MAKERERE UNIVERSITY

MAKERERE UNIVERSITY BUSINESS SCHOOL

INNOVATION CAPACITY, CUSTOMER SERVICE QUALITY AND CUSTOMER RETENTION IN MICRO FINANCE INSTITUTIONS IN UGANDA. A CASE OF JINJA CITY

BY

MUSEKWA SARAH

2016/HD10/2723U

A DISSERTATION SUBMITTED TO MAKERERE UNIVERSITY BUSINESS SCHOOL (FACULTY OF GRADUATE STUDIES AND RESEARCH) IN PARTIAL FULFILLMENT FOR THE REQUIREMENTS OF THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF MAKERERE UNIVERSITY

DECEMBER 2023

PLAN A

Declaration

Declaration

This research proposal is original and it has never been submitted to any university for any academic award.

Signature.....Date.....13/12/22.....

Sarah Musekwa

2016/HD10/2723U

Approval

Approval

This is to certify that this dissertation has been submitted with our approval as supervisors.

Prof. Ngoma Muhammed

Signature..... Date..13/12/2023..

Dr. Olyanga Anthony Moni

Signature..... Date..13/12/2023

Dedication

I dedicate this research to my entire Family and friends for their positive contribution throughout the study.

Acknowledgement

I thank the almighty God for the grace and mercy, knowledge and understanding that has enabled me to complete this dissertation.

My sincere appreciation goes to Prof. Ngoma Mohammed for the time she sacrificed, to supervise me given his tight administrative schedules.

I also thank Dr. Olyanga Moni Anthony for supervising me given his tight lecturing schedules; he was always available to correct me

I also acknowledge the contribution of my course mates for the encouragement, team work and the determination they offered ever since we started MBA.

Table of Contents

Declaration i
Approval ii
Dedication iii
Acknowledgement iv
List of Tables vii
List of figures viii
LIST OF ACRONYMS ix
Abstract x
CHAPTER ONE 1
1.0 Introduction 1
1.1 Background of the study 1
1.2 Statement of the problem 4
1.3 Purpose of the study 5
1.4 Objectives of the study 5
1.5 Research Questions 5
1.6 Scope of the study 5
1.7 Significance of the study 6
1.8 Conceptual Framework 7
1.9 Explanation of the conceptual frame work 7
CHAPTER TWO 9
LITERATURE REVIEW 9
2.0 Introduction 9
2.1 Customer Retention 9
2.2 Innovation Capacity 10
2.3 Customer Service Quality 11
2.4 Innovation Capacity and Customer Retention 12
2.5 Customer Service Quality and Customer Retention 13
2.6 Innovation Capacity, Customer Service Quality and Customer Retention 16
CHAPTER THREE 18
METHODOLOGY 18
3.0 Introduction 18
3.1 Research design 18

3.2 Study Population 18
3.3 Sample Size and sampling Technique 18
3.4 Data sources 19
3.5 Data Collection Instruments 19
3.6 Reliability and Validity of the Instruments 20
3.7 Measurement of the Variables 21
3.8 Data Processing and Analysis 21
3.10 Ethical considerations 22
CHAPTER FOUR 23
RESULTS AND INTERPRETATION OF FINDINGS 23
4.1 Introduction 23
4.2 Descriptive of demographic characteristics 23
4.4 Hierarchical regression analysis 29
CHAPTER FIVE 32
DISCUSSION, CONCLUSION AND RECOMMENDATIONS 32
5.1 Introduction 32
5.2 Discussion of the findings 32
5.3 Conclusion 34
5.4 Recommendations 35
5.5 Limitations of the study 36
5.6 Area of further the study 36
REFERENCES 37

List of Tables

Table 3.1 Showing population and sample size **19**
Table 3.2: Validity and reliability results **21**
Table 4.1: The distribution of Gender **23**
Table 4.2: The distribution of marital status **23**
Table 4.4: The distribution of age of the respondents **24**
Table 4.5: The distribution of Level of Education **24**
Table 4.6: The distribution of work experience in current position **24**
Table 4.7: The distribution of position held **25**
Table 4.8: The distribution of number of employees in micro-finance **26**
Table 4.9: The distribution of size of micro-finance institutions **26**
Tabe 4.10: The distribution of years of banking **26**
Tabe 4.11: The distribution of current profession **27**
Table 4.12: Multicollinearity of the variables **28**
Table 4.13: Correlation between dependent and independents variables **28**
Table 4.14: Hierarchical regression analysis **30**

List of figures

Figure 1: Showing normal distribution of customer retention in micro-finance institutions**.....27**

LIST OF ACRONYMS

AMFIU: Association of micro finance institutions in Uganda

B.O.U: Bank of Uganda

ATM: Automatic Teller Machine

CVI: Content Index Validity

EFTPOS: Electronic funds transfer at the point of sale

MDI: Micro Deposit taking Institutions

MFI: Micro finance institutions

MIX: Micro finance information exchange

NGO: Non-Governmental Organizations

SPPS: Statistical Package for Social Science

SSA: Sub Saharan Africa

UBOS: Uganda Bureau of Statistics

Abstract

Customer retention is a critical issue regarding Micro finance institution is concerned in Uganda, it increases sales and profits through the high performing loans offered to the clients. The objective of the study was to examine the relationship between innovation capacities, customer service quality and customer retention in MFIs in Jinja. This study used primary data which was obtained through the use of a self-administered questionnaire. A sample of 177 respondents were obtained during the survey. Data was analysed using SPSS version 21 and deceptive statistics, Variation Inflation Factor, normal distribution, correlation to measure the degree of association between variables under consideration, and also the hierarchical regression model was used**.**

Most (41.7%) of respondent were officers followed by (26.7%) who were supervisors. The results for the correlation portrayed that there is positive significant relationship between innovation capacity and customer retention (*r=0.4736, p>01*). Additionally, results show that there is positive significant positive relationship between customer service quality and customer retention (*r=0.6574**, p<.01*). Although, the hierarchical regression model reveals that in Model 1 there is 39.6% of customer retention in explaining Innovation capacity in micro-finance institutions in Jinja. Model show that there is a positive significant relationship between customer retention and Innovation capacity and R^2 *was significant F (2,51) = 27.977,* $R^2\Delta$= 0.396: *p= 0.000.* An increase in innovation can strengthen the capacity and also lead to an increase in customer retention in in micro-finance institutions leading to boost overall profitability.

Finally, the regression model explains that the overall of 71.7% ($AdjR^2$ = 0.7172) of the variance in customer retention in micro-finance institutions, implying that there is 28.3% being explained by other factors. However, considering the two predictors in this study, the results show that innovation capacity and customer service quality are significant predictors of customer retention in micro-finance institutions in Jinja *F (1,50) = 23.414,* $R^2\Delta$*= 0.114, p= 0.000.* hence the *p*-value is less than 0.05.

This study recommends that micro finance institutions should attempt to segment their market to match customer needs and firm capabilities by managing customer base via effective tie ring of service delivery of quality services as well as conducting churn diagnostic monitoring of declining/ defecting customers.

CHAPTER ONE

1.0 Introduction

This chapter presents the background of the study, Statement of the problem, Objectives of the study, research questions, Scope of the study, Significance and Conceptual frame work.

1.1 Background of the study

The global multiplication of financial institutions (MFIs and commercial banks), a weak diversification of products and the lack of entry barriers in the MFI sector have led to stiff competition in the sector (Cohen, 2016). To survive in that context, Micro Finance Institutions are obliged to invest in intangible assets like customer retention which are difficult to duplicate by competitors (Gyan, 2016). Customers are valuable assets that should be retained if firms are to achieve their intended goals (Majid *et al*., 2014). For an organization to constantly retain its numerous customers in this competitive global village there is the need to set strategies aimed at meeting their needs, as a retained customer through improved service quality will give room for repeated purchase while unsatisfied customer due to poor quality service may decide to switch to competitive brands of other organizations (Odunlami, 2015). In addition, customer retention in a competitive environment is very important. (Ark *et al.*, 2014) maintained that increasing customer retention rates by 5% increases profits by 25% to 95% and the likelihood of converting an existing into a repeat customer is 60%-70% across a range of industries. Customer retention leads to building of long-term relationships that benefits both the customers and the organization through increase in the quality and quantity of exchanges (Mamman, 2020). Customer retention makes the customers to build trust in the organization and also put it in a better position to understand and meet their needs.

In most Sub-Saharan African countries, the microfinance industry has remained largely underdeveloped (Gupta, 2018). As a result, technological innovations, product refinements and

ongoing efforts to strengthen the capacity of African MFIs through emphasizing service quality are needed to reduce costs, increase outreach and boost overall profitability (Laffourcade, 2019).The study is articulated by the Relationship marketing theory (Moller & Hallinen, 2000) which proposes that as company delivers value to customer, strength of its relationship with the customer will improve and increase the customer retention. Companies which have implemented the idea of customer relationship management are the most successful ones regardless of their business field (Kumar and Petersen, 2012).

