA NAZARENE UNIVERSITY,

NAIROBI, KENYA

DEDICATION

I dedicate this paper to my husband, Augustine Musyoki Munguti. Thank you very much for the great support shown during this research. To my daughters, Peniel Kena Musyoki and Hazael Imani Musyoki hard work leads to success.

TABLE OF CONTENTS

DECLARATION ..... **ii**

DEDICATION ..... **iii**

ACKNOWLEDGEMENT ..... **viii**

LIST OF TABLES ..... **ix**

LIST OF ABBREVIATIONS ..... **xi**

DEFINITION OF TERMS ..... **xii**

CHAPTER ONE: INTRODUCTION AND BACKGROUND OF THE STUDY **1**

1.1 Introduction to the Study 1

1.2 Background of the Study 1

1.3 Statement of the Problem 9

1.4 Objectives of the Study 10

1.4.1 General Objective 10

1.4.2 Specific Objectives 10

1.5 Research Questions 10

1.6 Significance of the Study 11

1.7 Scope of the Study 11

1.8 Limitations of the Study 12

1.9 Delimitations of the Study 12

1.10 Theoretical Review 13

1.10.1 Dynamic Capabilities Theory 13

1.10.2 Social Exchange Theory 15

1.10.3 Social Penetration Theory 17

1.11 Conceptual Framework 20

CHAPTER TWO: LITERATURE REVIEW **22**

2.1 Introduction 22

2.2 Empirical Review 22

2.2.1 Service Flexibility and Customer Retention at Mwalimu National Sacco 22

2.2.1.1 Adaptability 22

2.2.1.2 Speed of Service Delivery 24
2.2.2 Resource Utilization and Customer Retention at Mwalimu National Sacco 25
2.2.2.1 Effectiveness 25
2.2.2.2 Efficiency 29
2.2.3 Service Innovation and Customer Retention at Mwalimu National Sacco 30
2.2.3.1 Online Banking 30
2.2.3.2 Mobile Banking 31
2.2.4 Customer Retention 34
2.4 Summary of the Reviewed Literature 35
2.5 Knowledge Gap 35
CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY 36
3.1 Introduction 36
3.2 Research Design 36
3.3 Research Site and Rationale 36
3.4 Target Population 37
3.5 Sampling Procedures 37
3.6 Sampling Size 38
3.7 Data Collection Procedures 38
3.8 Research Instruments 39
3.8.1 Piloting of the Research Instruments 39
3.8.2 Validity of Findings 40
3.8.3 Reliability of Research Instruments 41
3.9 Data Analysis and Presentation 41
3.10 Ethical Considerations 43
CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION OF FINDINGS 44
4.1 Introduction 44
4.2 Response Rate 44
4.3 Demographic Characteristics 45
4.3.1 Sacco Branches of Respondents 45
4.3.2 Gender of Respondents 45

4.3.3 Age Bracket of Respondents 46
4.3.4 Education Level of Respondents 47
4.4 Information on Service Flexibility 47
4.4.1 Correlations Service Flexibility and Customer Retention 48
4.4.2 ANOVA (Service Flexibility versus Customer Retention) 49
4.5 Information on Resource Utilization 50
4.5.1 Correlations between Resource Utilization and Customer Retention 51
4.5.2 ANOVA (Resource Utilization versus Customer Retention) 52
4.6 Information on Service Innovation 53
4.6.1 Correlations between Service Innovation and Customer Retention 54
4.6.2 ANOVA (Service Innovation versus Customer Retention) 55
CHAPTER FIVE: SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS 56
5.1 Introduction 56
5.2 Summary of Major Findings 56
5.3 Discussion 57
5.3.1 Service Flexibility and Customer Retention 57
5.3.2 Resource Utilization and Customer Retention 58
5.3.3 Service Innovation and Customer Retention 58
5.4 Conclusion 59
5.5 Recommendations 59
5.6 Areas for Further Studies 60
REFERENCES 61
APPENDICES 72
APPENDIX I: INTRODUCTION LETTER 72
APPENDIX II: QUESTIONNAIRE 73
APPENDIX III: ANU LETTER OF RESEARCH AUTHORIZATION 76
APPENDIX IV: NACOSTI LETTER OF RESEARCH AUTHORIZATION 77
APPENDIX V: NACOSTI LETTER PERMIT 77
APPENDIX VI: STUDY LOCATION MAP 79

ABSTRACT

SACCOs are on the forefront to offer financial services to their members; but they encounter with countless problems such as lack of customer care services, lack of good governance, weak member confidence, and inadequate use of technology, insufficient financial services, high registration costs and increasing interest rates among others. Therefore, there exists a gap in literature, which this study aims to fill by establishing the influence of service quality on customer retention among deposit taking Saccos in Kenya with key on Mwalimu National Sacco Nairobi. The study's general objective was to determine the influence of service quality on customer retention among deposit taking Saccos in Nairobi, Kenya. The specific objectives include; to examine how service flexibility influence customer retention at Mwalimu National Sacco; to determine how resource utilization influence customer retention at Mwalimu National Sacco; to access how service innovation influence customer retention at Mwalimu National Sacco. The accessible population of the study are active members drawn from three (3) Mwalimu National SACCO branches in Nairobi. Descriptive research design was adopted to conduct this study. The target population was drawn from the membership of these three (3) branches under study. Data collection was by means of a semi-structured questionnaire utilizing both closed and open-ended questions. Qualitative data was analysed via the coding of themes and concepts from which generalization was conducted. Data was analysed using descriptive statistics (frequency distribution tables). Inferential statistics used included ANOVA techniques and correlation analysis. The questionnaire was pre-tested to establish the reliability and viability of the questionnaire instrument. The study findings revealed that there is a statistical relationship between service flexibility and customer retention. The study further established that resource utilization is a determinant of customer retention. The study also noted that service innovation is a contributor to customer retention. The study recommends on the need to carry out the same research in other branches of Mwalimu National Sacco countrywide to confirm if the same opinion is held by members in order to make inferences.

ACKNOWLEDGEMENT

First, I would love to thank God for His enabling Grace. I would also like to thank my family for what they have done for me; without them, I would not have accomplished what I have today. I would appreciate my supervisor Dr. Isaiah Imaita for his guidance, advice, and patience. My special thanks go to the Africa Nazarene Community who has allowed me to have enough knowledge to get me this far and for professional and unique approach during my stay at the University. Lastly, I thank all my friends that have supported me throughout this journey.

LIST OF TABLES

Table 3. 1 Target Population……..37

Table 4. 1 Response Rate……..…….47

Table 4. 2 Sacco Branches of Respondents 48

Table 4. 3 Gender of Respondents.....49

Table 4. 4 Age Bracket of Respondents.....49

Table 4. 5 Education Level of Respondents 47

Table 4. 6 Relationship between Service Flexibility and Customer retention.....48

Table 4. 7 Correlations Service flexibility and Customer retention 52

Table 4. 8 ANOVA (Service Flexibility versus Customer Retention) 53

Table 4. 9 Relationship between Resource Utilization and Customer Retention.....54

Table 4. 10 Correlations between Resource Utilization and Customer Retention 55

Table 4. 11 ANOVA (Resource Utilization versus Customer Retention).....56

Table 4. 12 Relationship between Service Innovation and Customer Retention.....57

Table 4. 13 Correlations Between Service Innovation and Customer Retention 58

Table 4. 14 ANOVA (Service Innovation versus Customer Retention).....59

LIST OF FIGURES

Figure 1. 1 Conceptual Framework 21

LIST OF ABBREVIATIONS

ASCA	Accumulating Savings and Credits Association
BOSA	Back Office Service Activities
CBK	Central Bank of Kenya
CBO	Community Based Organization
FOSA	Front Office Service Activities
FSD	Financial Sector Deepening
GDP	Gross Domestic Product
ICA	International Co-operative Alliance
MCDM	Ministry of Co-operative Development and Marketing
RBV	Resource Based Value
SERVQUAL	Service Quality Questionnaire
SET	Social Exchange Theory
SPT	Social Penetration Theory
SACCO	Savings and Credit Co-Operatives
NGO	Non-Governmental Organization
MFI	Micro Finance Institutions
TSC	Teachers Service Commission

DEFINITION OF TERMS

Assurance	Is the knowledge and courtesy of employees and their ability to convey trust and confidence (McGabe, 2007).
Co-operative society	Is defined as an independent association of persons who voluntarily come together to meet their common objectives through an enterprise that they jointly own democratically. They are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity (International Co-operative Alliance ICA, 2013).
Financial Exclusion	is the lack of access by people to financial services (Atsiaya, 2015).
Financial Services	Define financial services as the services accessed by households/ individuals from financial intermediaries and institutions including but not limited to checking account services, credit and loan facilities, savings facilities, transfer payment facilities, financial advisory services, and account keeping (Deloitte, 2009)
Income	s the sum of all the wages, salaries, profits, interests' payments, rents and other forms of earnings received... in a given period of time (Case, Fair, & Oster, 2009).
Reliability	This is the ability to perform the promised service in a dependable and accurate manner. The service is performed correctly on the first occasion, the accounting is correct, records are up to date and schedules are kept (McGabe, 2007).
Responsiveness	This is the preparedness and the desire to help customers by giving on time services such as, sending a transaction slip via post (McGabe, 2007).
SACCO	Is an acronym for a savings and credits co-operative, which is no different from a credit union. This is a democratic, unique, member driven self-help co-operative governed and managed by its members who often share a common bond for example a similar employer, church membership, labor union or social fraternity. The members decide how their money will be used for each other's benefit. (Deloitte, 2009)
SERVQUAL	Is a perceived service quality questionnaire which examines five dimensions of service quality; Reliability; Responsiveness; Assurance; Empathy, and Tangible like appearance of physical facilities, and equipment, (McGabe et al., 2007).

Tangibility	This refers to the physical evidence of the service, for instance, the appearance of the physical facilities, tools and equipment used to provide the service (in this case SACCO services); the physical impression of employees and the material used to communicate, like the banking slips and the existence of other clients in the banking hall (Mcdougall & Levesque, 1994)

CHAPTER ONE: INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction to the Study

This chapter introduce the background of the study. Thereafter, it focuses on the statement of problem, study objectives as well as research questions. This chapter also highlight on the significance of the study, scope of the study, limitations of the study, delimitations of the study and conceptual framework.

1.2 Background of the Study

The history of Saccos dates back to the 19th century. The emerged working-class environment in the European industries pioneered them (SACCOs). In the 1840s, Great Britain and France invented models of the consumer cooperative and labor cooperative to defend and promote the interests of working-class families in the face of social disasters caused by industrial revolution.

In the 1860s, there emerged a second generation in the European rural environment. This new generation created the model of agricultural cooperatives and savings and credit cooperatives inspired by the success of consumer cooperatives in Great Britain. The model aimed to meet the primary economic needs, which went unsatisfied. The agricultural cooperatives then enabled families of the farmers and livestock raisers to organize their own supply systems of agricultural inputs. This way, they no longer depended on merchants and business people in the cities. The Saccos helped them to stop depending on moneylenders and to find credit necessary to modernize their agricultural cooperatives (Mwakajumilo, 2011).

In Africa, Saccos began in Ghana in a town called Jirapa in 1955 by a Roman Catholic priest who got the idea from Canada. Father McNulty helped the villagers of Jirapa to form Sacco. The Sacco assisted the members to address financial problems, which they could not individually. He trained about sixty people who were the first successful Sacco pioneers on the African Continent. Their success spread all over Ghana and by 1968 the Sacco movement came together to form the credit union of Ghana (Alila & Obado, 1990). According to the World Council of Credit Union (WOCCU) 2011 statistical report, there are approximately 51,013 credit unions in the world, with approximately 196,498,738 members. The largest markets in Africa by December 31st 2011 are Kenya (4,183,220), Senegal (2,231,117), Ivory Coast (1,705,712), and Benin (1,597,233) (WOCCU, 2012).

Cooperatives in Kenya started in 1908 and membership was only limited to the white colonial settlers. It started in present day Kipkelion. In 1944, colonial officers allowed African to form and to join cooperatives (Gamba & Komo, 2012). In 1945, a new cooperative society ordinance was enacted which allowed African participation in the cooperative movement. In 1946, a department of cooperatives was established and a registrar of cooperatives appointed. By 1950's most colonial civil servants started to support and encourage the development of cooperatives. By 1952, about 160 cooperatives had been registered (Alila & Obado, 1990). At this time, the government saw the cooperative movement as a means for African socialism and strengthening common ties between the people from different regions of Kenya.

Today, the cooperatives are an integral part of the government economic strategy aimed at creating income generating opportunities particularly in rural areas, where the majority

of people reside earning their livelihood mainly from agriculture. The cooperative movement now contributes well over 45% of Kenya GDP. Over years, the cooperative movement remained predominantly agricultural oriented. However, this has experienced significant diversification in savings and credit. Other non-agro based cooperatives have also emerged and ventured into areas such as; housing, building and construction, small-scale industries, transport (Alila & Obado, 1990).

The cooperative movement and its varied activities are described as a movement, indicative by its social as well as economic purposes, which are the social and economic/financial empowerment of members (Nkuru, 2015). The achievement of mass participation in national development provided the means to raise the standards of living of the people especially in the scattered rural areas. This is a contemporary issue encouraged by governments especially in Sub-Saharan Africa-since in any country the cooperative movement comprises the mass of individual cooperative societies federated as a national movement in different ways (Nkuru, 2015).

Indeed, co-operatives have played an important role in the development of the economies of Kenya, Uganda and Tanzania and have led to the uplifting of the standards of living of the people. This is because co-operative societies are legal, practical means by which a group of self-selected, selfish capitalist seeks to improve their individual economic positioning a competitive society (Kohls, 2002).

This sector has continued to grow and some cooperative societies have very large financial base and are now engaging themselves in banking activities through their Front Office Operation (FOSA). World organization of credit unions (WOCCU) statistical

report of 2012 shows that there are 55952 savings and credit cooperative societies in the world with total membership of 200,243,841 and savings of over 1trillion US dollars and asset base of over 1.6 trillion US dollars (WOCCU, 2012). The savings in SACCO's across sub Saharan Africa grew by 31.9% in 2008, comparable to average savings growth rate of 30.6 % in 2007 and 27.9% in 2006 growth in number has been steady donors and partners have channeled fund through SACCO's to target specific clients this practice can harm SACCO's external funding and decreases incentives to mobilize savings (SASRA, 2010).