In Uganda, MFIs retain customers by ensuring that they resist pressures to switch to other service providers, which enables them to remain competitive and stand financially (Nagasimha, 2019). MFIs have identified and anticipated the customer needs/ wants and have tried to exceed them by creating good ambience, communicating to the customer, complementing, hiring professional staff and consistent service delivery (Tukamushaba & Musinguzi, 2012). The popularity which MFIs enjoy is attributed to their continuous efforts to satisfy and retain the existing customers and designing strategies to attract new ones (Waterfield *et al.*, 2016). The ability of the MFIs to develop the individual skills of each employee to match with the new innovations through research has proved to be the reason for the survival of the micro finance institutions in Uganda. The potential to provide reasonable innovation has been boosted by financial sustainability of MFIs, and have only achieved it by ensuring that their customers (the active poor) are satisfied and delighted by their service offerings (Hulme& Mosley, 2016).

MFIs have put into account the present value of the future revenues that customers would give to their institutions in apportioning the rate of retention, since the customer's value is measured with respect to its future sale potential and not the current potential (Rosenberg, 2015). This has helped to identify the considerations of which customers to retain. MFIs in Jinja measure their performance with respect to client retention, where they distinguish between monitoring

(continuous measurement) and other basic forms of information gathering related to market research (undertaken at a specific point in time) (Urquizo, 2016). In addition, they collect information on consumer behaviour using the information desks and suggestion box and it is supported by market intelligence systems that would permit it to flow through and analysis is done at a strategic decision level (Saad & Kamel, 2021).

Innovation in MFIs of Jinja city has provided easy access to accurate activities such as disbursements, repayments, deposits, withdrawals, and money transfer and thus making their completion faster and better controlled with minimal opportunity for errors (Laffourcade, 2019). As there is increasing complexity in demand for microfinance services among clients, the role of innovation is crucial. Filpo (2016) found the impediments to the success of MFIs to relate to individual skills, research and development and leadership culture.

Despite the above efforts of MFIs to retain their customers, there exist some gaps which need to be addressed if these institutions are to achieve their intended goals. For instance, MFIs in Jinja are facing relatively low levels of customer retention amongst "loan users". The institutions witnessed between 25- 60% of client exit or drop-out from Ugandan MFIs-NGOs (UBOS, 2019). While this number included those clients "resting" between loan cycles, Nkanikpo & Udofot (2015) suggests that despite Jinja's MFIs efforts to improve the services for their clients in response to competition, customers have continued to switch to other financial institutions. In addition, many clients simply do not borrow from an MFI again after they have dropped out. Present research indicates that 26% of the clients who had previously used MFIs either resort to commercial banks or use their equity funds to finance their businesses (UBOS, 2018). Micro finance institutions in Jinja city have witnessed the exodus of clients to commercial banks. In addition, the closure of some of the microfinance comes following the fact that they were flaunting the bank of Uganda regulations regarding the credit and savings institutions and also defaulting

their clients millions of moneys. Research attributes the closure partly due to the increased client turnover which also resulted into liquidity problems (BOU, 2016). As a way of implementing the government policy, MFIs have improved the economic status of the citizens. Through its innovations backed by research and their leadership culture and through customer service quality reflected by periodical staff training and customer information desks, MFIs in Jinja have provided top up loans for boosting working capital and supported the purchase of productive assets like tractors and business motor vehicles which has helped their enterprises become more profitable and competitive. Similarly, the vulnerable poor have received sustainable financial assistance which has greatly promoted customer retention in Jinja City (Baguma, 2019). Therefore, the study investigates Innovation capacity, customer service quality and customer retention of MFIs in Uganda to be able to find the link between variables.

1.2 Statement of the problem

Customer retention is a critical issue regarding MFI is concerned in Jinja, it increases sales and profits through the high performing loans offered to the clients and also reduces the operations and administrative costs as the existing retained customers require less monitoring and advertisement (Garland, 2020). It is only very vital because it is less costly than obtaining new clients but also serves as a means for value generation of stakeholder.

Despite the contribution of innovation capacity and customer service quality, micro finance institutions have witnessed a substantial defection of customers from one financial institution to the other. MFIs operating in Jinja City are experiencing high (often in excess of 25% per annum) levels of drop-outs amongst the customers. In addition, there is an average of 15% of FINCA's customers "drop-out" (or often "rest" every month), 35% of PRIDE's customer "drop-out" (or more generally are "pushed out") every month (B.O.U, 2022). An increase in customer dropout has affected profitability by reducing the interest earned on loans of MFIs. Additionally, the

dropout has led to an increase in the operational costs that have a direct impact on profitability of MFIs in Jinja. The success levels are less in the short term with failure in the longer term as customers often switch to other financial providers after repaying a few loans (B.O.U, 2022). It is against this back ground that the study seeks to establish the relationship between innovation capacities, customer service quality and customer retention.

1.3 Purpose of the study

The purpose of the study was to examine the relationship between innovation capacity, customer service quality and customer retention in MFIs in Jinja City.

1.4 Objectives of the study

a) To examine the relationship between innovation capacity and customer retention of MFIs in Jinja
b) To examine the relationship between customer service quality and customer retention of MFIs in Jinja.
c) To examine the combined relationship between innovation capacity, customer service quality on customer retention of MFIs in Jinja.

1.5 Research Questions

i. What is the relationship between innovation capacity and customer retention?
ii. What is relationship between customer service quality and customer retention?
iii. What is the combined relationship between innovation capacity, customer service quality on customer retention?

1.6 Scope of the study

Content of the study

The study focused mainly on both theoretical and empirical literature that explains Innovation capacity, Service Quality and Customer Retention among MFIs.

Geographical Scope

The study was conducted in Jinja city in the eastern region because it has most of the Microfinance Institutions which are relevant to the study and are all being considered.

1.7 Significance of the study

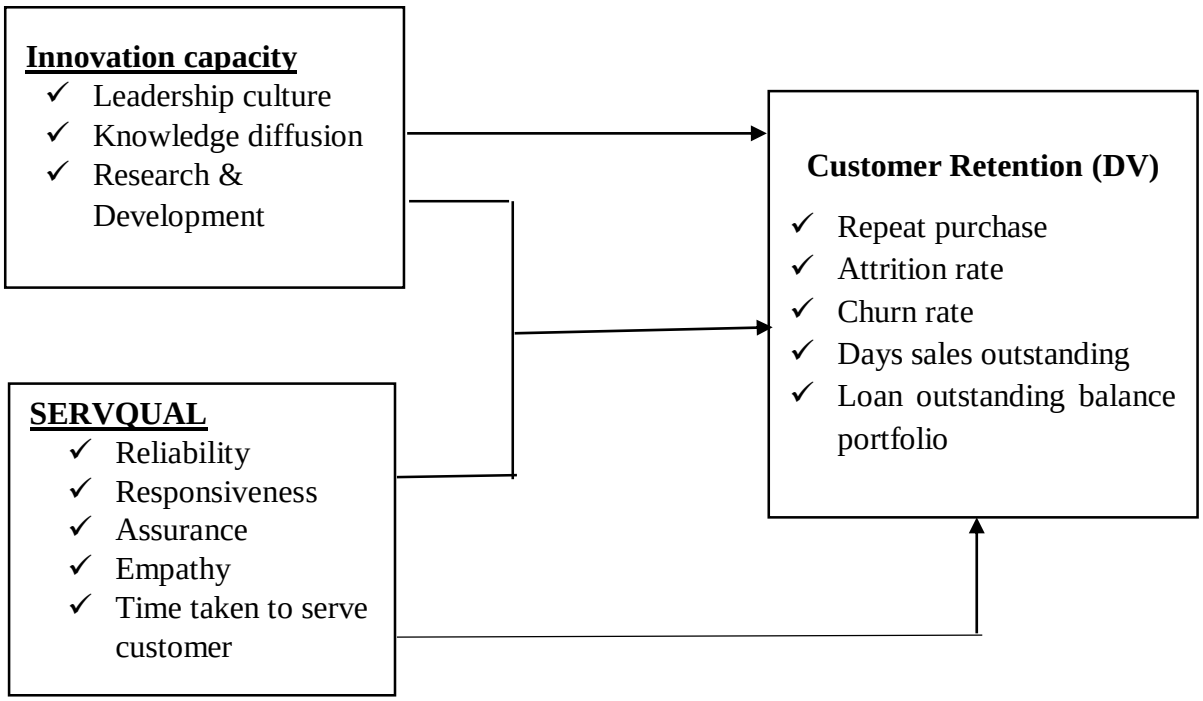
The study will guide policy makers in MFIs in Uganda

i. The study will guide policy makers in formulating policies that would protect the clients from fraud and the institutions from the client exploitation in Jinja City.
ii. This study will expect to expand the frontiers of knowledge with respect to how service quality influences or impacts on customer's retention, elements of service quality and other determinants of customer retention
iii. The study will contribute to the already existing body of knowledge and form basis for further research work.

1.8 Conceptual Framework

A Conceptual framework showing the relationship between innovation capacity, customer service quality and customer retention

Figure 1: conceptual frame work



Source; *Review of literature with modifications (Pertuz, Vanessa & Perez, Adith & Geizzelez, 2018; Bolton, 2014; Prabhu, 2015; Shahzad, 2015; Chobotová & Rylková, 2014).*

1.9 Explanation of the conceptual frame work

In consideration of the conceptual framework, there exists a significant relationship between innovation capacity as an independent variable and customer retention as a dependent variable. Innovation capacity is indicated by Participatory leadership culture, organizational structures, innovation tools, regeneration, individual skills and the above measurements have an effect on delivered quality of products, uniqueness and suitability of products, brand image and product availability, product return rate, churn rate and days sales outstanding (Pertuz, Vanessa & Perez, Adith & Geizzelez,. (2018) Chobotová, & Rylková 2014).

The conceptual framework indicates a relationship between customer service quality and customer retention. It asserts how customer service in terms Customer services is the difference between customers' expectations for the service encounter and the perceptions of the service received, thus, customer expectation and perception are the two key ingredients in service quality (Fulasia & Otinga, 2021). Responsiveness has to do with the degree with which MFIs were able to respond to the needs and wants of customers. For a firm to be responsive, it must gain deeper understanding and profiling of customer behaviour, real-time customer information and loyalty, and management at Point of Service (Chikako, 2021).

The conceptual framework indicates a relationship between innovation capacity and customer service quality. In consideration of the model, the capacity to innovate through participatory leadership culture, using organizational structures and innovation tools like the software and hard ware, coupled with individual skills for innovations which leads to quality customer service.

The conceptual framework is articulated by the commitment trust theory of relationship marketing (Morgan &Hunt, 1994) which explains the situation where perceived trust between a firm through better quality customer service and its innovation capacity leads to relationship commitments with its customers which in turn reduces the propensity to leave.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

The chapter presents a comprehensive discussion of the literature review regarding the dependent and independent variables under study. The presentation in this chapter is in conformity with the conceptual framework and its variables.

2.1 Customer Retention

Cooil and Weiner, (2017) observed that satisfied customers tend to be loyal, with less sensitivity to price changes and less attention to competition advertising. Brotherton (2010) articulated that, the survival of any business-oriented microfinance institution depends on the performance of its business activities that will flow from the organization to identified target customers through satisfying their needs in order to retain them. In addition, the satisfaction of the needs of the respective customers thereby gives room for an opportunity to retain them and create customer loyalty for continuous patronage.

Singh, (2016) asserts that Customer retention is a strong indicator that the objectives of the financial institutions would be achieved. In other words, if customers fail to purchase the products of the organization repeatedly, definitely sales and profitability of the organization will drop which will adversely affect the entire performance of the firm. Nkanikpo &Udofot (2015) indicated that, high client exit rate increases the operational and administrative costs, as new clients require more monitoring and screening. The new clients also tend to take smaller loans thus bringing lower profits (Ramesh, 2010). The problem is further aggravated by the competition and extensive coverage of microfinance programs, which reduce the base of the potential clients making it harder to attract new clients and increasing the value and importance of client retention (Ramesh, 2010).

Micro finance institutions mission and goals is mainly centred on moving clients out of poverty and foster good practices for measuring the progress of the individual movements across poverty lines (Attanasio *et al*., 2015). These institutions provide a direct impact on the lives of the poor as they move them towards better and higher living standards through provision of financial solutions and strategies aimed at reducing poverty, empowering women and promoting community solidarity. Basically, microfinance is credit, savings and other essential financial services within the reach of people who are too poor to be served by regular banks and in most cases and are unable to offer sufficient collateral (Shavulimo, 2019). In the last two decades, microfinance has captured the attention of donors and policy makers for its ability to provide credit to the poor who have no or little access to commercial banks (Shavulimo, 2019). The purpose is that with the additional income and determination, the poor can set up income generating activities in order to reduce their vulnerability and combat poverty.

2.2 Innovation Capacity

An innovation is defined by the Oslo manual (OECD, 2016) as a product, process, marketing method or organizational method that is new (or significantly improved) to the firm, including products, processes and methods that firms are the first to develop, and those that have been adopted from other firms or organizations. Innovation in a customer-firm context can be viewed as a new product or services created by the service provider specifically for its customers (Ssewanyana, 2017). According to (Dary, 2016) the major innovations in microfinance institutions are savings and product innovations.

(Dary, 2016) asserts that the mission of MFIs can be fulfilled depending on their capacity to innovate. Filipo (2016) explains that as traditional banks are venturing into microfinance services provision, as number of players in the microfinance industry is increasing, as there are a myriad of challenges confronting the microfinance industry, and as there is increasing complexity in demand

for microfinance services among clients, the role of innovation is very crucial, if MFIs are to survive. Helms, (2019) Innovative activities are not only geared towards lowering transaction cost and extending the reach of microfinance institutions but also geared towards enhancing customer convenience. Pearce and Robison (2018) described adjustments or simple changes to existing products, services, or processes as incremental innovations. Similarly, companies that seek to boost payoff from innovation investments achieve better results by concentrating on incremental innovations. Major drivers of incremental innovation include continuous improvement, cost reduction and quality management (Abbass & Alkhafaji, 2018). Financial innovations provide easy access to accurate activities like disbursements, repayments, deposits, withdrawals, and money transfer. As such, there are minimal to opportunities for errors. Innovations are associated with risk. In this regard, therefore, microfinance institutions carry out risk analysis before implementing innovations (Kasyap, 2019). According to (Gupta, 2018), the microfinance industry in most African countries remains largely underdeveloped. Therefore, technological innovations, product refinements and ongoing efforts to strengthen the capacity of African MFIs are needed to reduce costs, increase outreach and boost overall profitability (Laffourcade, 2019). Filpo (2016) found the impediments to the success of MFIs in developing countries to relate to scalability, sustainability, outreach and the impact of the various MFI initiatives; and indicated that these impediments can be overcome through the adoption of innovative strategies to maximize outreach and sustainability

2.3 Customer Service Quality

According to (Mosley, 2016), Customer Service, customer care and speed of service have become the most important considerations for clients to choose among financial institutions which has prompted MFIs to invest and improve this aspect. In addition, MFIs have examined and re-engineered processes to improve the speed and quality of customer service, through implementing

customer-focused, staff incentive schemes and traditional training for staff. (Kaffu & Mutesasira, 2017). According to Yildiz, (2014), customer service within Micro finance industries continues to gain importance because they serve the purpose for the institutions existence. Gaffen (2016) reiterates that, clients of MFIs are becoming more aware of the alternatives on offer, and the rising standards of service prompted by competitive trends, which has increased customers' expectations. In addition (Baguma, 2019) contends that customers of MFIs are becoming increasingly critical of the quality of service they experience. Yildiz, (2014) observes that expectations are desires or wants of consumers what they feel a service product should offer which are formed on the basis of previous experience with a micro finance and its marketing mix inputs which include physical evidence, process and people.

Despite efforts by Microfinance Institutions in Uganda to use a number of strategies to improve service quality through establishment of networked branches across the country, customer services like; introduction of comfortable seats in banking halls, ATM, and mobile banking; customers continue to complain about quality of service in some parts of the country (Musenze *et al.*, 2015). The customers' numbers have notably declined in 2005 to 2019 due to poor services offered. This has led to customer dissatisfaction in terms of few customer referrals, low customer retention rates and low customer trust and commitment (Musenze *et al.,* 2015).

2.4 Innovation Capacity and Customer Retention

Lau and Cheung, (2022) assert that while innovations enhance the capability of a firm to gain insights into the experiences of its consumers, it supports the efficient fulfilment of expectations of its stakeholders and leaves the customers satisfied, with no other option but sticking with the institutions. Gupta, (2014) contend that innovation always changes the status quo, but some innovations cause greater disruption in the customers in case they are not well communicated to the clients. Innovation communication calls for information desks to fully understand the customer

requirements and integrate them to the innovations. Similarly, while consolidating a brand image; information desks collect information regarding the customer perceptions about the new financial product is necessary. Otherwise, if the innovation is not favourable, it would result in to customer defection (Musenze *et al.,* 2015). Innovative activities are not only geared towards lowering transaction cost and extending the reach of microfinance institutions but also geared towards enhancing customer convenience. Daneshgadeh and Özkan, (2017) show that Internet-banking lowers operational costs while increasing customer satisfaction and retention in the MFIs banking sector.

2.5 Customer Service Quality and Customer Retention

Assurance, empathy, time taken to serve are all criteria used to evaluate call centre services. Customer reviews, customer attention, and response time have also been used to assess service quality and, as a result, customer retention (Grimbald, 2022). Service quality becomes a key competitive weapon for financial services in general, particularly banks, in a market where services and products are generally undifferentiated. Customer demands and quality requirements have risen dramatically. MFIs must consider consumer needs and preferences in order to boost their competitiveness and satisfy their customers by delivering better products and service (Grimbald, 2022).