SACCOs have become foundations of small saving accounts since they have a stable and relatively low-cost of funding and administration (Branch, 2005). The key selling point for SACCOs is that they are able to give loans at lower interest rates than those charged by banks and other financial institutions. In addition, they have the capability to reach clients traditionally not in the bank customer niche such as rural or poor areas. The prime purpose of SACCOs is empowerment of members through savings mobilization and credit disbursement (Ofei, 2001).

Despite this obvious preference for SACCO services, the most stereotype financial service in Kenya like the rest of the world is banking and this is the main source of competition for SACCO services year in, year out for the middle income and upper income segment of the retail banking customer market. Despite this, non-banks such as SACCOs are have initiated strides to cultivate by involving the 2.5 million financially excluded adult population (individuals with limited access to formal financial services) from around the world that represent a vast source of potential wealth and probably the next growth frontier in banking (Deloitte, 2009).

Financial services offered by banks, mobile communication companies and SACCO's MFI's tend to be similar for instance; Savings instruments such as savings accounts or savings portfolios in SACCO's and even mobile money accounts such as M-pesa can be used as savings instruments. The credit facilities offered consumption financing such as personal loans and mkopo-ya-salo, which is a personal loan product for households, school fees finance, household borrowing, and agricultural finance. Working capital from credit products and Islamic finance; Local transfers and remittances whereby some MFI's have partnered with money transfer institutions such as Money gram and Western Union for international money transfers and communication companies such as M-pesa for local cash transfers (Deloitte, 2009).

Cooperatives in Kenya contribute about 47% of the GDP and 34% of the national savings; empirical evidence indicates further that some 78% of the Kenyan people derive their livelihood either directly or indirectly from cooperatives. During the year 2011, cooperatives recorded a turnover of about Ksh.50 b (WOCCU, 2010). From this data, we could conclude that cooperatives have great potential as poverty economic pillars. The country leads the continent's cooperative movements with more than Ksh.102b in accumulated savings, constitutes about 31% of the countries national savings and 67 per cent of Africa's total (WOCCU, 2010).

From the vantage point of view, the highest number of cooperative savings in Africa totaling 3,500 registered SACCOS with an active 2,676 with a total membership of about 4.6 million (WOCCU, 2010). SACCOs in Kenya are more enterprising, judging by the low savings, low income, low capital accumulation, low investment in the larger formal financial services sector (WOCCU, 2010). SACCO's through partnerships with NGO's

and CBO's are more easily attaining economies of scale while at macro-level they are able to target even the lowest income earner a trait shared by communications companies offering mobile money transfers and mobile banking.

SACCOs are engaged in both Front Office Services Activities (FOSA) and Back Office Services Activities (BOSA). The SACCOs operating FOSA facilities offer retail banking and business operations. Moreover, FOSA offer services similar to the traditional banking services often referred to as deposit taking SACCOs as per the review given by Kenya Financial Stability Report (2010).

SACCOs have witnessed significant growth over the past few years compared to other co-operatives in the country. This growth is partly attributable to the establishment of the SACCO Societies Act of 2008 that placed giving of licenses, supervising SACCOs, and taking deposits under SACCO Societies Regulatory Authority (SASRA). SACCOs comprise over 50% of all cooperatives in Kenya (SASRA, 2010).

As financial institutions, SACCOs partake in the financial intermediation process in Kenya's financial sector. They focus on personal development as well as on the small and micro enterprise sector of the economy. SACCOs spread all across the 47 counties in Kenya thus offering financial access to several Kenyans (SASRA, 2010). According to the Financial Access Study (2012), there is a widespread problem of inhibited access to financial services among people in the lower income categories as well as rural households and smaller scale enterprise. Nevertheless, according to SASRA (2011), financial exclusion has fallen from 38.4% to 32.7% of the population.

The financial services sector is one of the most dominant sectors of the economy and constitutes a significant proportion of the GDP of both developing and developed countries. With increasing liberalization of the Kenyan economy, SACCOs have grown to occupy a significant portion of the financial industry (Harker & Zenios, 2000). Financial SACCOs constitute 45% of the total number of co-operatives in Kenya. This number has risen of late to become a major player in the financial market. Based on December 2010 statistics, there is a total of 6,007 registered SACCOs in Kenya. Of these, 2959 were active, 218 were deposit taking (SACCOs operating FOSAs) while the remaining 2,011 were non-deposit taking (non-FOSA operating SACCOs). Atsiaya, (2013; PROCASUR Africa, 2012).

In Nairobi, the formal financial system provides services to about 38% of the economically active population. This implies that the rest 62% of them were excluded from access to such financial services (Atisaya, 2015). These excluded 62% often rely on the informal financial sector comprising NGOS, MFIs, moneylenders, friends and relatives. The non-regulation of the activities of such institutions has led to an increase in membership of SACCOs. Co-operative societies closely identified with the provision of financial services in most urban settings. Since the inception of SACCOs in Nairobi, they are viewed as tools for national development particularly in the area of socio-economic development (Atisaya, 2015).

Mwalimu National SACCO is the largest African SACCO with a membership drawn from teachers all over Kenya. Its organizational structure surrounds the foundation of majority education sector derived members. Its mission statement includes the core

values of Honesty; Integrity; Accountability; Respect for customers; Professionalism and on its commitment to excellence,

The memberships of these SACCOs are derived from the TSC Secretariat, which comprise of Secondary school teachers and teachers of tertiary institutions. Other members include Teachers with diploma level qualification and above employed, and those in education-related institutions. These include all teachers registered by TSC, those employed by the School Board of Management (BOM) plus Lecturers in the Public and Private Universities. Mwalimu National SACCO Society Staff and subsidiaries staff; Members and their Spouses in formal employment; Members' children above the age of 18 years in formal employment (Mwalimu Coop, 2016)

Former members currently working in Government Ministries/Departments or other institutions; Employees of Teachers Service Commission in Primary schools with academic qualifications below Diploma level, bursars in public and private educational institutions, who may be admitted into membership by the Board on their own merit and students. The services offered by the SACCOs, which include front office accounts where savings accounts in the form of Save as You Earn (SAYE). Fixed Deposit Accounts; School Fees Accounts; Holiday Accounts and Junior Accounts for dependents such as students (must be over 18) and, Loans and Credit services such as the salary advance loan; emergency loans; development loans; real estate loans, and business loans (Mwalimu Coop, 2016)

1.3 Statement of the Problem

Although many studies have discussed the relationship between customer satisfaction and customer loyalty and customer perception of service quality, there exist limited studies that establish the relationship between service quality and customer retention amongst deposit taking Saccos. Moreover, issues related to both service quality and customer retention in Saccos in Kenya has not been addressed adequately (Parasuraman, 1994).

The concept of customer retention focuses on repeated purchasing behavior of the customer; which describes the relationship with customer satisfaction. However, studies on the relationship between perceived service quality of customers and customers' retention are few. Services quality factors of Saccos have some effects on the behavior and attitudes of customers. However little research has been examined on how the various factors that is quality service, flexibility, resource utilization and innovation affect attitude and behavior of customers, (Kotler, 1996). SACCOs in Kenya and according to the best knowledge of the researcher, there is no published studies on the impact of service quality on customer retention.

According to Atisaya (2015), developing a service quality program has to be taken into account by managers of SACCOs. This is because customer evaluation and judgement of any service rely on external cues. Generally, this service is consumed simultaneously. Customers use total services within the SACCOs premises and naturally exposed to places where the service produces (Kotler, 2010). Such external factors have their influence on customer perceptions and evaluations of the service experience they encounter.

The low customer retention is what has necessitated Saccos to rethink their business strategy on the quality of services that they offer to their customers. This therefore present the study gap for Saccos to establish the influence of service quality among deposit taking Sacco on customer retention with specific reference to Mwalimu National Sacco in Nairobi. This was attainable by understanding how service flexibility influence customer retention at Mwalimu National Sacco; how resource utilization influence customer retention at Mwalimu National Sacco and how service innovation influences customer retention at Mwalimu National Sacco.

1.4 Objectives of the Study

The study was guided by the following general objective;

1.4.1 General Objective

To examine the influence of service quality on customer retention among deposit taking Saccos in Kenya with key on Mwalimu National SACCO in Nairobi.

1.4.2 Specific Objectives

i. To examine how service flexibility influence customer retention at Mwalimu National SACCO
ii. To determine how resource utilization influence customer retention at Mwalimu National SACCO.
iii. To access how service innovation influence customer retention at Mwalimu National SACCO.

1.5 Research Questions

i. How does service flexibility influence customer retention at Mwalimu National SACCO?

ii. Does resource utilization influence customer retention at Mwalimu National SACCO?

iii. How does how service innovation influence customer retention at Mwalimu National SACCO?

1.6 Significance of the Study

Private Researchers, who will use it as a reference for different studies, and by enabling the development of more studies under the field of factors influencing Customer retention in SACCO's in not only Nairobi but also Kenya at large.

Policy Makers, by ensuring that they understand factors that affect Customer retention in SACCO has to make judicious policies that will have robust impacts on the members and society. SACCOs, this study will assist SACCOs in planning how they utilize their resources, come with flexible services to tailor them towards meeting customer needs and continuously come up with innovative services for the prosperity of their businesses.

1.7 Scope of the Study

This study sought to establish the influence of service quality on customer retention among deposit taking Saccos in Kenya with key focus on Mwalimu National SACCO Nairobi.

The study was conducted in the three (3) Mwalimu National SACCO branches based in Nairobi; this formed the basis of the study population. These branches were; Tom Mboya branch, TSC branch and Mwalimu Towers branch. The study was conducted from January 2019 to May 2019.

1.8 Limitations of the Study

The study was limited to Mwalimu National SACCO branches based in Nairobi County. Therefore, results anticipated not to be indicative of all the SACCOs operating in other parts of Kenya. Sourcing for information in research is quite a challenge mainly due to biases that are associated with savings position and preferences of individuals. SACCOs tend to operate their members accounts confidentially and thus obtaining member's information anticipated being a challenge given the anti -disclosure policy adopted by Saccos. Permission to carry out this survey sought from the Sacco management prior to the actual research. Logistical movements to the selected SACCO branches covered but on a tight budget. The budget must also cover for payments for the research assistants and purchase of stationery. Other limitations of the study included the period and geographical area.

1.9 Delimitations of the Study

The study used a sample population was drawn from Mwalimu National SACCO branches based in Nairobi. This enabled inferences drawn from SACCO membership trends from a diversity of occupations in Kenya.

Permission sought from relevant ethical bodies and the university. The researcher drafted an introduction letter to request relevant permissions on behalf of the researcher.

The time of the study was limited to approximately 4 months and data collection techniques were utilized to minimize costs and time.

1.10 Theoretical Review

On theoretical review, the researcher discusses dynamic capabilities theory and social exchange theory and social penetration theory. Which are part of customer relationship management theory

1.10.1 Dynamic Capabilities Theory

Dynamic capabilities theory observes how firms integrate, build as well as reconfigure both their internal and external firm-specific competencies into new competencies that match their tempestuous environment (Teece, Pisano, & Shuen, 2010). The theory is on the assumption that firms with greater dynamic capabilities will outdo firms with smaller dynamic capabilities. The purpose of the theory is to comprehend how firms use dynamic capabilities to develop and sustain a strategy implementation over other firms through response and creation of environmental changes (Teece, 2007).

Dynamic capabilities (DC) theory appeared as an alternative approach to solve some of the weaknesses of Resource Based View (RBV) theory (Galvin, Rice & Liao, 2014). DC theory presents path-dependent processes that allow firms to adapt to rapidly changing environments by building, integrating and reconfiguring their resource and capabilities portfolio (Teece, Pisano & Shuen, 2010). However, until the 1980s there had been little interest in the subject of strategic management. Particularly in the 1980s, Porter's industry-based theory (Porter, 1979, 1980 and 1985) attracted the greatest attention (Barney & Ouchi, 1986). During that period, the RBV theory was the major subject of discussion. It viewed a firm as a portfolio of tangible and intangible resources and human resources and capabilities: the ability to combine resources in an innovative and efficient manner constituted the firm's capabilities (Helfat & Winter, 2011). Competitive

advantage is when firms implement value creating strategy that is not simultaneously being implemented by similar firms (Barney, 1991) and sustainable competitive advantage is: when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy (Barney, 1991). These ideas emerged from VRIN resources (Tondolo & Bitencourt, 2014).

Dynamic capabilities theory created from Resource Based Theory (RBV) to deal with its shortcomings in explaining sustainable competitive advantage and superior performance in a dynamic environment. Teece, Pisano & Shuen (2010) defined DCs as the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments. DCs are thus the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve and die (Eisenhardt & Martin, 2011). Teece (2007) made a major contribution to DC theory by writing about the micro-foundations for each of the three following dimensions: sensing, seizing and transforming.

Nevertheless, intense criticisms have been leveled against the theory, such as the nature of the term itself and difficulties in determining the merits of the outcomes of the theory (Zahra, Sapienza & Davidson, 2013), difficulty in understanding the nature of DCs and the absence of clear models to measure these capabilities and how they affect the performance of organizations (Zott, 2003). The theory has also been criticized for being repetitive (Zollo & Winter, 2002) and ineffective in providing a complete answer regarding DCs and they operate (Schreyögg & Kliesch-Eberl, 2007). DC theory has also suffered from a lack of clarity about what constitutes its core concepts (Ambrosini &

Bowman, 2009). Despite the intense growth of studies discussing the idea of DCs (Ambrosini & Bowman, 2009), the progress of the theory still requires further collective efforts from researchers to illustrate concepts related to the theory and how to link them to empirical practices within organizations (Wang & Ahmed, 2007).

1.10.2 Social Exchange Theory

Social exchange theory (SET) came because of the intersection of economics, psychology and sociology. The theory comprehends social behavior of humans in economic undertakings (Homans, 1958). Social exchange theory is on the premise that human behavior or social interaction is all about an exchange of activity, tangible as well as intangible (Homans, 1961). It assumed that exchange not only pervades the market but also the non-economic realm (Blau, 1964). Exchange refers to social interaction categorized by reciprocal stimuli. As a result, exchange theory looks at the processes of launching and sustaining reciprocity in social relations, or the mutual gratifications between individuals (Lee, Mohamad & Ramayah, 2010).