A study done in Ethiopia by Chikako, (2021) assessed that customers perceived the selected microfinance and are empathic towards them. Empathy (including access, communication, and understanding the customer) are caring and individualizing attention that the firm provides to its customers. He added that (Chikako, 2021) If the customers feel well treated and assured of good relationship, they have remained loyal. Empathy, a key component of emotional intelligence, is essential for harmonious and productive relationships in the workplace as much as in personal life. Empathy is the dimension of a business relationship that enables each of two parties to see a

situation from the other's per. It is defined as seeking to understand somebody else desires and goals. It involves the ability of individual parties to view the situation from the other party's perspective in a truly cognitive sense (Chikako, 2021). Therefore, some studies in indicated that empathy is a necessary condition to foster a positive relationship between two parties and it has significant effect on customer retention.

Responsiveness has to do with the degree of which MFIs are able to respond to the needs and wants of customers. For a firm to be responsive, it must gain deeper understanding and profiling of customer's behaviour, real-time customer information and loyalty, and management at Point of Service. However, the study in (Antoinette *et al.*, 2012) described that responsiveness is the degree to which customers perceive service providers' readiness to assist them promptly and examined the effect of responsiveness on customer retention in a company engaged in cellular service. The results therein showed that customer trust affects customer retention (Antoinette *et al.*, 2012; Chikako, 2021). Significant links between customer responsiveness and customer retention were also found in (Pio *et al.*, 2021; Setiawan & Sayuti, 2017).

Urquizo, (2016) observes that, the microfinance industry is losing customers, mainly as a result of the MFIs' approach, which in many cases focuses on credit sales, expansion and bottom-line results, losing sight that for customers, credit is only a means to satisfy their goals and not an end in and of itself. Moreover, although microcredit has advantages both for the customers and for the expansion of financial markets, microcredit has weaknesses when the market matures and assumes that the customer wishes to be in debt all the time at the current conditions of the product offered. In addition, Musenze *et al.*, (2015), when the MFI tries to obtain a higher level of formalization, it centralizes and generates more stringent policies and processes, in an effort to comply with regulatory requirements and minimize its risk. And although it is imprudent to maintain customers

with high risk of delinquency, rigid policies applied in an undifferentiated manner tend to drive away good customers as well as the risky customers.

Filpo (2016) echoed that competition and the pressure of growth goals make the MFI define a broader market and develop more credit products, with little differentiation among them, diluting its market focus and complicating the administration with limited retention results. Similarly, they emphasize improving customer service, to gain a competitive advantage; yet, this does not necessarily diminish attrition. Given the limited window the MFIs have for innovation, the tendency is to "copycat" the competition, with all MFIs offering similar products and service levels. The primary aim of the business organization is to make a clear attempt in creating customer value in order to attract and retain customer to deliver quality as well as the superior value of the business to the customers. The delivery of high-quality services to the company customers offers an opportunity to differentiate them in the competitive market (Karatape, Yavas and Babakus, E., 2015). According to (Jobber & Cohadwick, 2019.), implementing an effective marketing strategy concept by offering qualified goods and services of the company will meet and exceed the expectations of customer needs better than other competitors. Satisfied customers will tend to repurchase from the same service provider (Eshghi, & Ganguli, 2018); in turn, company revenue will increase in the long run.

Ajike, Emmanuel & Igbinake, (2022) in a study on drivers of customer retention in the chemicals industry, found that supply chain relationship quality positively impacted the compliance with safety regulations (Mugwenhi, 2019). The relationship quality and safety regulations positively affected operational performance and customer retention. Similarly, Preikschas, Cabanelas, Rüdiger, and Lampón (2017), in a study on Customer Retention, found that co-creation processes enhance the generation of dynamic capabilities connected with innovation, adaptation knowledge,

and relationship management. Similarly, the closer contact with customers and the availability of their expertise favours the discovery of solutions that satisfy their needs, bridging the cognitive gap between partners.

A study findings by (Christian *et al.*, 2022) showed that there is a positive relationship between the service quality dimension and customer retention this was Interestingly attributed to the fact that responsiveness of mobile banking system is the most important determinant of customer retention. Therefore, mobile banking systems that provide prompt services and are convenient and innovative would surely increase customers' retention rate.

2.6 Innovation Capacity, Customer Service Quality and Customer Retention

According to Ariyanti, (2021) as a requirement of customer retention, together with an increasingly competitive environment in most service industries who are well equipped with the new technological advancements, many organizations consider the quality of service they provide to be a critical factor in achieving a differential advantage over their competitors Lewis & Mitchell (2019) claim that customer service quality supported by the capacity to innovate has become a major strategic variable in the battle for market share, and in the battle to retain customers for life. Similarly, Musenze *et al.*, (2015) believe that customer service excellence and the capacity to innovate are the key strategic weapons. Thus, customer service quality is often a key variable in strategic planning and organizations as a compliment of customer retention.

According to Lewis & Mitchell (2019) in a bid to retain customers, MFIs are much more aware of the customers' service needs and advances in technology have enabled these institutions to facilitate the customer-company exchange at the point of contact, for instance using ATMs and EFTPOS. Also, increasingly sophisticated marketing/management information systems have allowed management to implement some customer orientated ideas which would have been near

impossible ten years ago, like customer databases. Eriksson & Vaghult (2010) argue that, in order for firms to implement their innovations, it is important to understand the customer relations and the mechanism behind them through studying the already retained customers (Winter, 2011) assert that in building successful rational customer centred innovations, there is need to understand behaviours and focus on retaining customers who can deliver long term profits to the firm. No MFI can hold on to all its customers and aim at full customer retention (Egan, 2014). In highly competitive markets, customers may switch either temporarily or permanently to another product or service. Ssewanyana, (2017) continues that it is unprofitable to attempt to achieve total retention of the customers as the cost of doing so is likely to be prohibitive. Studying already retained customers is not an easy task as customer retention is relative to a firm's specific context. For instance, it is complicated for a firm to know when a customer should be considered as being retained, when the customer makes repeated purchase and it is also complicated to evaluate how often this customer is then expected to purchase the product and that explains why innovations are required at all times. In addition, a study done by (Sher Ali, 2020) found there was significant relationship between Innovation Capacity, Customer Service Quality and Customer Retention where by MFIs can satisfy customers by ensuring responsible actions and reflection of authentic promises for the provision of service through innovation of mobile apps, SMS alerts, awareness and courteousness of staff, their capacity to express faith & self-belief. In other words, assurance is competence (custody of requisite expertise and knowledge to execute the services), politeness (reflection for the client's possessions, trustworthiness, security (safety & confidentiality) (Awuku *et al*., 2022; Sher Ali, 2020).

CHAPTER THREE
METHODOLOGY

3.0 Introduction

This chapter consists of the research design, study population, sample size and sampling techniques, data sources, data collection instruments, data reliability and validity test, measurement of variables, data processing and analysis and ethical considerations that was adopted when carrying out the study.

3.1 Research design

A cross sectional research design was used because it helped the researcher to study a bigger number of respondents at a specific point in time. The study was quantitative in nature with correlation designs to establish the relationship between the study variables (Saunders, Lewis and Thornhill, 2012).

3.2 Study Population

The study population was composed of 11 Micro finance Institutions in Jinja (AMFIU, 2021). Jinja city was considered because it has MFIs with the population size that able and willing to access loans from MFIs since majority of them are business people. The unit of analysis was all MFIs in Jinja city and the unit of inquiry was based on all clients who have access of loans, IT department, MFI managers, and banking operations departments of MFIs in Jinja because they possess a wider knowledge about the study.

3.3 Sample Size and sampling Technique

Jinja has a total of 11 MFIs and in this study, a sample of 177 was selected from the respondents. Stratified sampling was used and the different MFIs were put under different strata accordingly. From the strata's, the rotary method was used to choose MFIs to give the same characteristics and there was need to make it homogenous. Simple random sampling was used so as to give the respondents an equal chance of being selected. Accordingly, purposive sampling to select

respondents with relevant information. The information collected was later aggregated into firm level.

Table 3.1 Showing population and sample size

Category	Population Size	Sample Size	Sampling Technique
Operations	60	30	Simple Random Sampling
IT	40	25	Simple random Sampling
Clients	200	122	Simple random Sampling
Total	**300**	**177**	

Source: Primary data:

3.4 Data sources

Data was collected from primary data sources. This was through the use of self-administered questionnaires to the respondents because it enabled the researcher eliminate doubt about the quality of the data collected and also supports a wide coverage of the population quickly.

3.5 Data Collection Instruments

A closed ended questionnaire was used to collect primary data from the field following the objectives and the study variables and measured on Likert scale of five-point ranging from strongly disagree to strongly agree that is (SD-1, D-2, N-3, A-4, SA-5). the researcher had to extract specific information from the respondents on scenarios they have already experienced as it is in the case of MFI manager, IT, operation and client's customers were selected to participate in this study because they are the ones who receive IMF services and they have experienced customer care from the IMF. This helped the researcher to measure all the attitudes of the respondents since they are incorporated in the five-point Likert scale. The questionnaire was divided into major sections to address specifically every variable in the model. These included; person profile, customer retention, Innovation capacity and customer service quality. According to Burns and Grove (2005), a questionnaire is a well-thought-out tool designed to elicit information that can be obtained through written responses from the study subjects. The questionnaire was administered personally by the

researcher with the help of two research assistants and for respondents who were not able to read and write, the questions were read out for them and interpretations made thereafter.