Assumptions and propositions have been carved from the social exchange framework (Homans, 1958), Turner (1986). The major tenets of social exchange as described by Cook, Cheshire & Gerbasi (2006) are grouped into four main assumptions of social exchange frameworks whereas Lee, Mohamad and Ramayah (2010) highlights two assumptions of social exchange. A fundamental assumption of many social exchange frameworks notes that actors participate in exchange relationships encouraged by the desire to increase gain and avoid loss. Gains may result in both economic and social benefits. Loss may be due to financial costs, equipment and the amount of time invested. Blau (1964) opines that exchange intend to get benefits from their relationships that

would not be possible on their own. The benefits could be in the form of non-economic rewards obtained from increasing their partner's utility (Andaleeb, 1995).

The second assumption is on the need for exchange relationships to have a mutual dependence. Essentially, actors enter into relationships to realize results they could not realize individually. The customers as well as their provider are mutually dependent on one another to realize separate but corresponding goals. In bid to reinforce this assumption, Emerson (1976) described productive exchanges where the actors in the exchange relationship work jointly to come up with a product accepted and respected by both parties.

The third assumption acknowledges that exchange relationships reoccur, develop over time and consist of specific partners. It is also providing a clear distinction between social and economic exchanges where the later focuses on one-time transactions. The last assumption is on the economic concept of law of diminishing returns, otherwise described in psychology as deprivation satiation.

The principles believe that the outcomes, benefits, or rewards one seeks ought to expand and change over time. An actor will disassociate from an exchange relationship if the value of the results remains stagnant over time. Based on the previous assumption that relationships develop over time; and if in these exchange relations, new rewards or benefits not received. The assumption the theory holds is the view that relationship will terminate

1.10.3 Social Penetration Theory

Social penetration theory (SPT) is about how interpersonal relationships develop. Altman and Taylor founded this theory in (1973). SPT acknowledges that there are changes in the depth and breadth of self-disclosure whenever relational partners circumvent through the stages of relational development. SPT elucidates and predicts relational closeness, seen as the superficiality or depth of the self-disclosures in a relationship. SPT postulates that 'people assess interpersonal rewards and costs, satisfaction and dissatisfaction, gained from interaction with others, and that the advancement of the relationship is heavily dependent on the amount and nature of the rewards and costs' (Altman & Taylor, 1973; Taylor & Altman, 1975).

The many factors associated with increased depth and/or breadth include amongst others amount of time spent associating with a relational partner, commitment, environment, and the perceived costs and rewards of disclosure (Carpenter & Greene, 2015). SPT acknowledges the existence of four levels of depth: surface, periphery, intermediate, and central (Altman & Taylor, 1973). Surface disclosures describe the information someone would share given their surroundings often perceived as being as neutral in topic.

Peripheral disclosures on the other hand refers to the information shared in most social settings and hence does not require any sort of intimacy (Allensworth, 1996). Intermediate disclosures likewise refer to information that one would be more selective in disclosing; they related to how you feel about things (Panos, 2014).

The final layer is central in that it includes private information that is intimate and shared with only those who are extremely close to the person disclosing (Taylor & Altman,

1987). SPT predicts that as a relationship develops relational partners move through these layers gradually; they do not willingly skip layers in self-disclosure. It is possible that one relational partner will be ready to share more than the other will. This may hasten the process of weighing costs and rewards to achieve the point of a higher-level disclosure; it is typically a shared process showing that both partners are ready to move to that next stage for the relationship (Allensworth, 1996).

The breadth of communication is key significant in relational development. Panos (2014) describe breadth in terms of category and frequency. Breadth category refers to the range of topics that is discussed; one may begin to peel away layers but there are also distinct segments of personality as well. Breadth frequency on the other hand describes the much that can be disclosed within each category in terms of depth; some information is more superficial and some more private, or central (Pennington, 2015).

The four stages of SPT based on increasing levels of depth and breadth: orientation, exploratory affective exchange, affective exchange, and stable exchange (Altman & Taylor, 1973). The orientation stage is getting to know you stage. Here, individuals engage on depth and breadth. This is a public stage and can require more than one encounter to move past, though is typically short lived as assessments are made (Altman & Taylor, 1973).

The first stage most likely represented online is the exploratory affective exchange stage. It is where the depth of discussion commences to gain access to the periphery and intermediate layers (depth), and the breadth covers a wider range of topics. Altman and Taylor (1973) notes that this stage is where the most of relationships individuals have in

life given the process of weighing the cost and rewards of a new relationship, the effort to share more outweighs any potential reward of having a closer friend.

The third stage is the affective exchange where the depth of interaction reaches the central layer of disclosure, however it is often inconsistent and on a small range of topics (Taylor & Altman, 1987). The stage characterizes the wider friend circle of someone, or the courtship phase of a romantic relationship. Because of the increased intimacy and time spent developing this type of tie, the risks brought about by disclosing central information is more beneficial than harmful, but there may still be hesitation to have full disclosure (Altman & Taylor, 1973). It is not until the stable-exchange stage that full depth and breadth realized for all layers and likely topics. Few relational partners make it to this stage nonetheless those that do prefer openness in the relationship, with disclosure seen as benefiting the relationship (Carpenter & Greene, 2015).

SPT as well accounts for the dissolution of relationships through the discussion of degeneration (Altman & Taylor, 1973; Taylor & Altman, 1987). As interdependence and intimacy within a relationship decreases, so will the depth and breadth, resulting to a gradual pull away from the relationship.

As a theory, SPT determines that specific types and levels of disclosure correlate to varying relationship stages (Altman & Taylor, 1973). SPT has several basic assumptions, two of which the study: tests, first that specific types of disclosure correlate with relationship stages, and, second, that physical proximity is necessary to develop a relationship (Taylor & Altman, 1987). While the variables associated with depth and breadth are often used in conjunction with research on relational development and

maintenance with the aid of communication technologies, the specific stages created and the process described by Altman and Taylor have only recently started to receive attention in relation to communication online. SPT as a theoretical perspective offers key insight into relational development and maintenance.

1.11 Conceptual Framework

A conceptual framework is a set of broad ideas and principles emanating from relevant disciplines of examination used for the purpose of structuring subsequent presentation. Mugenda and Mugenda (2013) notes that a conceptual framework identifies the model studied and the association between the dependent and independent variables. The independent variables are explanatory variables that ensure change of the dependent variable and which the researcher seeks to explain (Kothari, 2012). The figure shows how independent variables relate to dependent variable shown in conceptual framework figure 1.1. In the case of this study, the independent variables include; quality service, flexibility, resource utilization and innovation while the dependent variable is customer retention.

Independent Variables **Dependent Variables**

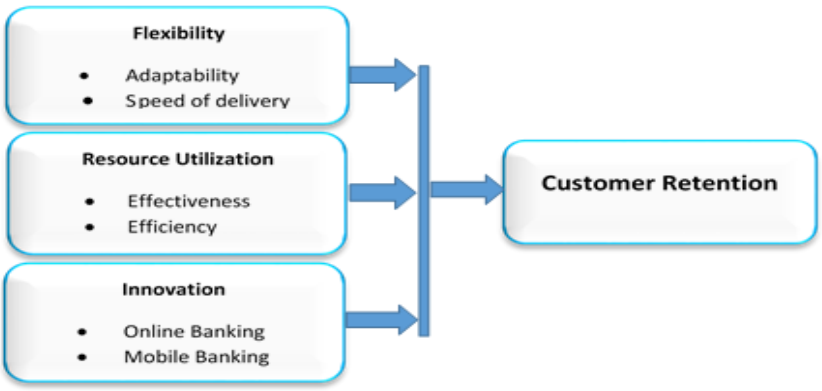


Figure 1. 1 Conceptual Framework

Source: Source: Author (2019)

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter elaborated on the theoretical framework by discussing the models applicable for this research. The conceptual framework related to the research problem will be discussed together with a summary of the chapter and research gaps of the problem.

2.2 Empirical Review

In this section, the study sought to review relevant and related previous researchers and studies objective. The study reviews service flexibility, resource utilization and resource innovation.

2.2.1 Service Flexibility and Customer Retention at Mwalimu National Sacco

Service flexibility is the process in which customers get tailor made services to meet customer's requirement, which occur because of external factors. In this section, the study reviewed two main aspects of flexibility, which include adaptability, and speed of delivery.

2.2.1.1 Adaptability

Adaptability as a form of flexibility is described as the ability to modify own activities with regard to events resulting to the outside of the company (Caralco, Guravis 2006). On the other hand, Giannoccaro (2015) describes adaptability as the procedure of self-organization happening within a joint learning process and taking place amongst participants of supply chain.

According to Zhu and Zolkiewski (2006) major function of adaptability is the provision of logistics services, emphasizing on the fact that not only does adaptability of service help meet the needs of customers but also to ensure customers' satisfaction as well as

loyalty to build strong business ties between service provider and recipient. Ueltschy Murfield and Esper (2016) also concluded that even though adjusting to specific customer requirements undoubtedly has a positive effect on the quality of the logistics service provider-client relationship and results on customer satisfaction, adaptation viewed mainly from the perspective of operational performance might not yield expected results or estimated.

It is accepted that loyal customers do not guarantee happiness (Curasi & Kennedy, 2002). Curasi & Kennedy (2002) describes these customers as being prisoners and detached loyalists. It is a representation of customers who do not withstanding their inability to attain satisfaction, continue to be loyal as result of the difficulties and expenses related to change of logistic service provider. Studies of Brennan and Canning (2002) acknowledged the effect of adaptability on the durability of inter-firm relationships. This study stressed that the fact that adaptation reduces the risk of opportunistic behaviour in dyadic relationships. The same deduction was alluded to by Leszczyński (2014), that change made by adaptation fortifies the quality of inter-firm relationship, not only preventing confiscation of the relationship by a competitor but as well ensuring customer retention. Consequently, there exist a direct relationship between the adaptability of logistic service provider and customer loyalty even in a s much as the customer is not totally contented with the service provided. In that case therefore, the reason for a customer's loyalty, separate from the previously mentioned, entail more to the value systems of both parties. For example, customers with special attachment to adaptive approach, logistic service provider’s ability and willingness to respond to change, despite whether they are presently contented with the services they receive or with the logistic

service provider-client relationship. These customers may see great potential in the service rendered by the logistic service provider into the future and accept imperfections in the current service.

2.2.1.2 Speed of Service Delivery

Mudassar, (2013) argued that however skilled you are at workplace; always provide customers with exceptional service as desired. These includes providing timely responses to customer questions and inquiries, and informing your clients promptly. Greeting them warmly, involving them to determine what they have come for, and responding promptly and accurately to inquiries show customers' quick understanding of the firm. Failure to do so can result in lost business or damage a firm reputation (Kariru & Aloo, 2014). The most common customer complaint is being kept waiting. Being reluctant to return calls or fulfill orders may lead to loss of customers. The customers may be pushed to switch to another company. They may also engage in negative word of mouth due to the dissatisfaction felt (Armstrong, 2012).

Dharmalingam (2011) assert that customers expect firms to treat them in a consistent way and that they will do what they say they will do promptly. By acting in accordance with these wants, a firm provides the customer with a sense of viewing it as company that gives customers' priority. Customers view the service provider as being competent enough to offer the service. The customer will not be satisfied if he or she does feel that the services offered mostly delay. It brings doubt about the competence of the service provider (Ramzi, 2010). The service that the employees provide and the relationships they build are vital to success of customer satisfaction.

The employees need to understand, believe in and be proud of the firm they are a part of. This will lead them to serving their customers promptly (Al-Rousan & Mohamed, 2010). Untimely response to customer requests is one of the stamps of poor customer service. Customers want to feel valued. They want to know their presence and input to the business. However, when customers feel neglected and unappreciated, there are high chances that they will move to the next competitor (Klemz & Boshoff, 2011). Moreover, they will swiftly do so if they have an immediate need for a service that a firm is failing to deliver, or if they simply do not see work ethics.

Poor response time, especially if done repeatedly, results in loss of customers and revenue (Armstrong 2012). The key to generating loyal customers is to provide them with efficient service by the required period. The employees should have adequate knowledge to enable them quickly respond to customer (Mudassar., 2013).

2.2.2 Resource Utilization and Customer Retention at Mwalimu National Sacco

Resource utilization is the process of making the most out of the resources that an organization has.in this section the study reviews effectiveness and efficiency which are key components of resource utilization.

2.2.2.1 Effectiveness

Effectiveness is the extent to which outlined objects is attained. The intended goal could either be broad or narrow as might be deemed right (Council of Australian Governments (COAG), 2004). Customer satisfaction is a complex singularity and thus cannot be put into a single satisfaction index. The customer eventually weighs the strength of their relationship with a service provider on the totality of experiences with the company, of

which agent performance is only one required ingredient. Comparing organizational culture and customer satisfaction brews some empirical problems. Something notable is the fact that the behaviour of the service provider during service delivery and consumption directly affects customer satisfaction. Customer opinion during the provision and consumption of the service is fixated on the provider and on the service delivery effectiveness, not on the service. Customers happen to be satisfied only when they actively engage in the creation, delivery and consummation of the service (Yoo, Donhty & Lee, 2000).

It is vivid that different social groups view customer satisfaction a well as service differently and thus the objectives of different customers are social group dependent (Mittal & Kamakura, 2001). Castro, Armario & Ruiz (2007) created a framework that portrays a substantial correlation between tourist intentions to revisit a tourist destination and their intentions to acclaim the tourist destination to their relatives and friends. Schneider and Bowen (1993) as cited by Ad de Jong, Ko de Ruyter & Lemmink (2005) conducted a survey on the internal social group environment and established that employees' opinions of positive group climate positively affect customer perceptions about the service quality.

Service quality and customer satisfaction are related nonetheless different. Bolton and Drew (1991) posit that there are differences between the groups. Quality is a long-term process; customer satisfaction on the other hand is due to the immediate service transaction. Castro *et al.* (2007) noted that a tourist who opts to revisit a tourist destination vouched it to other tourists. Quality social interaction with employees of the service provider is a significant source of customer satisfaction.

There is dissenting opinion by a segment of scholars that hold the argument that service marketing and the quality of service are primary features that affect a customer's decision on repeat purchase of service from the same service provider (Nelson, 1994; Getty & Getty, 2003). Those categories of customers satisfied with the quality of the relations with the employees are more satisfied with the quality of the service (Solnet, 2007). Studies by Brown, Gremler & Gwinner (2001) acknowledged that quality relations between customers and employees have a positive effect on word of mouth (WOM), empower trust between groups, strengthen social interaction and build sincere personal relations. Service firms are fond of employing a cheap labour to maintain their competitive edge. Casual workers as well as those with low wages like seasonal are in most cases not motivated to build good relations with the customers. The results of these actions are depicted in negative word of mouth (WOM) and in the decision of the customer not to opt for repeat purchase of service from the same service provider (Sungjin, 2005).

Organizational effectiveness is somehow similar to the ability of the service provider to satisfy the customer. Those service providers in a position give extra services like better quality service, excitement or a large variety of services; have a greater chance to mollify a customer (Kano, Seraku, Takahashi & Tsuji, 1984). Lewis and Bridger (2000:126) states that customers have an opportunity to save time, gain personal benefit or increase their enjoyment thus are more satisfied with the service.

Customers in today economies are no longer satisfied with the basic attributes of health service but have positive knowledge and service that is applicable in his future self-image construction and personal development. The strength of customer satisfaction on

employees who enjoy their work and involve themselves on their service through the process and arrangement of health resort physical facilities that offer comfort and ease, organizing timely and prepared services, and through streamlined contact with customers reinforced by quality written information, customer experiences broadens and so is their satisfaction (DiJulius, 1964).

De Tienne and Holland (2007) relate customer satisfaction to organizational culture by defining it as a consistent, adaptable and qualified process of customer needs satisfaction. Recently, Gillespie, Denison and Haaland (2008) showed that organizational culture is a unique phenomenon that has to be used as an indicator in the environment where a service organization usually operates. Their recent research in two different organizations on the regional markets of a residential home-building company and automobile dealership establish a statistically significant relationship between organizational culture and customer satisfaction. Bellou (2007) established these results and revealed that long-term customer satisfaction to organizational culture, which affects employees' eagerness to serve customers. The findings further noted that organizational agents shape culture in an effective way, by emphasizing aggressiveness, decisiveness, innovativeness and rewards but diminishing outcome orientation". Consequently, the clear view of the power of the organizational culture by organizational agents serves to emphasize customers' needs and priorities (Bellou, 2007).

A research in two health resorts in Slovenia builds on the organizational culture framework of Denison and colleagues (Fey & Denison, 2003). This context hypothesizes organizational culture in four dimensions in relation to organizational effectiveness: Involvement, Consistency, Adaptability and Mission. The four dimensions outlines the

extent to which a company is customer focused and strategically oriented (Gillespie *et al.,* 2008). As cited by Denison (1990:2), the four dimensions quantify the underlying values, beliefs, and principles that serve as a foundation for an organization's management system as well as the set of management practices. The organizational model symbolized a system approach to organizational culture and customer satisfaction and has an effect on organizational effectiveness (Denison, 2000).

2.2.2.2 Efficiency

Efficiency is the extent to which various program coverts its resources like time, expertise economically to realize optimum outcomes while at the same time affecting with minimal possible inputs (Drucker, 2001). It is the push towards e banking attributed to trust. It result from trust and rigorous security controls that triggers efficient electronic banking. Therefore, this is the reason of taking electronic banking services as a means of trust to an institution thus promote customer retention (Liao & Wong, 2008; Koskosas, 2008). Effectiveness within organizations influences not only by leadership but also by organizational culture (Metin & Coskun, 2016). The ability of the customers to find the most wanted products refers to efficiency (Jun & Cai, 2001). For the greatest latitude of success, the organizational structure needs to employ flexible and elastic organizational structure sub-systems that are technology, environment and culture (Metin, 2017).

The analysis of industry outlining the impact of electronic banking services on savings, growth of revenues and risk profile of the banks also have generated speculation and interest on the impact of the internet in the banking sector that encourage repeat customers (Berger, 2003). In order to achieve higher efficiency, the electronic banking

services adopted to decrease paper print and reduce cost with automation of processes and leading to higher profitability and productivity.

2.2.3 Service Innovation and Customer Retention at Mwalimu National Sacco

According to Hall and Williams (2008), innovation refers to an organized method of generation, acceptance, as well as implementation of new ideas, processes, and products/services in order to rally customer experiences. In this section, the study reviews two key factors of service innovation, which include; online banking and mobile banking.

2.2.3.1 Online Banking

Geoffrey (2015) studied branch networking among banks revealed that online banking, has brought about simple bank transactions to some degree. It is clear that the easier it is for consumers to view their accounts, pay bills and transfer money from different account is more likely to yield a prudent financial lifestyle, the more likely they are to clearly do these items and keep an extra financial lifestyle. Nonetheless, it is worth noting that even though online banking is a good addition and development, it is not a substitute for brick-and-mortar peers in all cases, it is through these products that the banking institution returns their customers (Frei & Kalakota, 1998).

The success of the early efforts caused many banks to expand their internet presence with enhanced websites that featured the ability to download forms and process loan applications. Security First Network Bank secured by FDIC became the first fully functional direct bank insured by the FDIC. Based in Atlanta, it began operations on October 18, 1995. Govori (2013) asserts that the bottom line of the internet related banking is arguing that both online and brick-and-mortar banks offer distinctive benefits and shortcomings, it may be unwise to do banking exclusively with either option. While

it's impossible for everyone, the best play may be to split banking between each in-keep and on-line offerings and revel in the conveniences and savings of internet banks whilst preserving the customer support and personal relationships a physical department can provide (Essinger, 1999).

2.2.3.2 Mobile Banking

According to Groenfeld (2014), mobile technology and financial applications are changing the way customers, banks and sellers interact. According to Aosa (1998), both digital phones and tablets have shown great s as tools of business, and the bank services industry has been able to recognize the significance of leveraging mobile devices from a business perspective. There are many mobile banking applications existing today. Retail banking and brokerage firms such as Bank of America and Fidelity Investments have used mobile platforms to offer applications that let customers remain updated on events, check out on their portfolio holdings, and even initiate transactions from their mobile devices. Investment management firms have utilized the rise of tablet devices as an opportunity to furnish their sales forces with updated documentation quickly.

Aosa (1998) further argues that the convergence of mobile and financial industry. A several trends are encouraging the convergence of the mobile and the financial industry. Moving towards Digital Wallet require an initiative that lets users to have digital money in their mobile device or in the cloud (Black, Lockett, Winklhofer & Ennew, 2001). Another trend investigated by Daniel (1999) comes from mobile banking, which is gaining foundation throughout the world.

Today, many banks permit customers to utilize mobile devices when checking restrained facts associated with their banking but this is truly changing with the increasing

purchaser demand, infinite launch of new cellular devices and provision of safe and secure transactions. Groennfeld (2014) also points out that, today, over one-third of American adults own a Smartphone of some kind. As many financial industries receive the awareness for requirement of mobility solutions, there are new opportunities, for both banks and consumers. Smartphones are changing financial lifestyles around the world. They ensure that are paid services are effected by making payments, sending money to families. Nowadays mobile banking has tremendous developed to counter the challenges traditional banking. This has seen a reduction of income, information loss about the turnover of their customers as well as lower margins as competition between those with expensive branch networks compete and all-electronic providers with few overheads continue to grow. Mobile payment is a very fluid business (Greenfield, 2014).

In addition, Zapp and VocaLink (2011) have introduced a service that will provide a way for 18 million UK bank account holders to acquire and pay for goods and services with their 18 mobiles, as Barclays' Pingit already does (Frimpong, 2010) further notes that, Banks are on a second or third generation of mobile banking software. According to Gerrard and Cunningham (2003), money sales reps are returning to banks they called on around five years ago, offering a polite view on mobile software development. The first generation of mobile built on the foundations of banks' on-line banking systems, the most up-to-date and latest sorts are all-mobile and permits banks to attain out to new clients who can join in digital financing, through their phone or tablet. The 4,200 who attended Money 2020 in Las Vegas last autumn heard presentations from the usual suspects, MasterCard, PayPal, Visa, First Direct and Amex, who have launched innovative smartphone banking services that sidestep bank branches entirely (Frimpong, 2010).

Chandler (1962) cites the introduction of digital banking services through mobile phones, which divides mobile banking between transformative in areas where there are no bank branches and where branch networks exist but banks want to increase their frequent engagement and provide new services. Javelin Research (2013) unfold use of cell telephone's payments in upcoming markets coincides with primary campaigns by Mastercard and Visa, frequently with considerable help from countrywide governments, to make extra bills, which includes salaries, pensions and welfare blessings, electronically via saved price cards. Many employees of the Egyptian civil service, South African welfare recipients are greater than 60 million. Russian authority employees obtain their bills through placing cards at ATM terminals linked to phones for payments. Smartphone adoption is moving faster than expected and not just in the developed world.

E-Marketer says that four and half billion people around the world utilize mobile phone technology. In 2014, Smartphones will be accounted for 1.75 billion of those as penetration of mobile phone usage reaches half percent 50 during the year (Baum, & Korn, 2010). At the Cards and Payments Conference in Dubai last spring, Brett King, co-founder of Moven, said the Gulf has 227% mobile penetration as each of the populaces carry more than one mobile device. The adoption process is fastest among young urban dwellers who use their phones more frequently, especially for low-value payments such as coffee or travel. The Aité Group has named them enthusiasts; Smartphonatics. He went ahead to show that, seventy percent of Smartphonatics use their mobile technology to make a payment and 80 per cent use their devices for banking commitments in at least six months. Smartphonatics are interested in replacing payment cards with mobile devices (Adam, 2011) because they place high value on mobile payments.

Adam, (2011) notes that mobile apps, which include Moven are able to link a debit card to a mobile so clients can track those small expenses that can add up, pay friends, transfer funds and plan savings. Because loans obtained through the smartphone has led to reduction or elimination of paperwork and this is evident in banks in Korea. At the Accenture conference in Paris, Hana said it lent $4 billion in credit through mobile phones thence reducing the necessity for applicants visiting the banks (Aaker, 2002). The displayed amount is random and the customer checks the phone until they are contented with the sum transferred to savings. Imaging has also made a major bearing on finance with innovations such as Mitek's apps for bank customers to deposit a Cheque via taking a picture of it with a smart phone. Customers are able to take pictures of credit cards/bank statements with little or no typing (Baum & Korn, 2010).

2.2.4 Customer Retention

Helgesen (2006) in their study deduced that, customer satisfaction and customer loyalty seem to be relating positively. There also seemed to be a correlation between customer loyalty and customer profitability. These correlations are non-linear. They also relate positively in a declining rate. There are different findings that affect customer satisfaction in retail banking. According to Arun (2010), satisfaction of customers is poor if emphasis is on empathy, assurance and tangibility. However, according to Mohammad and Alhamadani (2011), found that service quality, tangibility relates to customer satisfaction.

Arabic customers on the other hand, find more satisfaction in the assurance and tangibility aspects of the bank (Rehman, 2012). Ethiopian customers find more satisfaction in empathy, and responsiveness aspects of customer satisfaction (Shanka, 2012). Pakistani customers find little satisfaction with bank services (Hafeez and

Muhammad, 2012). Tangibility, competence, reliability, and conflict handling seem to have a positive link to customer satisfaction (Zafar, 2012).

Vietnam customer satisfaction relates with the perceived service quality (Van Dinh & Lee Pickler, 2012). According to Vijay et al. (2012), there is a relationship between dimensions of service quality and customer loyalty. Suleiman (2013) found out that there is an influence on customer satisfaction by tangibility aspects. Lau et al. (2013) did not consider any significance to customer satisfaction aspect in banks as they did to responsibility and reliability.

2.4 Summary of the Reviewed Literature

This chapter highlighted theories of customer retention, the chapter also outlined empirical literature in line with the research questions (influence of service quality on customer retention, influence of flexibility on customer retention, influence of resource utilization on customer retention, influence of innovation on customer retention. The next chapter presents the research methodology.

2.5 Knowledge Gap

Much of the empirical literature discussed herein provides information on the influence of service quality on customer retention in developed and developing countries other than Kenya. These studies cut across several sectors in their respective countries. This ranges from hospitality, logistics and banking to mention but a few. This study addressed the influence of service quality on customer retention in Mwalimu National SACCOs in Kenya, a sector that had not been researched on before. This then became the purpose of conducting this study

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This section focuses on the research methodology used in the study. It begins by describing the research design, population, sampling frame and sampling technique, data collection instruments and procedure, pilot testing and data presentation and analysis.

3.2 Research Design

Research design refers to a roadmap used by a research to address research questions given in the research (Bellmann & Upward, 2007). Sekaran (2010) opined that a good research design attributes to well-articulated purpose and orchestrates consistency between the proposed research method and research questions. This survey adopted the use of descriptive design to determine how service quality influences customer retention among deposit taking Saccos in Nairobi. Descriptive research was favoured because it allows for observation, case study or survey methods often used for describing situations (Jackson, 2009).

Similarly, Nachmias and Nachmias (2008), acknowledges that descriptive survey enables the collection of information from a large population in a short period and gathered both qualitative and quantitative information for the purpose of prediction and generalization of the study results.

3.3 Research Site and Rationale

A research site is the location where the study is conducted (Dawson, 2002). The study was restricted to Nairobi because of its proximity to the three (3) branches of Mwalimu National SACCO that were studied and because it is a cosmopolitan county.

3.4 Target Population

Cooper and Schindler (2014) describe a population as the total collection of elements a researcher would wish to make inferences. According to Babbie (2005), population is a synopsis of a big group of many cases from which a study selects a sample and onto which results analyzed. The target population of the study is one thousand two hundred and twenty-three (1,223) members drawn from three (3) Mwalimu National SACCO Branches operating in Nairobi; this is according to SASRA (2013) data. Table 3.1 illustrates the target population.