3.6 Reliability and Validity of the Instruments

Reliability

This is a measure that determines whether data is reasonably complete and accurate and meet the intended purpose. Reliability of the instrument was determined by presenting the questionnaire to the experts of the study and comparing the results using Cronbach Alpha Coefficient. This enabled the researcher to check the consistence and make adjustments to the questionnaire tool. As a general rule, Cronbach Alpha of 0.7 0r more should be obtained to consider the responses as consistent and reliable (Nunnally, 1978).

Validity

The validity of the instrument was measured by computing the Content Validity Index which was involved drafting the questionnaire and submitting it to the customer retention experts to verify whether each question presented under each of the constructs measures the item under which it is presented. Then the obtained results were computed using the CVI formula (K/N, where K=Number of items considered relevant and N=Number of items considered in the instruments). The questionnaire is only considered valid if the computed CVI is at least 0.7 (Amin, 2005).

Table 3.2: Validity and reliability results

Item	*CVIs*	*alpha*
Customer retention	0.815	0.595
Innovation capacity	0.795	0.641
Customer service quality	0.790	0.652
Test scale reliability co-eff		0.718

The results above portray a high moderate value for validity and Cronbach's alpha is 0.718, which indicates a high level of internal consistency for our scale. Hence, there is reliability in our questionnaire (*co-eff* =0.718)

3.7 Measurement of the Variables

Customer retention is measured by repeat purchase, attrition rate, churn rate, days sales outstanding, loan outstanding balance portfolio, and increase customer dissatisfaction (Bolton, 2000), (Prabhu, 2003), (Shahzad, 2013)) and innovation capacity is measured by leadership culture, knowledge diffusion and research & development (Pertuz, Vanessa & Perez, Adith & L Geizzelez, M. 2018) Customer Service Quality is measured by reliability, responsiveness, assurance, empathy, and time taken to serve customer (Chobotová, M & Rylková. Z., 2014).

3.8 Data Processing and Analysis

The primary data collected was subjected to computerized software packages like MS excel and MS access for sorting, editing and coding analysed automatically using SPSS v23 (Statistical Package for Social Sciences) for description and analysis and Pearson correlation coefficient will be used to establish the relationship between variables in the study.

Hierarchical regression was used to determine the extent at which each of the independent variables (innovation capacity and customer service quality) would be used to ascertain a change in the dependent variable (Customer retention) because it is suitable for predicting the value of the variable based on the two or more variables (Lund 2013).

3.10 Ethical considerations

The researcher obtained the introductory letter from the Faculty of Graduate Research Centre with a purpose of maintaining confidentiality, respect and informed consent with the respondents.

CHAPTER FOUR

RESULTS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents results-based on innovation capacity, customer service quality and customer retention in micro finance institutions in Jinja district. This illustrates the descriptive analysis of the demographic characteristics, variation Inflation Factor, normal distribution, correlation to measure the degree of association between variables under consideration, and the hierarchical regression analysis to estimate the contribution between customer retention and innovation capacity customer service quality in micro finance institutions in Jinja. Considering the response rate, (100%) of the respondents responded. According to Tashakkori and Teddlie (2010) show that when you expect the response rate to be 90%, you divide the sample by the expected rate. That is 177/0.9, which was the case here because of the situation at the time.

4.2 Descriptive of demographic characteristics

The descriptive statistic shows the background characteristic of the respondents which include gender, marital status, age, education level, work experience, position held, number of employees, size of the MFI, years of banking, and current profession as shown in the tables below.

Table 4.1: The distribution of Gender

Gender	***Frequency (n)***	***Percent (%)***
Male	*99*	*55.9*
Female	*78*	*44.1*
Total	***177***	***100***

Source: Primary data

The result in table 4.1 show that a half 55.9% of the respondents were males while 44.1% were females. This shows that there are more males working and banking in micro finance than females.

Table 4.2: The distribution of marital status

Marital status	***Frequency (n)***	***Percent (%)***

Single	*73*	*41.2*
Married	*104*	*58.8*
Total	***177***	***100***

Source: Primary data

The results in table 4.2 indicate half 58.8% of the respondents were married while 41.2 percent were single. This indicates the most respondents working and banking in micro-finance institutions are married.

Table 4.4: The distribution of age of the respondents

Age of the respondents	***Frequency (n)***	***Percent (%)***
20-29yrs	*48*	*27.1*
30-39yrs	*62*	*35.0*
40-49yrs	*53*	*29.9*
50yrs & above	*14*	*7.9*
Total	***177***	***100***

Source: Primary data

The results in table 4.4 indicate that 35 percent of the respondents were between the age of 30-39 years followed by (29.0%) aged between 40-49 years, and 27.1 percent were aged between 20-19 year while 7.0% were aged 50 years and above respectively. This indicates that most respondents who are working and banking in micro finance are aged between 30-39 years respectively.

Table 4.5: The distribution of Level of Education

Education level	***Frequency (n)***	***Percent (%)***
Certificate	*35*	*19.8*
Diploma	*54*	*30.5*
Degree	*72*	*40.7*
Post Graduate	*16*	*9.0*
Total	***177***	***100***

Source: Primary data

The results in table 4.5 demonstrates four-quarters (40.7%) of the respondents had attained a degree followed by (30.6%) who had attained diploma level, 19.8 percent had attained a certificate level and only 9 percent had attained post graduate level. This means that four-quarters of respondents working and banking in micro-finance had attained degree level.

Table 4.6: The distribution of work experience in current position

work experience in current position	*Frequency (n)*	*Percent (%)*
0-2yrs	*13*	*21.7*
3-5yrs	*20*	*33.3*
6-8yrs	*14*	*23.3*
9-10yrs	*11*	*18.3*
Above 10yrs	*2*	*3.3*
Total	***60***	***100***

Source: Primary data

Out of the respondent interviewed, 33.3 percent of the respondents worked in the current position 3-5 years, followed by (23.3%) with 6-8 years, (21.7%) with 0-2 years, 18.3 percent with 9-10 years and only 3.3 percent have work experience in current position above 10 years. Considering the findings, a big number of the respondents have work experience in the current position for 3-5 years.

Table 4.7: The distribution of position held

position held	*Frequency (n)*	*Percent (%)*
Manager	*10*	*16.7*
Supervisor	*16*	*26.7*
Officer	*25*	*41.7*
Clerk	*9*	*15.0*
Total	***60***	***100***

Source: Primary data

Table 4.7 portrays that most 41.7 percent of respondent are officers, followed by (26.7%) were supervisors while only 16.7 percent are managers and 15 percent are clerk. This show that highest respondent were officers working in the micro finance.

Table 4.8: The distribution of number of employees in micro-finance

Number of employees	*Frequency (n)*	*Percent (%)*
0-50	*8*	*13.3*
51-100	*11*	*18.3*
101-150	*9*	*15.0*
151-200	*11*	*18.3*
Above 200	*21*	*35.0*
Total	***60***	***100***

Source: Primary data

By the number of employees in micro finance institutions, a good number 35 percent of the respondent were above 200 employees, followed by 18.3 percent between 51-100 and 151-200 respectively while (15%) responded that there are between 101-150 employee and only 13% responded that there are between 0-50 employee in micro finance institutions. Therefore, this implies that micro finance institutions employees are above 200.

Table 4.9: The distribution of size of micro-finance institutions

Size of micro-finance	*Frequency (n)*	*Percent (%)*
Small medium	*11*	*18.3*
Medium term	*22*	*36.7*
Large scale	*27*	*45.0*
Total	***60***	***100***

Source: Primary data

The results indicate that four-quarters (45%) of respondents responded that micro-finance institutions are large scale, followed by 36.7 percent were of medium term while 18.3 percent of responded that it's a small medium. Almost four-quarters of the respondents responded that micro-finance institutions are large scale.

Table 4.10: The distribution of years of banking

Years of banking	*Frequency (n)*	*Percent (%)*
Less than 5yrs	*35*	*29.9*
6-10yrs	*44*	*37.6*
11-15yrs	*19*	*16.2*
16 yrs above	*19*	*16.2*
Total	***117***	***100***

Source: Primary data

The results show that preponderance of the respondents have banked with micro-finance between 6-10 years as shown by 37.6 percent followed by (29.9%) who have banked for less than 5 years and only (16.2%) have banked with micro-finance for 11-15 years and 16 years above respectively. Therefore, three-quarter of the respondents have been banking with micro-finance institution for 6-10 years.