Table 3. 1 Target Population

Sacco Branch	Location	Target Population	Percent (%)
Tom Mboya (HQ)	Nairobi	680	55
TSC	Upper Hill	400	33
Mwalimu Towers	Upper Hill	143	12
Total		**1,223**	**100**

Source: Mwalimu National Sacco (2019)

3.5 Sampling Procedures

The study used a sampling technique followed by a stratified sampling technique to achieve the desired number of respondents from the three (3) Mwalimu National SACCO Nairobi County branches selected for the purpose of this study. As described in Mugenda and Mugenda (2003) this technique guarantees that every member of the universe under the study has an equal chance of being done. Two main types of random sampling procedures include simple random and stratified random sampling procedure. The study used stratified random sampling technique, which ensures that subjects selected are in

such a way that the existing subgroups in the population are more or less reproduced in the sample (Mugenda & Mugenda, 2003). The researcher then calculated the proportion of the population lying in each SACCO Branch.

3.6 Sampling Size

Sample size a subset of a population selected to show or epitomize features of a population (Kombo & Tromp, 2009). Cooper and Schindler (2014) on the other hand refer to sample size as the number of elements selected from a given population. The study adopted 10% of the target population. Mugenda and Mugenda (2003) that a sample size of 10% is good enough for a survey research as long as it does not exceed 1,000 corroborate this opinion. The sample frame of this study captured as shown in Table 3.2

Table 3. 2 Sampling Frame

Sacco Branch	Location	Sample Frame	Percent (%)
Tom Mboya (HQ)	Nairobi	54	45
TSC	Upper Hill	39	33
Mwalimu Towers	Upper Hill	27	22
Total		**120**	**100**

Source: Researcher (2019)

3.7 Data Collection Procedures

Data collection refers to the procedure of gathering raw as well as unprocessed information that was processed into meaningful information in adherence to the scientific process of data analysis (Gall, Gall & Borg, 2007). This study employed the use of structured questionnaires containing both closed ended and open-ended questions to collect primary data from Mwalimu National Sacco members based in Nairobi. The hard copy questionnaire and the electronic format distributed to the respondents through their

respective SACCOs during working hours from Monday to Friday. The questionnaire was accompanied with a brief introduction of the study and purpose of the study for the respondent.

3.8 Research Instruments

This study adopted the use of structured questionnaires because they are very easy to administer to respondents and are convenient for collecting primary information (Gilham, 2000).

3.8.1 Piloting of the Research Instruments

The study pre-tested the questionnaires prior to the study with an aim to establish their reliability and validity before carrying out the actual study. Pilot study is an exercise whose mandate to ensure that errors are limited at all cost. A pilot survey is the replication and the preparation of the research to be performed (Kothari, 2012). Pre testing is necessary because it arms the researcher with the vital information pertaining to the nature of their study respondents prior to the actual process of survey (Newing, 2011). The pretesting also enabled the study asses the clarity of the instrument and asses the time taken to administer the instrument as well. The study carried out a pilot test of 5% (19 respondents) of the desired sample of 10% of the target population and conducted at Kimisitu SACCO.

The reason for choice of Kimisitu Sacco is because it is one of the largest SACCO's in the Country and it has similar characteristics and features as Mwalimu National SACCO. The pretest was conducted to determine internal consistency using the Kunder-Richardson (K-R) 20 Formula, which is as follows:

$KR_{20} = (K)\ (S^2 - \sum s^2) / (S^2)\ (K-1)$

Where:

KR_{20}= Reliability coefficient of internal consistency

K = Number of items used to measure the concept

S^2 = Variance of all scores

s^2 = Variance of individual items

A high coefficient implied that items correlate highly among themselves indicating that there exists consistency among the items in measuring the concept of interest (Mugenda & Mugenda, 2003).

A pilot-test applied to test for reliability and validity of the research instrument.

3.8.2 Validity of Findings

As indicated by Mugenda and Mugenda (2003) validity is the accuracy and meaningfulness inferences based on research results. It focuses on how accurate the data obtained in the study represents the variables of the study. When carrying out the pilot study, the study looked for the presence or absence of systematic error/nonrandom error obtained in the data. It's worth noting that an instrument that yields valid data would necessarily also yield reliable information but an instrument that yields reliable information will not necessarily yield valid information (Mugenda & Mugenda, 2003). When estimating the nature of validity from the research results, the study estimated the nature of both internal and external validity of the obtained information.

3.8.3 Reliability of Research Instruments

Reliability is the repeatability, stability or internal consistency of a questionnaire (Chandran, 2008). According to Mugenda and Mugenda (2003), reliability measures the degree to which a research instrument yields consistent results after repeated trials. In most research studies, reliability was affected by random error in the sense that an increase in it decreases reliability.

Piloting was carried out so as to enable the research study reduce the errors which may arise from inaccurate coding, ambiguous instructions to respondents, interviewer fatigue, interviewer bias among many others. The research study focused on ensuring the results yielded by the research instruments have small deviations. As indicated above, the research study used the internal consistency method of assessing reliability in research results from the pilot study.

3.9 Data Analysis and Presentation

Sounders and Thornhill (2009) refers data analysis as the procedures and events adopted to make logical deductions from the data sets. Raw data from the field was coded, cleaned and entered into (SPSS) for analysis. Data analysis was done qualitatively to ensure on how categories or themes of data are related. Qualitative data was in the form of texts and materials, described by open-ended questions. Qualitative data was analyzed through coding and organizing it into themes and concepts from which theories and generalizations were formulated (Mugenda & Mugenda 2003).

Quantitative technique used both descriptive and inferential statistics. The first step analyzed descriptive statistics, which meaningfully describe the distribution of results depending on the variables in the study and the scale of measurements used. Descriptive

statistics such as frequency distribution tables, pie charts, bar charts and percentages utilized in analyzing the data.

The study also made inferences about the population based on results obtained from the survey. Inferential statistics employed the one-way analysis of variance test (ANOVA) in analyzing whether there is a significant difference between two or more groups or samples at a selected probability level. This sought to analyze the probability that the variation among a group of sample means has occurred randomly selecting the samples from a common population (Mugenda & Mugenda, 2003). One-way analysis of variance (ANOVA) was carried out made three types of comparisons based on the different groups were analyzed.

The study employed correlation to show the relationship between the variables (Francis, 1998). Correlation analysis is advantageous in the sense that it illustrates the statistical dependence of the dependent variable on one or more independent variables (Francis, 1998). The variables rated in Likert scale used to measure perception, attitude and behavior of the respondents based on the variables under study. The numerical scales helped to minimize subjectivity and made it possible to use quantitative analysis. The Likert scales were in declarative form and comprised of 5 response categories which are as follows:

1 being “strongly disagree”, and 5 being “strongly agree.” Rank each of the following statements on a scale of 1-5 (1-strongly disagree, 2-disagree, 3- Neutral, 4-Agree, 5-Strongly Agree. The study used SPSS V-20 statistical software to analyze quantitative data.

As for the presentation of findings, the study used charts, tables and graphs to present quantitative data. The tables were in the form of frequency tables and contingency tables. The study also used bar graphs and histograms where necessary.

3.10 Ethical Considerations

According to Payne and Payne (2004) ethical considerations shows a moral bearing that involves performing study to realize not just high professional standards of technical procedures, but also reverence and protection for the people yielding to be studied. It is important to observe professional ethical standards in all phases of the research process. According to Mugenda and Mugenda (2003), breaching confidentiality, is a matter of concern to all respondents. In view of this, the study withheld the names of the respondents and their respective view with utmost confidentiality. The researcher obtained a research permit from National Commission for Science, Technology and Innovation (NACOSTI) and letter of authorization from the university enabled the researcher to have permission to collect information thus enabling the researcher to go into the field to collect data.

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter highlights the data analysis and presentation of study findings. The findings arranged as per the questions in the questionnaire; the first part was demographic characteristics while the second part captures the results on service flexibility, resource utilization and service innovation.

4.2 Response Rate

During the study, the researcher distributed one hundred and twenty (120) questionnaires. However, of the 120 questionnaires distributed only ninety-two (92) of them were returned

Table 4.1 Response Rate

Response	Frequency	Percent (%)
Returned	92	100
Unreturned	0	0
Total	**92**	**100**

Source: Researcher (2020)

The response rate accounted for 77% while the unreturned were 23%. This represent 77% response rate. The results are as shown in Table 4.1.

4.3 Demographic Characteristics

This section captured the general information of respondents comprising of the three SACCO respondents gender, age bracket of respondent and education level of respondents.

4.3.1 Sacco Branches of Respondents

The study sought to establish the branches from which the respondents came from. These are the main big branches of Mwalimu National SACCO in Nairobi

Table 4.2 Sacco Branches of Respondents

Branch	Frequency	Percent (%)
Tom Mboya	45	49
TSC	25	27
Mwalimu Towers	22	24
Total	**92**	**100**

Source: Researcher (2020)

The results as presented in Table 4.2 shows the number of respondents drawn from Tom Mboya branch were 49%, TSC were 27% and Mwalimu Towers were 24%. The high numbers of Tom Mboya branch attributes to its strategic location within the central business district thus easy access.

4.3.2 Gender of Respondents

The study also sought to find out the gender of the respondents who were either male or female.

Table 4.3 Gender of Respondents

Gender	Percent (%)
Male	18
Female	82
Total	**100**

Source: Researcher (2020)

The results of the study as captured in Table 4.3 below highlights that female respondents were 82% while male were 18%. The high number of female respondents is due to the female being able to embrace the culture of savings hence them being able to join SACCOs in large numbers.

4.3.3 Age Bracket of Respondents

The researcher sought to highlight the age bracket of the respondents.

Table 4.4 Age Bracket of Respondents

Age Bracket	Frequency	Percent (%)
18-27	34	37
28-37	47	51
38-47	11	12
48 and Above	0	0
Total	**92**	**100**

Source: Researcher (2020)

From Table 4.4 the results shows that majority of respondents were in the age brackets 28-37 at 51%, those between the ages 18-27 were 37%, 38-47 stood at 12% while those of 48 years and above were 0%. The age range 28-37 is where most respondents are actively involved in employment and are looking to save for retirement.

4.3.4 Education Level of Respondents

The study explored the education level of the respondents.

Table 4.5 Education Level of Respondents

Level of Education	Percent (%)
Doctorate	0
Masters	10
Bachelor's Degree	64
Diploma	26
Certificate	0
Total	**100**

Source: Researcher (2020)

The result as highlighted in Table 4.5 shows that majority of the respondents at 64% attained bachelor's degree, those respondents with diploma qualification were 26%, masters were 10% while both doctorate and certificate qualifications accounted for 0%. The result is a clear pointer that majority of Mwalimu National SACCO respondents have higher education qualifications hence able to make good financial decisions like saving.

4.4 Information on Service Flexibility

The respondents who were members of Mwalimu National SACCO were required to indicate there views on how the service being provided to meet there external needs. This was to measure the adaptability of the service. The respondents were also required to give their views on how fast the service they required was provided.

Table 4.6 Relationship between Service Flexibility and Customer Retention

Category	Strongly Disagree`	Disagree	Neutral	Agree	Strongly Agree	Total
Adaptability of the service	0(0%)	10(11%)	24(26%)	51(55%)	7(8%)	92(100%)
Speed of delivering	0(0%)	0(0%)	16(17%)	62(67%)	14(15%)	92(100%)

Source: Researcher (2020)

From the findings on statements concerning the influence of service flexibility on customer retention at Mwalimu National SACCO, 55% of them agreed to statement 26% of them were neutral, 11% disagreed with the statements, those who agreed were 8% while strongly disagreed accounted for 0%. On the speed of service delivery, an overwhelming majority at 67% agree that speed of service delivery is a determinant of customer retention at Mwalimu National SACCO, 15% strongly agree, 17% of the respondents chose to remain neutral while those who strongly disagree and disagree polled at 0%

4.4.1 Correlations Service Flexibility and Customer Retention

Upon running a correlation analysis, it was found out that there a strong significant relationship between service flexibility and customer retention.

Table 4.7 Correlations Service Flexibility and Customer Retention

		customer retention	Adaptability of the service	delivery speed
customer retention	Pearson Correlation			
	Sig. (2-tailed)			
	N	92		
Adaptability of the service	Pearson Correlation	-.119		
	Sig. (2-tailed)	.257		
	N	92	92	
Delivery speed	Pearson Correlation	-.077	.371**	
	Sig. (2-tailed)	.468	.000	
	N	92	92	92

Source: Researcher (2020)

4.4.2 ANOVA (Service Flexibility versus Customer Retention)

ANOVA was performed to determine if there exist a relationship between service flexibility and customer retention. The results as presented in Table 4.8 shows lack of statistically significant difference between the groups (F (2, 89) = .715, p = .492; (F (2, 89) = .354, p = .703; (F (2, 89) = .803, p = .451. Hence the conclusion that Mwalimu National SACCO clients are retained due to, adaptability of service and speed of service delivery.

Table 4.8 ANOVA (Service Flexibility versus Customer Retention)

		Sum of Squares	Df	Mean Square	F	Sig.
Adaptability of service	Between Groups	.887	2	.444	.715	.492
	Within Groups	55.232	89	.621		
	Total	56.120	91			
Delivery speed	Between Groups	.237	2	.118	.354	.703
	Within Groups	29.720	89	.334		
	Total	29.957	91			

Source: Researcher (2020).

4.5 Information on Resource Utilization

The respondents who were members of Mwalimu National SACCO were required to indicate there views on whether the Sacco provided products that meet their needs. This was to measure the effectiveness of the service. The respondents were also required to give their views on how well the Sacco staff understood and executed the products they had developed. This measured the efficiency on resource utilization.

Table 4.9 Relationship between Resource Utilization and Customer Retention

Category	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Effectiveness	0(0%)	0(0%)	15(16%)	59(64%)	18(20%)	92(100%)
Efficiency	0(0%)	0(0%)	37(40%)	48(52%)	7(8%)	92(100%)

Source: Researcher (2020).

The result of the study as presented in Table 4.9 shows that majority of the respondents at 64% agree to effectiveness of resource utilization as a determinant of customer retention at Mwalimu National SACCO, those who strongly agree accounted for 20%, those respondents who remained neutral were 16% while those who indicated strongly disagree and disagree were 0%. On efficiency of resource utilization as presented in Table 4.9 below shows majority of the respondents at 52% agree that it contribute to customer retention, 40% chose to remain neutral to the subject, 8% strongly agree, both strongly disagree and disagree rated at 0%.

4.5.1 Correlations between Resource Utilization and Customer Retention

A correlation analysis conducted found out that there exists a strong significant relationship between resource utilization and customer retention.

Table 4.10 Correlations between Resource Utilization and Customer Retention

		customer retention	Effectiveness	Efficiency
Customer retention	Pearson Correlation			
	Sig. (2-tailed)			
	N	92		
Effectiveness	Pearson Correlation	.095		
	Sig. (2-tailed)	.370		
	N	92	92	
Efficiency	Pearson Correlation	.202	.685**	
	Sig. (2-tailed)	.053	.000	
	N	92	92	92

Source: Researcher (2020).

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

4.5.2 ANOVA (Resource Utilization versus Customer Retention)

The researcher performed ANOVA to establish whether using resource utilization influences customer retention. The findings as presented in Table 4.11 indicate lack of statistically significant difference between the groups (F (2, 89) = 1.063, p = .350; (F (2, 89) = 3.150, p = .048; (F (2, 89) = .275, p = .760. Hence, the study concludes that Mwalimu National SACCO retains customers through effectiveness in operations and efficiency in resource utilization and customer specification.

Table 4.11 ANOVA (Resource Utilization versus Customer Retention)

		Sum of Squares	Df	Mean Square	F	Sig.
Effectiveness	Between Groups	.768	2	.384	1.063	.350
	Within Groups	32.134	89	.361		
	Total	32.902	91			
Efficiency	Between Groups	2.262	2	1.131	3.150	.048
	Within Groups	31.955	89	.359		
	Total	34.217	91			

Source: Researcher (2020).

4.6 Information on Service Innovation

The respondents who were members of Mwalimu National Sacco were required to indicate there opinion on whether the SACCO is online banking was always active and met their needs. This was to measure the performance of online banking service. The respondents were also required to give their views on how well the mobile banking facility is effective to meet the day-to-day needs of the members.

Table 4.12 Relationship between Service Innovation and Customer Retention

Category	Strongly Disagree`	Disagree	Neutral	Agree	Strongly Agree	Total
Online banking	7(8%)	0(0%)	40(44%)	45(49%)	0(0%)	92(100%)
Mobile banking	29(32%)	7(8%)	7(8%)	34(37%)	15(16%)	92(100%)

Source: Researcher (2020).

The findings of the study as highlighted in Table 4.12 shows that majority of the respondents at 49% agree that online banking is a determinant of customer retention, 44% of the respondents were neutral, 8% strongly agree while 0% disagree. The findings also highlights the response on mobile banking showing most of the respondents at 37% agree, 32% disagree, 16% strongly agree, both disagree and those who remained neutral stood at 8%.

4.6.1 Correlations between Service Innovation and Customer Retention

On performing a correlation analysis between service innovation and customer retention in Mwalimu National SACCO, the findings revealed a significant relationship between service innovation and customer retention.

Table 4.13 Correlations Between Service Innovation and Customer Retention

		customer retention	Online banking	Mobile banking
Customer retention	Pearson Correlation	1	.218*	.086
	Sig. (2-tailed)		.037	.415
	N	92	92	92
Online banking	Pearson Correlation	.218*	1	.355**
	Sig. (2-tailed)	.037		.001
	N	92	92	92
Mobile banking	Pearson Correlation	.086	.355**	1
	Sig. (2-tailed)	.415	.001	
	N	92	92	92

Source: Researcher (2020).

*. Correlation is significant at the 0.05 level (2-tailed).

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

4.6.2 ANOVA (Service Innovation versus Customer Retention)

Analysis of Variance was gain conducted to establish if service innovation is a determinant to customer retention. The results as presented in Table 4.14 shows lack of statistically significant difference between the groups (F (2, 89) = 2.754, p = .069; (F (2, 89) = .392, p = .677, thus, a deduction that online banking and mobile banking retains Mwalimu National SACCO customers.

Table 4.14 ANOVA (Service Innovation versus Customer Retention)

		Sum of Squares	Df	Mean Square	F	Sig.
Online banking	Between Groups	3.645	2	1.823	2.754	.069
	Within Groups	58.909	89	.662		
	Total	62.554	91			
Mobile banking	Between Groups	1.897	2	.948	.392	.677
	Within Groups	215.092	89	2.417		
	Total	216.989	91			

Source: Researcher (2020).

CHAPTER FIVE: SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter provides summary of findings, discussion, conclusion and recommendations. The aim of this study was to establish how service quality influences customer retention among deposit taking SACCOs.

5.2 Summary of Major Findings

This study sought to establish the influence of service quality on customer retention among deposit taking Saccos in Kenya. This was achieved by unravelling how service flexibility influence customer retention at Mwalimu National SACCO; how resource utilization influence customer retention at Mwalimu National Sacco; how service innovation influence customer retention at Mwalimu National SACCO.

This study was conducted in Nairobi County covering three (3) Mwalimu National SACCO branches; Tom Mboya branch, TSC branch and Mwalimu Towers branch between January 2019 and May 2019. Descriptive research design was used in this study. Target population drawn from the membership of the three (3) branches under study. Data collected through structured questionnaires with both closed and open-ended questions. Data analysis involved performing correlation analysis and ANOVA to establish relationship between the variables of service quality (independent variables) and customer retention (dependent variable).

The study findings revealed that there is a statistical relationship between service flexibility and customer retention. The study further established that resource utilization

is a determinant of customer retention. The study also noted that service innovation is a contributor to customer retention.

5.3 Discussion

5.3.1 Service Flexibility and Customer Retention

The study revealed an existence of a significant relationship between service flexibility and customer retention. This result concurs with that of Al-Rousan & Mohamed (2010) who opines that the flexible services employees provide and the relationships they build are vital to success of customer satisfaction. Further, employees need to understand, believe in and be proud of the organization they are part of. This will lead to serving customers promptly (Al-Rousan & Mohamed, 2010). Untimely response to customer requests is one of the stamps of poor customer service. Customers therefore want to feel valued. They want to know their presence and input to business if appreciated. However, when customers feel neglected and unappreciated, there are high chances that they will move to the next competitor (Klemz & Boshoff, 2011).

The finding is further reinforced by Armstrong (2012) who acknowledge that there is need for a swift action in the event of an immediate need for a service that a firm is failing to deliver, or if they simply do not see work ethics. Poor response time, especially if done repeatedly, results in loss of customers and revenue. The key to generating loyal customers is to provide them with efficient service by the required period. The employees should have adequate knowledge to enable them quickly respond to customer (Mudassar, 2013).

5.3.2 Resource Utilization and Customer Retention

The resulted established that there is a strong significant relationship between resource utilization and customer retention. This argument is supported by opinions of Yoo, Donhty & Lee (2000) that the behaviour of the service provider during service delivery and consumption directly affects customer satisfaction, which will influence their decision to stick or not stick with the service provider. Customer opinion during the provision and consumption of the service is fixated on the provider and on the service delivery effectiveness, not on the service. Customers happen to be satisfied only when they actively engage in the creation, delivery and consummation of the service.

Castro, Armario & Ruiz (2007) also holds the opinion that a crafted framework that portrays a substantial correlation between resource utilization and customer retention and their intentions to retain customers. Schneider and Bowen (1993) as cited by Ad de Jong, Ko de Ruyter & Lemmink (2005) conducted a survey on the internal social group environment and established that those employees opinions with a positive group climate influences customer perceptions about the service quality.

5.3.3 Service Innovation and Customer Retention

The results on service innovation and customer retention showed a statistically significant relationship. This finding concurs with the work of Geoffrey (2015) who opined that branch networking among SACCOs as a form of service innovation views online banking and mobile banking results into a simple bank transaction to some degree. Customers are able to view their accounts, pay bills and transfer money from different account thus resulting to a prudent financial lifestyle making them have the ability to keep an extra prepared financial lifestyle while continue to be attached to the service. Nonetheless, it is

worth noting that even though online banking and mobile banking are a good addition and development, it is not a substitute for brick-and-mortar peers in all cases, it is through these products that the banking institution returns their customers (Frei & Kalakota, 1998).

5.4 Conclusion

Service flexibility has a strong significant relationship with customer retention. This implies that the ability of SACCOs to remain competitive in the wake of technological business world lies in their ability to develop and/or create a shorter turnaround time of its operations to benefit their customers.

The study deduced that service innovation is a determinant of customer retention at Mwalimu National SACCO. This therefore means that Mwalimu SACCO should continuously invest in service innovation to ease the cost of doing businesses for the industry players but also ensure convenience and flexibility for customers to transact from the comfort of their seats.

Resource utilization at the Sacco is a big influence to the Sacco's ability to maintain its customer base. This will ensure that the SACCOs have the ability to deliver as per the customers' specifications as well as guarantee productivity to spur growth of Saccos and increase their customer base.

5.5 Recommendations

There is need for SACCOs to explore more options for service flexibility not only to retain its existence customer base but also to attract potential customers. This if not done could lead to customer poaching by competitors.

Efficiency in resource utilization not only influence customer satisfaction but will also influence their future decision thus the need for Saccos to ensure efficiency in their operations in order to satisfy and maintain their clientele.

The business world is continuously become dynamic hence the influence to become technologically innovative. SACCOs should come up with unique products and services that lessen the burden on customers; this will go along in giving them an edge over their competitors.

The study recommends on the need to carry out the same research in other branches of Mwalimu National SACCO countrywide to confirm if the same opinion held by other members in order to make inferences. Alternatively, the same study performed in other rival SACCOs like Stima, Safaricom so that results compared and deductions made thereafter.

5.6 Areas for Further Studies

The study was conducted in the three branches of Mwalimu National SACCO, Nairobi County. Hence, might not represent the same opinion held by respondents from other SACCOs thus the need to perform the same study in other SACCOs and part of the country to compare the results and make inferences.

REFERENCES

Abdullah, D., & Rozario, F. (2009). *Influence of service and product quality towards customer satisfaction: A case study at the staff cafeteria in the hotel industry.* Athens: World of Academy Science and Engineering Technology. Retrieved January 3, 2015, from http://www.waset.org/journals/waset/v53/v53-28.pdf

Abdullah, H., & Vallentin, B. (2009). *Fundamental and Ethics theories of Corporate Governance.* NewYork, NY: Routledge.

Abudi, G. (2010). *The Five Stages of Team Development: A Case Study*. London, UK: Project Smarts.

Adapa, S. (2011). Continued and Frequent Use of Internet Banking by Australian Consumers: Identification and the Factor Componnts. *Journal of Internet Banking and Commerce, 22*(1), 50-62.

Ademba, C. (2010). Challenges facing SACCO regulations in Africa. *11th SACCA Conference Swaziland*. Mbabane, Swaziland: ACCOSCA.

Adeyemo, R. B. (2005). Saving and Investment Patterns of Co-operative farmers in South East Nigeria. *Journal of Science*, 183-192.

Ad de Jong, Ko de Ruyter & Lemmink, J. (2005). Service Climate in Self-Managing Teams: Mapping the Linkage of Team Member Perceptions and Service Performance Outcomes in a Business-to-Business Setting. Journal of Management Studies, 42(8): 1593–1620.

Agariya, A. K., & Singh, D. (2010). E-Learning quality: Scale development and validation in the Indian Context. *Knowledge Management & E-Learning: An International Journal, 4*(5), 500-515.

Agrawal, A., & Cooper, T. (2007). *Corporate governance and accounting scandals Evidence From TopManagement, CFO and Auditor Turnover.* Tuscaloosa: Culverhouse College of Business.

Al-hamdani, M. A. (2011). *A Survey on the Effects of Progressive Removal of Brand Imagery Elements from Cigarette Packs on the Perception of Adult University Students.* University of Nova-Scotia . Halifax: Unpublished report.

Alila, Patrick O. & Obado, Paul O. (1990) Co-operative credit: the Kenyan SACCOs in a historical and development perspective. Working paper no. 474, Nairobi, KE: Institute for Development Studies, University of Nairobi

Allensworth, N. J. (1996). Social penetration: A description, research, and evaluation. Paper presented at the Annual Meeting of the Southern States Communication Association, Memphis, TN.

Altman, I., & Taylor, D. A. (1973). Social penetration: The development of interpersonal relationships. New York, NY: Holt, Rinehart, & Winston.

Ambrosini, V., Bowman, C. & Collier, N. (2009). Dynamic capabilities: An exploration of how firms renew their resource base, *British Journal of Management*, 20, no. S1, S9-S24.

Amiri, A., & Faghani, F. (2012). Mobile Banking Service Quality and Customer Satisfaction: Application of the Servqual Model. *Int. J. Manag. Bus. Res, 2*(4), 351- 361.

Ananad, V., Devasenathipathi, T., & Sureshbabu, B. (2014). Customer Satisfaction on Tangibility of Banking services in Thavanjur City. *Abhinav National Monthly Refereed Journal of Research, 3*(9), 76-84.

Anand, S. V., & Selvaraj, M. (2012). The Impact of Service Quality on Customer Satisfaction and Loyalty in Indian Banking Sector: An Empirical Study through SERVPERF. *International Journal of Business Management, 2*(2), 152-162.

Andaleeb, S. S. (1995). Dependence relations and the moderating role of trust implications for behavioural intentions in marketing channel, International Journal of Research in Marketing, 12, 157-72.

Anderson, E. W. (2000). Strengthening the satisfaction–profit chain. *Journal of Service Research, 3*(2), 291-310.

Arasli, H. M.-S. (2005). Customer service quality in the Greek Cypriot Banking Industry. *Managing Service Quality: An International Journal*, 41-56.

Atisaya, S. A. (2013). *Operations Strategy and Firm Level COmpetitiveness Among Savings and Co-operative Societies in Nairobi County.* University of Nairobi. Nairobi, KE: Unpublished Report.

Atisaya, S. A. (2015). Innovation Road Map to Success: A Case of Kenya Police SACCO. *Public Sector Tax Seminar*. Nairobi, KE: Institute of Certified Pubic Accountants Kenya.

Bansal, M.K. (2004). Optimising value and quality in general practice within the primary health care sector through relationship marketing: a conceptual framework. *International Journal of Health Care Quality Assurance,* (1764: 180-188).