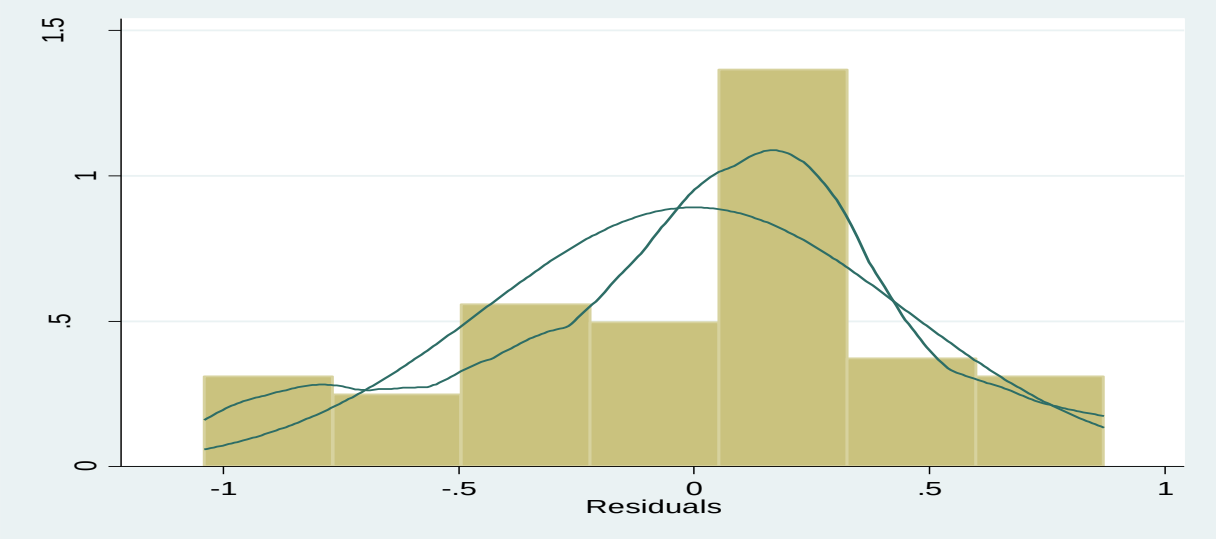
Table 4.11: The distribution of current profession

Current profession	***Frequency (n)***	***Percent (%)***
Medical	*16*	*13.7*
Teacher	*21*	*17.9*
Marketer	*16*	*13.7*
Business	*44*	*37.6*
Others	*20*	*17.1*
Total	***117***	***100***

Source: Primary data

Concerning the current profession/work, most (37.6%) of the respondent banking with micro-finance are business men/women followed by (17.9%) teachers, 17.1% are others and only (13.7%) are medical and people in the market respectively. This show that three-quarters of the respondents who bank with micro-finance are business men/women.

Figure 1: Showing normal distribution of customer retention in micro-finance institutions



The figure shows that data is normally distributed. The results from the data indicate that micro-finance institutions have developed well on customer retention. We used kernel density to estimate the smoothness of data under normal distribution between the residuals in the model. The kernel density estimates were used with the histograms in this study.

Table 4.12: Multicollinearity of the variables

Variable	VIF	1/VIF
Customer service quality	*3.00*	*0.3337*
Innovation capacity	*2.82*	*0.3548*
Age	*2.31*	*0.4336*
position held	*2.05*	*0.4879*
Education level	*1.99*	*0.5036*
Marital status	*1.66*	*0.6035*
Size of micro-finance	*1.54*	*0.6497*
Gender	*1.24*	*0.8070*
Mean VIF	*2.07*	

Source: Primary data

Variance inflation factor (VIF) is employed to check for multicollinearity. The VIF exists if VIF>5 and if VIF is less than 5, hence no collinearity exists (Ringle, & Becker, Jan-Michael.,2015). Therefore, the results show that mean VIF is 2.07. It means there was no collinearity in the model.

4.3 Correlation analysis

The correlation analysis displays the coefficients and association between the different group variables one at a time. Table 4.13 below show correlation analysis between customer retention and Innovation capacity, customer service quality in micro-finance institution

Table 4.13: Correlation between dependent and independents variables

Variables	1	2	3
Customer retention (1)	1.0000		
Innovation capacity (2)	0.4736**	1.0000	
Customer service quality (3)	0.6574**	0.4793**	1.000

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

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

The results above demonstrate that high correction between the study variables and therefore the measure of the linear associations was denoted by *r*. The correlation coefficient, *r*, can take a range of values from +1 to -1 where | *r* | means the absolute value or *r* (| *r* | > .5 means *r* > .5 and *r* < -.5).

Objective (1): was to examine the relationship between innovation capacity and customer retention of MFIs in Jinja. The results in table 4.13 portrays that there is positive significant relationship between innovation capacity and customer retention (*r*=0.4736, *p*>01). This means that any positive change in innovation capacity is associated with a positive change in customer retention of micro-finance institutions.

Objective (2): examine the relationship between customer service quality and customer retention of MFIs in Jinja. Furthermore, results show that there is positive significant positive relationship between customer service quality and customer retention (*r*=0.6574**, *p*<.01). This implies that any positive change in customer service quality is associated with a positive change with customer retention and each unit increase in customer service quality leads up to 0.657 unit increases in customer retention.

4.4 Hierarchical regression analysis

The hierarchical regression analysis was used to determine the analytical association of the discrete variables on the dependent variable (customer retention) between independent variables (innovation capacity and customer service quality) in micro-finance institutions. The results are presented in table 4.14 below;

Table 4.14: Hierarchical regression analysis

	Model 1			Model 2			Model 3		
Customer retention	***B***	***SE***	***B***	***B***	***SE***	***β***	***B***	***SE***	***β***
Sex	0.054	0.251	0.831	0.203	0.182	0.270	0.243	0.152	0.115
Marital status	0.085	0.274	0.756	0.085	0.193	0.660	0.015	0.162	0.926
Age	0.029	0.020	0.164	0.004	0.015	0.817	0.004	0.013	0.778
Education level	0.251	0.143	0.084	0.007	0.114	0.953	-0.013	0.095	0.895
Position held	-0.061	0.152	0.690	-0.095	0.116	0.420	-0.071	0.097	0.466
Size of the MFI				-0.044	0.121	0.714	-0.166	0.104	0.116
Innovation capacity				0.798	0.105	**0.000*** **	0.370	0.125	**0.005*** **
Customer service quality							0.631	0.130	**0.000*** **
R^2	0.246			0.642			0.756		
$AdjR^2$	0.1760			0.5930			0.7172		
R^2-*Change*	0.246			0.396			0.114		
F-Change	3.520			27.977			23.414		
Sig. F-Change	0.0079			0.000			0.000		

****. Correlation is significant at the 0.05 and 0.01 levels, respectively (2-tailed).*
α. Unstandardized coefficient
β. Standardized coefficient

The hierarchical multiple regression portrays that at in model 1, customer retention contributed 0.246 and accounted for 24.6% of the variation in customer retention. Hence, there was a significant association and change in R^2 was significant, $F\ (5,54) = 0.0079$, $p < .05$

Furthermore, results in model 2 indicate that there is 39.6% of customer retention in explaining Innovation capacity in micro-finance institutions in Jinja. Hence there is a positive significant relationship between customer retention and Innovation capacity and the change in in R^2 *was significant* $F\ (2,51) = 27.977$, $R^2\Delta = 0.396$: $p = 0.000$. That's to say an increase in innovation can strengthen the capacity and also lead to an increase in customer retention in in micro-finance institutions leading to boost overall profitability

Finally, the regression model explains that the overall of 71.7% ($AdjR^2 = 0.7172$) of the variance in customer retention in micro-finance institutions in Jinja, implying that there is 28.3% being

explained by other factors. However, considering the two predictors in this study, the results show that innovation capacity and customer service quality are significant predictors of customer retention in micro-finance institutions in Jinja $F\ (1,50) = 23.414$, $R^2\Delta = 0.114$, $p = 0.000$. Hence the *p*-value is less than 0.05.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of the findings, conclusion, and recommendation to the findings of the study and anticipated limitations of the study. This study proposed to examine innovation capacity, customer service quality and customer retention in micro finance institutions in Jinja

5.2 Discussion of the findings

The discussion of the findings is being based on the objectives of the study as follows:

Objective (1) was to examine the relationship between innovation capacity and customer retention of MFIs in Jinja.

The research findings have portrayed that there is positive significant relationship between innovation capacity and customer retention in micro finance institutions in Jinja. An increase in innovation can strengthen the capacity and also lead to an increase in customer retention in in micro-finance institutions leading to boost overall profitability. These findings are in support with Daneshgadeh and Özkan, (2017) asserted that Internet-banking lowers operational costs while increasing customer satisfaction and retention in the MFIs banking sector. And this attributed to that fact that innovations enhance the capability of a firm to gain insights into the experiences of its consumers, it supports the efficient fulfilment of expectations of its stakeholders and leaves the customers satisfied, with no other option but sticking with the institutions (Lau and Cheung, 2022).

Objective (2) was to examine the relationship between customer service quality and customer retention of MFIs in Jinja.