Barney, J. B. (1991). Strategic factor markets: Expectations, luck and business strategy.

Beck, T., Kunt, A. D., & Levine, R. (2007). *Finance Ineuality and the Poor.* Washington, DC: World Bank.

Bei, L. &. (2006). Determinants of customer loyalty : analysis of intangible factors in three service Industries. *Journal of Commerce and Management, 16*(3), 162-177.

Bellmann, T., & Upward, R., (2007). The Takeover and Selection Effects of Foreign Ownership in Germany: An Analysis Using Linked Worker-Firm Data, *GEP Research Paper*.

Bellou, V. (2007). Achieving long-term customer satisfaction through organizational culture: Evidence from the health care sector. Managing Service Quality, 17(5): 510 - 522 Emerald Group Publishing Limited

Blau, P. M. (1964). Exchange *and Power in Social Life.* New York, NY: John Wiley and Sons

Bhatia, M. B. (2012). Assessment of Service Quality in Public and Private Sector Banks of India with Special Reference to Lucknow City. *International Journal of Scientific and Research Publications, 2*(10), 1-7.

Brady, M. K. (2005). Removing the Contextual Lens: A Multi DImensional, Multi Setting comparison of Service Evaluation Models. *Journal of Retailing, 81*, 215-230.

Branch, B. (2005). *Kenyan Government Develops First CU Regulation with WOCCU Support.* World Council Of Credit Unions. Washington, Madison: WOCCU press.

Brennan D.R., Canning L., (2002). Adaptation processes in supplier-customer relationships, *Journal of Customer Behaviour*, 1, 2, 117-144, http://dx.doi.org/10.1362/14753920260595 183

Brown, S., Gremler, D. & Gwinner, K. (2001). Generating positive word-of-mouth communication through customer-employee relationships. *International Journal of Service Industry Management.* 12(1): 469-482.

Calarco A., Guravis J., (2006). Adaptability: responding effectively to change, CCL, Greensboro.

Carpenter, A & Greene, K. (2015). Social Penetration Theory. Rutgers University, USA, John Wiley & Sons, Inc https://doi.org/10.1002/9781118540190.wbeic160

Case, K., Fair, R. C., & Oster, S. M. (2009). *Principles of Economics.* NewYork, NY: Prentice Hall.

Castro, C. B., Armario, E. M. & Ruiz, D. M. (2007). The influence of market heterogeneity on the relationship between a destination's image and tourists' future behaviour. Tourism Management, 28(1): 175-187.

Chandran, E. (2008). *Research Methods: A Quantitative Approach with Illustrations from Christian Ministries.* Nairobi, KE: Daystar University.

Chowdhury, R. A., & Tabassum. (2014). Customer satisfaction on service quality in private commercial Banking sector in Bangladesh. *British Journal of Marketing Studies, 2*(2), 1-11.

Chrisphinus, B. (2014). *The factors influencing the performance of savings and credit co-operative Societies in Bungoma County.* University of Nairobi. Nairobi, KE: Unpublished Report.

Clapp, B. (2007). Building Loyalty Goes Beyond Good Customer Satisfaction. *Journal of Marketing, 39*(4), 41.

Cook, K. S., & Rice, E. (2006). Social exchange theory, In J. Delamater (Ed.), *Handbook of Social Psychology*. New York, NY: Springer Science Business Media,

Cook, K. S., Cheshire, C, & Gerbasi, A. (2006). Power dependence and social exchange, In P. J. Burke (Ed.), *Contemporary social psychological theories.* Stanford, CA: Stanford University Press

Cooper, D., & Schindler. P. (2014). *Business research methods*. 12th Ed. New Delhi, IN: Tata McGraw Hill.

Cooper, D., & Schindler. P. (2014). *Business research methods*. 12th Ed. New Delhi, IN: Tata McGraw Hill.

Co-op, M. N. (2016). *Mwalimu National SACCO*. Retrieved from Mwalimu SACCO Website: http://www.mwalimunational.coop/

Co-operative Bank. (2010). *Co-operative Movement in Kenya.* Nairobi, KE: Co-operative Bank Kenya Ltd. Retrieved from Co-operative Bank .

Council of Australian Governments (COAG) 2004). Principles and Guidelines for National Standard Setting and Regulatory Action

Curasi C.F., Kennedy K.N., (2002). From prisoners to apostles: a typology of repeat buyers and loyal customers in service businesses, *Journal of Services Marketing*, 16, 4, 322-341, http://dx.doi.org/10.1108/08876040210433 220

DeTienne, K. B. & Holland, A.S., (2007). An empirical investigation of the components of quality service operations: a B2B analysis. Available from: http://www.swdsi.org/swdsi07/2007_proceedings/papers/706“.pdf

Delloitte. (2009). *Banking the Unbanked; Prepaid Cards, Mobile Money Transfer and Commercial Banks.* Deloitte. Nairobi, KE: Deloitte Publication. Retrieved May 4, 2015

Denison, D. R., & Mishra, A. K., (1995). Toward a theory of organizational culture and effectiveness, Organization Science, 6: 204-223.

Denison, D. (1990). Corporate culture and organizational effectiveness. New York, NY: Wiley.

DiJulius, J. R. (1964). Secret Service: Hidden Systems that Deliver Unforgettable Customer Service. New York, NY: American Management Association, 4.

Dinn, V., & Pickler, L. (2012). Examining Service Quality and Customer. *Journal of Relationship Maketing, 37*(41), 200-214.

Dubeit L., & Renaghan, L.(2000). Creating visible customer value: how customers view best practice champions. Cornell Hotel and Restaurant Administration Quarterly, 41 (1) Harrel, G.D., Hutt, M.D. and Anderson, J. C. (1980) *Path analysis of buyer behavior under conditions of crowding.*

Drucker, P. (2001). EficienĠa factorului decizional (“The efficiency of the decision makers”), Bucuresti: Editura Destin

Eisenhardt, K. & Martin, J. (2011). Dynamic capabilities: What are they? *Strategic Management Journal*, 21(10/11), 1105-1121.

Emerson, R. (1976). Social exchange theory *Annual Review of Sociology*, 2, 335-362

Eskildsen, J., & Kristensen, K. (2007). Customer Satisfaction: The Role of Transparency. *Total Quality Management and Business Excellence, 18*(1), 39-47.

Evans A. C, E. (. (n.d.). *Strengthening Credit Unions in Sri Lanka: Research Monograph.* World Council Of Credit Unions . Colombo: Madison: World Council Of Credit Unions press.

Fey, C. F. & Denison, D. (2003). Organizational culture and effectiveness: Can American theory be applied in Russia? Organization Science, 14(6): 686-706.

Gall, M. D., Gall, J. P., & Borg, W. R. (2007). *Educational research: An introduction*. Boston, MA Pearson Education

Gamba P,Komo I, (2011). Evolution, growth and Decline of Co-operative Sector, *a paper prepared for the Centre for Governance and development*

Getty, J. M., & Getty, R.L. (2003). Lodging Quality Index (LQI): Assessing hotel guests' perceptions of quality delivery. International Journal of Contemporary Hospitality Management, 15(2), 94-104.

Giannoccaro I., (2015). Adaptive supply chains in industrial districts: a complexity science approach focused on learning, *International Journal of Production Economics*, 170, B, 576-589, http://dx.doi.org/10.1016/j.ijpe.2015.01.004

Gijselinckx, C., & Devetere. (2007). *The co-operative trilemma: Cooperatives between market, state and the civil society.* Brussels: Catholic University of Leuven.

Gillespie, M. A., Denison, D. R., Haaland, S., Smerek, R. & Neale, W. S. (2008). Linking organizational culture and customer satisfaction: Results from two companies in different industries. European Journal of Work and Organizational Psychology, 17(1): 112-132.

Hafeez, S., & Muhammad, B. (2012). The Impact of Service Quality, Customer Satisfaction and Loyalty Programs on Customer Loyalty: Evidence from the Banking Sector in Pakistan. *International Journal of Business and Social Science, 3*(16), 200-209.

Hall, C.M. & Williams, A.M. (2008). Tourism and innovation. London, UK: Routledge.

Harker, P. T., & Zeinos, S. A. (2000). *Performance of Financial Institutions: Efficiency, Innovation, Regulation.* New York, NY: Cambridge University Press.

Helfat, C.E. & Winter, S.G. (2011). Untangling dynamic and ordinary capabilities: strategy for the (n)ever-changing world, *Strategic Management Journal*, 32, 1243-1250.

Helgesen, O. (2006). Are Loyal Customers Profitable? Customer Satisfaction, Customer (Action) Loyalty and Customer Profitability at the Individual Level. *Journal of Market Management, 3*(4), 245-266.

Homans, G., C. (1958). Social behavior as exchange, *American Journal of Sociology*, 63, 597-606.

Homans, G, C. (1961). *Social Behavior: Its Elementary Forms*. New York, NY: Harcourt Brace

ICA. (2013). *Blue Print for a Co-operative Decade.* Geneva: ICA Press.

Jehnsen, T. a. (1977). *Stages in Group Development- One Model.* Oxford Learning Institute. London: Oxford University Press.

Johnson, G., & Whttington, R., (2006). *Exploring Corporate Strategy*. Harlow: Prentice Hall: Financial Times.

Johnston, R. (1995). The determinants of service quality: satisfiers and dissatisfiers. *International Journal of Service Industry Management, 6*(5), 53-71.

Kano, N., Seraku, N., Takahashi, F. & Tsuji, S. (1984). Attractive quality and must-be quality. Hinshitsu. Quality, The Journal of the Japanese Society for Quality Control, 14(2): 39-48.

Kohls, R. L., & Uhl, J. N. (2002). *Marketing of Agricultural Products* . 9th Ed. New Jersey, NY: Prentice Hall

Kombo, D.K. & Tromp, L.A. (2009). Proposal and Thesis Writing: An Introduction. Nairobi, KE: Paulines Publications Africa

Kothari, C.R (2012). *Research Methodology: Methods & Techniques*. New Delhi, IN: New age International Publishers

Kotler, P. (1996). Marketing Management Analysis, Planning, Implementation and Control. Eaglewood Cliffs New Jersey, NJ: Prentice-Hall inc.

Kumar, S. A., Tamilmani, B., Mahalingam, S., & Kovan, M. V. (2010). Influence of Service Quality on Attitudinal Loyalty in Private Retail Banking : An Empirical Study. *The IUP Journal of Management Research, 9*(4), 21-38.

Lam, R., & Burton, S. (2008). SME banking loyalty (and disloyalty): a qualitative study in HongKong. *International Journal of Bank Marketing, 24*(1), 37-52.

Lau, M. M., Cheung, R., Lam, A. Y., & Chu, Y. T. (2013). Measuring Service Quality in the Banking Industry: A Hong Kong Based Study. *Contemporary Management Research, 9*(3), 262-282.

Lee, J. W. C., Mohamad, O & Ramayah, T. (2010). Outsourcing: is the social exchange theory still relevant in developing countries? *Journal of Research in Interactive Marketing,* 4(4), 316-345

lee, M. C., & Hwan, I. S. (2005). Relationships among Service Quality, Customer Satisfaction and Profitability in the Taiwanese Banking Industry. *International Journal of Management, 22*(4), 635-648.

Leszczyński G., (2014). Adaptacja w relacjach business-to-business: uwarunkowania i efekty [Adaptation in business-to-business relations: determinants and effects], UE Poznań, Poznań.

Lewis, D. & Bridger, D. (2000). The Soul of the New Consumer: Authenticity: What we buy and Why in the New Economy. Nicholas Brealey Publishing.

M, B. B. (2001). *The Road to Jinotega, Part II Towards Maximising Credit Union Financial Sustainability.* Washington, Madison: World Organization of Credit Unions .

Maina, D. T. (2007). *Corporate Finance.* Nairobi, KE: Regional Institute of Cooperatives development and Management.

Mariappan, V. (2006). Changing the Way of Banking in India Journal of Economics and Behavioral Studies. 26(2), 26-34.

Mazur, G., & Hopwood, T. (2007). Context Sensitive Solutions: The Application of QFDfor Developing Public Transport Projects in the United States. *10th International Symposium on Quality Function Deployment* (pp. 3-8). Washington, DC: QFD Press.

McCabe, D., Rosenbaum, M., & Jurchisin, J. (2007). Perceived Service Quality and Shopping Motivations: A Dynamic Relationship. *Services Marketing Quarterly, 29*(1), 1-21.

McDougall, G. H., & Levesque, T. J. (1994). A revised view of service quality dimensions: An empirical investigation. *Journal of Professional Service Marketing, 11(1), 189-209.*, 189-209.

Mistry, S. H. (2013). Measuring Customer Satisfaction in the Banking Sector: With Special Refference to Surat City. *Asia Pacific Journal of Marketing & Management Review*, 132-140.

Mittal, V. & Kamakura, W. A. (2001). Satisfaction, Repurchase Intent, and Repurchase Behavior: Investigating the Moderating Effect of Customer Characteristics. *Journal of Marketing Research*, 38(1): 131-142.

Moser, T. R. (1999). *Handbook of Creative Team Leaders.* Hampshire: Gower Publishing.

Motley, B. (2005). Beyond Customer Satisfaction. *Journal of Bank Marketing, 37*(6), 46.

Mugenda, O. & Mugenda, A., (2013) *Research Methods: Quantitative and Qualitative approaches,* Nairobi, KE: Acts Press

Mugenda, O. M., & Mugenda, A. G. (2003). *Research Methods: Quantitative and Qualitative Approaches.* Nairobi, KE: Acts Press. Retrieved September 30th, 2014

Munyiri, C. (2006). Study visit on the role of women in development of microfinance in Africa. *Digest, 3*(1), 1-6.

Mwakajumilo, (2011). Factors affecting portfolio investment of SACCOs in Tanzania: Unpublished Research paper submitted to the Moshi University College of Cooperatives and Business Studies for Professional Certificate of SACCOs Management.

Nelson, P. (1974). Advertising as information. *Journal of Political Economy*. 81: 729-54.

Newing, H. (2011). *Conducting Research in Conservation: Social Science Methods and Practice.* New York, NY: Routledge

Nkuru, F. (. (2015). Factors Affecting Growth of Saccos Within The Agricultural Sector in Kenya: A case of Meru Farmers SACCOs. *Global Journal of Commerce & Management Perspective,, 4*(1), 34-45.

Ofei, K. (2001). *Retooling credit unions: The case of credit union association of Ghana.* Legon: University of Ghana Press. Accra: International Labour Organization.

Ombado, G. (2010). Identifying and maximising SACCO's potential. *ACCOSA Newsletter*. Nairobi, KE: ACCOSA.

Ouma, B. O., Ndirangu, A. W., Munyaka, F. G., George, G. E., Mandere, E. N., Maringa, A. K., Maswari, E. (2013). Organizational Customers' Retention Strategies on Customer Satisfaction: Case of Equity Bank Thika Branch, Kenya. *IISTE, 4*(10), 245-260.

Owen, O. a. (2001). Adopting and Measuring Customer Service Quality (SQ) in Islamic Banks: A Case Study in Kuwait Finance House. *International Journal of Islamic Financial Services, 3*(1).

Panos, D. (2014). Social Penetration Theory Revisited. *Mediterranean Journal of Social Sciences,* 5, 19. DOI:10.5901/mjss.2014.v5n19p185

Parasuaman, A, Zeithmal, V.A, & Berry, L. L. (1994). Alternative scales for measuring service quality: a comparative assessment based on Psychometric and diagnostic criteria. Journal of Retailing, 70(3), 193-194.

Payne, C., & Payne, L. (2004). Realism's role among scientific paradigms in marketing research, *Irish Marketing Review*, 12(2), 16-23

Pennington, N. (2015). Building and Maintaining Relationships in the Digital Age: Using Social Penetration Theory to Explore Communication through Social Networking Sites." Ph.D., United States

Phelps, E. (2008). *Keynes had no sure cure for slumps.* Columbia University. Washington, DC: Columbia University Press.

PROCASUR. (2012). *In pursuit of ideas to develop Savings and Credit Cooperatives: An Overview of SACCOs in Kenya.* Nairobi, KE: Procasur Africa Press

Rehman, A. A. (2012). Customer satisfaction and service quality in Islamic banking: A comparative study in Pakistan, United Arab Emirates and United Kingdom. *Qualitative Research in Financial Markets, 4*(2), 165-175 Ramsaran – Fowdar RR.2005. Identifying health care quality attributes. Journal of health and Human Services Administration Spring: 428-443.

Rigopoulou, L., Tsiotsou, R. & Kehagias, J. (2008). Shopping Orientation – defined segments based on store choice criteria and satisfaction: An empirical investigation journal of Marketing Management, 24, No.9 and 10, 979-995)

Santos, J. (2002). From intangibility to tangibility on service quality perceptions: a comparison study between consumers and service providers in four service industries. *Managing Service Quality: An International Journal, 5*(5), 292 - 302.

Sasikala. (2013). Impact of Demographics on Service Quality, Customer Satisfaction and Loyalty in Indian Banking in Vellore District. *Asia Pacific Journal of Marketing and Management Review, 2*(6), 102-116.

SASRA. (2010). *SACCO Supervision Report 2010.* Nairobi, KE: SACCO Societies Regulatory Authority .

SASRA. (2013). *Annnual SACCO Supervisio Report.* SACCO Supervision and Regulatory Authority. Nairobi, KE: SASRA press.

Saunders, M., Lewis, P. &Thornhill, A. (2009*). Research Methods for Business Students.* 5th Ed. London, UK: Pearson Education

Schneider, B. & Bowen, D.E. (1995). Winning the Service Game, , Boston, MA: Harvard Business School Press

Sebhatu, K. T. (2011). Management of SACCOs from Perspective of outreach and Sustainability: Evidence from Southern Tigre of Ethiopia. *IISTE Journals, 2*(7), 189-197.

Sekaran, U., (2010). Modeling Labour Market Adjustment to Trade Liberalization in an Industrializing Economy. *The Economic Journal,* 108 (447), 509-528.

Shanka, M. S. (2012). Bank Service Quality, Customer Satisfaction and Loyalty in Ethiopian Banking Sector. *Journal of Business Administration and Management Sciences Research, 1*(1), 001-009.

Shariq M. & Tondon R. (2012). A Study of ATM Usage in Banks in Lucknow, Kanpur & Varansi. *International Journal of Engineering & Management Sciences*, 3, 34-40

Solnet, G. (2007). Social Identity theory: A role in hotel industry research. In: Christou, E. and Sigala, M. 2007 I-Chrie Conference, Dallas, Texas USA, 25-29 July 2007.

Solnik, C. (2007). Banking on Customer Satisfaction. Long Island Business News. *Long Island Business News,* 54.

Sungjin, Y (2005). Service Quality at Hospitals, In Asia Pacific Advances in Consumer Research Volume 6, eds. Yong-Uon Ha and Youjae Yi, Duluth, M. N.: Association for Consumer Research: 188-193.

Taylor, D., & Altman, I. (1975). Self-disclosure as a function of reward-cost outcomes. *Sociometry, 38,* 18-31. doi:10.2307/2786231

Taylor, D., & Altman, I. (1987). Communication in interpersonal relationships: Social penetration processes. In M. Roloff and G. Miller (Eds.), Interpersonal processes: New directions in communication research (pp. 257-277), Newbury Park, CA: Sage.

Teece, D.J, Pisano, G. & Shuen, A. (2010).Adaptability: How Dynamic Capabilities And Slack Resources Shape

Teece, D.J. (2007). Explicating dynamic capabilities: the nature and micro foundations of (sustainable) enterprise performance, Strategic Management Journal, 28,1319-1350.

Thorsten, B., Demirgüç-Kunt, A., & Levine, R. (2007). *Finance, Inequality, and the Poor.* Brown University. Washington, DC: World Bank Press.

Tuba Pekkirbizli, M. I. (2015). Food safety and quality assurance systems in Turkish agribusiness: an empirical analysis of determinants of adoption. *: ECONOMIA AGRO-ALIMENTARE*.

Turner, J, H. (1986). *The structure of sociological theory*. Chicago, IL: Dorsey Press

Ueltschy Murfield M.L., Esper T.L., (2016). Supplier adaptation: a qualitative investigation of customer and supplier perspectives, *Industrial Marketing Management*, 59, 96-106. http://dx.doi.org/10.1016/j.indmarman.2016 .02.004

Vazque 2, Rodriguez-Del Bosque, I.A. Ma Daz, & Ruiz, A. (2001). Service Quality in Supermarket retailing: Identifying Critical Service Experience*", Journal of Retailing and Customer Services*, 8, 1-14.

Wang, C.L. & Ahmed, P.K. (2007). Dynamic capabilities: A review and research agenda, *International Journal of Management Reviews*, 9(1), 31-51.

WOCCU. (2010). *2010 Satistical Report.* Washington, DC: Madison: WOCCU Press.

WOCCU. (2012). *WOCCU Statistical Report*. Retrieved from World Organization of Credit Unions: www.woccu.org retrieved

Yoo, B., Donthu, N. & Sungho, L., (2000). An Examination of Selected Marketing Mix Elements and Brand Equity. Journal of the Academy of Marketing Science, 28: 195-211.

Zafar, M., Zafar, S., Asif, A., Hunjra, A. I., & Ahmad, M. (2012). Service Quality, Customer Satisfaction and Loyalty: An Empirical Analysis of Banking Sector in Pakistan. *Information Management and Business review, 4*(3), 469-474.

Zahra, S.A., Sapienza, H. & Davidson, P. (2013). Entrepreneurship and dynamic capabilities: a review, model and research agenda. *Journal of Management Studies*,43 (4), 918-955

Zeithaml, V. A., & LBerry, A. P. (1990). *Delivering Quality Service.* New York, NY: The Free - Press.

Zetzsche, D. A. (2007). *An Ethical Theory of Corporate Governance History.* Dusseldorf: Center for Business and Corporate Law.

Zhou, L. (2004). A dimension-specific analysis of performance-only measurement of service quality and satisfaction in China‘s retail banking. *Journal of Services Marketing,, 18* (7), 534-546.Zhu X., Żółkiewski J., (2016). Exploring service adaptation in a business-to-business context, *Journal of Service Theory and Practice*, 26, 3, 315-337, http://dx.doi.org/10.1108/JSTP-02-2014- 0039

Zolla, M. and Winter, S. (2002). How dynamics, management, and governance of resource deployments influence firm level performance. *Strategic Management Journal*, 26(5), 489-496

Zott, C. (2003). Intra-Industry Differential Firm Performance: Insights From A Simulation Study. PHD thesis, University of British Columbia.

APPENDICES

APPENDIX I: INTRODUCTION LETTER

Dear respondent,

My name is Waithira Musyoki, a Master's student at the Africa Nazarene University (ANU). I am carrying a research on the "*The Effect of Service Quality on Customer Retention at Mwalimu National SACCO in Nairobi County, Kenya"* Please note that is purely an academic work and the information collected will be treated with utmost confidentiality, no form of this material will be published without the consent of the respondents. The identities of the respondents will be anonymous. Kindly spare some minutes of your time to complete the questionnaire.

Thank You.

Yours faithfully,

Waithira Musyoki

APPENDIX II: QUESTIONNAIRE

Section I: Background Information

Instructions (*Please put a tick next to the appropriate response and where open, please answer as is required***)**

Section I: General Information/Bio-Data

1. Name of Respondent ……. (*Optional*)

2. What is the Name of Sacco Branch?

   Tom Mboya [ ] TSC [ ] Mwalimu Towers [ ]

3. Respondents Gender

   Male [ ] Female [ ]

4. What is your age bracket?

   18-27 [ ] 28-37 [ ] 38-47 [ ] 48 and Above [ ]

5. What is your highest level of Education?

   Doctorate [ ] Masters [ ] Bachelor's Degree [ ] Diploma [ ] Certificate [ ]

   Other (Specify)…….

Section II: Information on Service Flexibility

6) On a scale of 1-5, 1 being "strongly disagree", and 5 being "strongly agree." Rank each of the following statements on a scale of 1-5 (1-strongly disagree, 2-disagree, 3-Neutral, 4-Agree, 5- Strongly Agree. ***(Kindly score your perception on the flexibility of service of the SACCO in the allotted columns below)***

Statement	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
	1	2	3	4	5
The services in my sacco can be custom made to fit customer needs (adaptability)	1	2	3	4	5
Services are delivered in the shortest time in my Sacco (delivery speed)	1	2	3	4	5

Section III: Information on Resource Utilization

7) On a scale of 1-5, 1 being "strongly disagree", and 5 being "strongly agree." Rank each of the following statements on a scale of 1-5 (1-strongly disagree, 2-disagree, 3-Neutral, 4-Agree, 5- Strongly Agree. ***(Kindly score your perception on resource utilization of the SACCO in the allotted columns below)***

Statement	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
	1	2	3	4	5
The Sacco ensures effective resource utilization	1	2	3	4	5
My Sacco is efficient in resource utilization	1	2	3	4	5

Section IV: Information on Service Innovation

8) On a scale of 1-5, 1 being “strongly disagree”, and 5 being “strongly agree.” Rank each of the following statements on a scale of 1-5 (1-strongly disagree, 2-disagree, 3-Neutral, 4-Agree, 5- Strongly Agree. ***(Kindly score your perception on innovation of the SACCO in the allotted columns below)***

Statement	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
	1	2	3	4	5
My Sacco ensures performance of online banking	1	2	3	4	5
The Sacco encourages the use of mobile banking.	1	2	3	4	5
My sacco promotes electronic funds transfer					

APPENDIX III: ANU LETTER OF RESEARCH AUTHORIZATION

AFRICA NAZARENE
UNIVERSITY

9th, May 2019

E-mail: researchwriting.mba.anu@gmail.com

Tel. 0202711213

Our Ref: 11S03EMBA016

The Director.
National Commission for Science,
Technology and Innovation (NACOSTI),
P. O. Box 30623, 00100
Nairobi. Kenya

Dear Sir/Madam:

RE: RESEARCH AUTHORIZATION FOR: MS. WAITHERA WAIYEGO

Ms. Waiyego is a postgraduate student of Africa Nazarene University in the Master of Business Administration (MBA) program.

In order to complete her program, Ms. Waiyego is conducting a research entitled: "**Influence of Service Quality on Customer Retention among Deposit Taking SACCOs in Kenya: A Case of Mwalimu National SACCO Nairobi"**

Any assistance offered to her will be highly appreciated.

Yours Faithfully,

for **PROF. ORPHA ONG'ITI,**
PRINCIPAL: NAIROBI CBD CAMPUS.

APPENDIX IV: NACOSTI LETTER OF RESEARCH AUTHORIZATION



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone:+254-20-2213471,
2241349,3310571,2219420
Fax:+254-20-318245,318249
Email: dg@nacosti.go.ke
Website : www.nacosti.go.ke
When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/19/73789/30729** Date: **12th July, 2019.**

Waithira Waiyego Muraguri
Africa Nazarene University
P.O. Box 53067-00200
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Influence of service quality on customer retention among Deposit Taking SACCOs in Kenya: A case of Mwalimu National SACCO Nairobi."*** I am pleased to inform you that you have been authorized to undertake research in **Nairobi County for** the period ending **11th July, 2020.**

You are advised to report to **the County Commissioner, and the County Director of Education, Nairobi County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

DR. STEPHEN K. KIBIRU, PhD.
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Nairobi County.

The County Director of Education
Nairobi County.

National Commission for Science, Technology and Innovation is ISO9001 : 2008 Certified

APPENDIX V: NACOSTI LETTER PERMIT

THIS IS TO CERTIFY THAT:
MS. WAITHIRA WAIYEGO MURAGURI
of AFRICA NAZARENE UNIVERSITY,
552-200 Nairobi,has been permitted to
conduct research in *Nairobi County*

on the topic: *INFLUENCE OF SERVICE QUALITY ON CUSTOMER RETENTION AMONG DEPOSIT TAKING SACCOS IN KENYA: A CASE OF MWALIMU NATIONAL SACCO NAIROBI*

for the period ending:
11th July,2020

.....
Applicant's
Signature

Permit No : NACOSTI/P/19/73789/30729
Date Of Issue : 12th July,2019
Fee Recieved :Ksh 1000



.....
Director General
National Commission for Science,
Technology & Innovation

APPENDIX VI: STUDY LOCATION MAP