Research findings show that there is positive significant relationship between customer service quality and customer retention of MFIs in Jinja. With a good quality customer service can also

lead to a rise in customer retention. These findings have been highlighted by a study done by Christian *et al.*, (2022) who asserted positive relationship between the service quality dimension and customer retention this was Interestingly attributed to the fact that responsiveness of mobile banking system is the most important determinant of customer retention. Therefore, mobile banking systems that provide prompt services and are convenient and innovative would surely increase customers' retention rate. Furthermore, Grimbald, (2022) continued to state that service quality becomes a key competitive weapon for financial services in general, particularly banks, in a market where services and products are generally undifferentiated and Customer demands and quality requirements have risen dramatically (Grimbald, 2022).

Objective (3) was to examine the combined relationship between innovation capacity, customer service quality on customer retention of MFIs in Jinja.

The model explains that the overall of 71.7% ($AdjR^2$ = 0.7172) of the variance in customer retention in micro-finance institutions in Jinja, implying that there is 28.3% being explained by other factors. Still, considering the two predictors in this study, the results show that innovation capacity and customer service quality are significant predictors of customer retention in micro-finance institutions in Jinja. This implies that, innovation capacity and customer service quality have more contribution on customer retention of micro finance institutions in Jinja. These findings are highlighted by Ariyanti, (2021) who asserted that a requirement of customer retention, together with an increasingly competitive environment in most service industries who are well equipped with the new technological advancements, many organizations consider the quality of service they provide to be a critical factor in achieving a differential advantage over their competitors. In addition (Sher Ali, 2020) found there was significant relationship between Innovation Capacity, Customer Service Quality and Customer Retention where by MFIs can satisfy customers by ensuring responsible actions and reflection of authentic promises for the provision of service

through innovation of mobile apps, SMS alerts, awareness and courteousness of staff, their capacity to express faith & self-belief. In other words, assurance is competence (custody of requisite expertise and knowledge to execute the services), politeness (reflection for the client's possessions, trustworthiness, security (safety & confidentiality) (Awuku *et al.*, 2022; Sher Ali, 2020). More so, Lewis & Mitchell (2019) claim that customer service quality supported by the capacity to innovate has become a major strategic variable in the battle for market share, and in the battle to retain customers for life. Similarly, Musenze *et al.*, (2015) believe that customer service excellence and the capacity to innovate are the key strategic weapons. Thus, customer service quality is often a key variable in strategic planning and organizations as a compliment of customer retention.

5.3 Conclusion

The research findings and discussion, all the objectives were supported which include; to examine the relationship between innovation capacity and customer retention of MFIs in Jinja. To examine the relationship between customer service quality and customer retention of MFIs in Jinja. To examine the combined relationship between innovation capacity, customer service quality on customer retention of MFIs in Jinja. An increase in innovation can strengthen the capacity and also lead to an increase in customer retention in micro-finance institutions leading to boost overall profitability. Furthermore, with a good quality customer service can also lead a rise to customer retention. The purpose of customer retention is to keep a high proportion of valuable customers in micro-finance institutions through reducing customer dissatisfaction and increasing satisfaction. Regarding this, the microfinance institution tries its best to understand the feeling of the customer and handling clients' complaint timely, plus welcoming them with bright face when they come to the office to take the services.

5.4 Recommendations

The research findings and the conclusion, the following recommendations have been suggested as follows;

This study recommends that micro finance bank should attempt to segment their market to match customer needs and firm capabilities by managing customer base via effective tie ring of service delivery of quality services as well as conducting churn diagnostic monitoring of declining/ defecting customers

The study recommends that, in order to retain the existing customers and to improve service quality, the micro-finance institutions should continuously maintain error-free transactions, since MIF accounts and figures are very sensitive for each and every customer.

This study recommends that micro-finance institutions can continue to retain their customers when they provide mobile service quality that is responsive with quality information and through a system that hitch-free. That's to say, mobile banking applications should provide prompt and innovative services anytime, anywhere using up-to-date equipment and technology that allows a client to confirm the transaction process and are clear and easy to understand. Also, the mobile banking applications should be easy to use and unambiguous and provide timely and accurate banking information.

The study further recommends that micro-finance institutions should continuously strengthen and increase its visibility to customers especially through increasing trust of the brand among customers, increase the usage of Information Communication Technology by Customers, manage customer expectations and stand out among the commercial banks.

Finally, the study recommended that micro-finance institutions need to maintain good quality relationships with their clients, maintain favourable interest rates, charge favourable fees on services and maintain a good banking environment as these factors directly influence client retention.

5.5 Limitations of the study

i. The study adopted a cross sectional design where data is collected at one point in time and the findings from such studies are always limited the current period only

ii. The study was mainly restricted to a quantitative approach using a structured questionnaire to elicit information from the respondents meaning that other features that can be observed were not included in the findings.

iii. In this study, the variables innovation capacity and customer service quality contributed 72.7% towards Customer retention of micro finance intuitions.

5.6 Area of further the study

Therefore, future researchers could expand their analysis by incorporating bank staff and management in examining the factors affecting customer retention.

Future studies should look at a longitudinal research design where IMF are monitored for a long period of time

Further research should explore other determinants of customer retention and if possible, variables that need to be combined with these variables in order to stimulate Customer retention of micro finance intuitions in Uganda.

REFERENCES

Abbass F. Alkhafaji. (2018). *Strategic Management Formulation, Implementation, and Control in a Dynamic Environment*.

Adner and Kapoor.,R (2010) Value creation in innovation ecosystems: How the structure of technological interdependence affects firm performance in new technology generations

Ajike, Emmanuel & Igbinake, N. C. (2022). *Business process management and client retention of microfinance banks in Nigeria*. *10*(2), 1601–1628.

Ariyanti, A. E. (2021). *Effect of E-Service Quality on E-Satisfaction and E-Loyalty : Moderated by Purchase Frequency*. *9*(7).

Ark, P., Uangzhou, G., Hina, C., Yuan, S., & Jiang, N. (2014). *EURASIAN JOURNAL OF BUSINESS AND A N A NALYSIS OF THE I NFLUENCING F ACTORS OF C USTOMER R ETENTION IN T OURISM R ESORT I NDUSTRY : A C ASE S TUDY OF L INGNAN I MPRESSION*. *2*(2), 1–13. https://doi.org/10.15604/ejbm.2014.02.02.001

Attanasio, B. O., Augsburg, B., & Haas, R. De. (2015). *The Impacts of Microfinance: Evidence from Joint-Liability Lending in Mongolia †*. *7*(249612), 90–122.

Awuku, E., Mensah, P., Id, A., & Gonu, E. (2022). *Service innovation practices and customer loyalty in the telecommunication industry*. 1–18. https://doi.org/10.1371/journal.pone.0282588

B.O.U. (2022). ANNUAL SUPERVISION REPORT. *ANNUAL SUPERVISION REPORT*, *1*, 37–45.

Baguma. (2019). *The state of microfinance in Uganda. Journal of client protection in Ugandas micro finance sector, State of practice*.

Barram, M. & Khan, S. (2014) Attaining consumer loyalty. The role of consumer Attitudeand consumer behavior.International review of management and business research. 1(1), 1-8.

Beijuka(2016).The Competitive Environment in Uganda: Implications for Microfinance Institutions and their Clients Wright and RippeyMicroSave - Market-led solutions for financial services 16 key reason for clients moving between service providers

Brotherton;J& Evans C., (2010) The Importance of the trainer: Factors that affect customer retention in the training services sector. Industrial and commercial training 42(1) 23-31.

Brynjolfsson.,E&Hitt,L.M(2000) Beyond Computation: Information, Technology,

Organizational Transformation and Business Performance, Journal of Economic

Perspectives, Vol. 14

Bolton.(2014). Services quality. European Journal of Business and Management, 185-193.

https://doi.org/10.1108/09604520710760526

Cermal.Z &Elif. N (2016) E-Service Quality and E-Recovery Service; Effects on perceptions and loyalty Intentions. Procedia-Social and behavioral sciences 450-540.

Chikako, T. U. (2021). *Assessment of Customers ' Relationship Management Practices on Customer Retention and Loyalty of Oromia Credit and Saving Share Company : Bule Hora City Branch*. *2021*.

Christian, O., Ngozi, B., Abude, P., & Vincent, A. N. O. (2022). *Mobile Banking Service Quality and Customer Retention among Com mercial Banks ' Customers : An Empirical Evidence from Southeast Nigeria*. *23*(14), 45–56. https://doi.org/10.9734/AJEBA/2023/v23i141004

Chidambaram, V, &Ramachandran, A, (2012), A review of customer satisfaction towards service quality of banking sector. Social and Management Sciences, Vol2(2), 71-79

Cooil, B., & Weiner, J. (2017). *The value of different customer satisfaction and loyalty metrics in predicting customer retention , recommendation , and*. *May*.

Chuck, W (2016); The Challenges of Measuring - Customer Retention, The Practitioner Learning Program, Putting Customer Assessment to Work, Technical Note #2, Seep Network.

Craig F (2018); Banking on Customer Loyalty; Journal of Microfinance; Volume 2 NO2

Daneshgadeh, S., & Özkan, S. (2017). Empirical investigation of internet banking usage : The case of Turkey. *Procedia Technology*, *16*, 322–331. https://doi.org/10.1016/j.protcy.2014.10.098

Dary, S. K. (2016). *Exploring Innovations in Microfinance Institutions*. *June 2014*. https://doi.org/10.5296/ber.v3i1.3602

Egan.J (2014) .Relationship marketing: exploring relational strategiesin marketing, 2nd Edition. Pearson education limited: England.

Eriksson,K, &Vaghult. L., A(2010).Customer retention, purchasing behaviors and relationship substance in professional services. Industrial marketing management PP 300-380

Eshghi, A., Roy, S., and Ganguli, S., (2018), "Service quality and customer satisfaction: An empirical investigation in Indian mobile Telecommunications services"marketing Management Journal, Vol. 18, No. 2, p. 119-144

Filpo, J. (2016). Banking the Unbanked: Technology's Role in Delivering Accessible Financial Services to the Poor

Foroudi, P., Melewar, T.C., and Gupta, S. (2014). Linking corporate logo, corporate image, and reputation: An examination of consumer perceptions in the financial setting. Journal of Business Research, 67(11), 2269-2281.

Gupta, P. F. T. C. M. & S. (2014). *Linking Corporate Logo, Corporate Image and Reputation:*

An Examination of Consumer Perceptions in the Financial Setting: Middlesex University Research Repository. https://doi.org/10.1016/j.jbusres.2014.06.015

Gupta, S. (2018). *Microfinance in Africa; Overview and Suggestions for Action by Stakeholders*.

Gafeen (2016) Guiding principles of improving customer services. Journal of services marketing.

Vol5 no 2spring pp 10-89.

Garland, B. (2020) Estimating customer defection in personal retail banking, International journal

Of bank marketing. Page 317-340

Gibson, D. and Meehan, J. (2019). The Microcredit Summit's Challenge: Working Towards

Institutional Financial Self-Sufficiency while maintaining a Commitment to Serving the Poorest Families (Discussion Paper): Microcredit Summit, June 2000.

Grimbald, T. C. M. & N. (2022). *Bank Marketing and Its Effects on Customer Retention in*

Microfinance in Yaounde , Cameroon. *March*. https://doi.org/10.5296/ber.v13i1.20331

Helms, B. (2019). *Access for All Consultative Group to Assist the Poor*.

Huang, K. H (2015). Configural Theory for ICT development. Journal of business research, Volume 68, Issue 4, pp 748-756.

Ibojo, Bolanle& Odunlami (2014), Impact of Customer Satisfaction on Customer Retention: A

Case Study of a Reputable Bank in Oyo, Oyo State.International Journal of Managerial Studies and Research (IJMSR) Volume 3, Issue 2, February 2015, PP 42-53

Jobber, D. & Chadwick, F (2019) Principles and practice of marketing .7th edition. UK: McGrawHill Education

Karatape, O., Yavas, U. and Babakus, E., (2015), "Measuring service quality of banks: scale

development and validation", Journal of Retailing and Consumer Services, Vol. 12 No. 5, pp. 373-83.

Kashyap, S. (2019), Microfinance: Leveraging Information Communication Technology.

Khachatryan, K. (2010). Funding microfinance institutions.Skema Business Schoool.

Kheng, L, Mahamad, O, Ramayan, T &Mosahab, R (2010), The impact of service quality on

customer satisfaction. A study of banks in penang, Malaysia. International journal of

marketing studies, vol, 2, no,2, November

Kim, W.G. & Cha, Y. (2002). Antecedents and consequences of relationship quality in hotel

industry. International Journal of Hospitality Management, 21(3), 21-38.

Kojo. S. D (2016) Exploring Innovations in Microfinance Institutions in Uganda Business and

Economic Research ISSN 2162-4860, Vol. 3, No. 1

Krejcie.,V&Morgan.,D.,W (1970)Determining sample size for research activities; Education and psychological measurement.

Kumar, V. & Petersen A. J. 2012.Customer relationship management. United Kingdom: John Wiley & Sons, Ltd.

Kyffin and Gardien, 2009 S. Kyffin, P. Gardien Navigating the innovation matrix: An approach to Design led innovation

Larzan, A. T., &Jao, W. (2017). The Value of Different Customer Satisfaction and Legality Matrices in Predicting Customer Retention, Recommendation and Share of Wallet. Journal of Service Quarterly, 17(4), 361 – 384.

Lau, M. M., & Cheung, R. (2022). *Measuring Service Quality in the Banking Industry : A Hong Kong Based Study*. *November*. https://doi.org/10.7903/cmr.11060

Lafourcade, A., Isern, J., Mwangi, P., & Brown, M. (2019). Overview of the Outreach and Financial Performance of Microfinance Institutions in Africa

LaValle, S. and B. Scheld (2004), "CRM Done Right: Executive Handbook for Realizing the Value of CRM," IBM Business Consulting Services Reference Guide.

Lewis.R & Mitchell.W (2019) Defining and measuring the quality of customer service; Market Intelligence and planning.Vol 8 Iss6 pages 1-27

Lin, R.J., Chen, R. & Shun Chiu, K.K. (2010), Customer relationship management and innovation capability: An empirical study, Industrial Management & Data Systems, 110(1), 111-133.

Mamman, A. D. (2020). *Service Quality and Customer Retention : A Study of Microfinance Customers in Kaduna North Local Government*. *12*(14), 37–47. https://doi.org/10.7176/EJBM/12-14-04

Majid, M., Bagram, M., & Khan, S. (2014). *Attaining Customer Loyalty! The Role of Consumer Attitude and Consumer Behavior*. *2014*, 1–8.

Martin Consuegra, D. Molina, A. and Esteban, A. (2007). An Integrated Model of Price, Satisfaction and Loyalty: an Empirical Analysis in the Service Sector. Journal of Product & Brand Management. Volume 16, Issue 7 pp 459–468.

Mosley, D. H. & P. (2016). *Finance against poverty* (Vol. 1).

Mohsam (2011), observed that the issue of customer retention has been gaining increasing attention as a fundamental tool in financial institutions for enhancing organizational performance and profitability

Mugwenhi, S. (2019). *Drivers of operational performance and customer retention in the chemicals industry*. *11*(1), 74–100.

Musenze, I. A., Munene, J. C., Ntayi, J. M., & Balunywa, W. (2015). *Communication and quality service delivery in Uganda's local government: the mediating influence of total quality management*. *March 2015*, 37–41. https://doi.org/10.1080/20421338.2014.924264

Odunlami, B. (2015). *Impact of Customer Satisfaction on Customer Retention : A Case Study of a Reputable Bank in Oyo , Oyo State . Nigeria*. *3*(2), 42–53.

OECD. (2016). *Oslo Manual: Proposed Guidelines for Collecting and Interpreting Technological Innovation Data. Paris.*

Otinga, F. &. (2021). *Influence of customer retention strategies on customer loyalty among commercial banks in KENYA: 8*(1), 878 – 898. www.strategicjournals.com

Oyenihi, O., &Abiodun, A. (2008). Customer Service in the Retention of Mobile Phone Users in Nigeria. J. Bus. Management, 2(2), 26 – 31.

Parikh, T. (2016). Rural Microfinance Service Delivery: Gaps, Inefficiencies and Emerging solutions.

Pearce, J. A., & Robinson, R. B. (2018). Strategic Management. Formulation, Implementation, and Control. (12th Ed.) McGraw-Hill International Edition. consumers'acceptance of Internet banking services. Journal of Banking and Marketing

Pio, L., Cavaliere, L., Khan, R., Sundram, S., & Jainani, K. (2021). *The Impact Of Customer Relationship Management On Customer Satisfaction And Retention : The Mediation Of Service Quality*. *October*.

Premark, R., Prankish, S., & Prankish, G. (2010). Empirical Study of Customer Retention Strategies of Small Retail Shoppers. Journal of Business and Retail Management Research 4(2).

Prabhu, R. (2015). The influence of satisfaction, trust and switching barriers on customer retention in a continuous purchasing setting. European Journal of Business and Management, 185-193.

Ramesh, H. N. (2010). Retail Mix Managements Synoptic View. Journal of Business and Retail Management Research, 4(2).

Rao C., V. (2003), Taking microfinance to the rural poor doorstep by using ICT in a creative way.

RehmanGul, G. Bashir, M.S. Rohra, C.L. (2011). Qualitative Study on Customer Attrition in Microfinance Institutes of Pakistan. Australian Journal of Basic and Applied Sciences, 5(5): pp. 1112-1118.

Rosenberg, R (2015); Talking about performance ratios, Measuring Client Retention; The Microbanking Bulletin, Issue No. 6

Saad, S. G., & Kamel, N. J. (2021). *Impact of Customer Relationship Management on Customer*

Retention in Hotels. *21*(3), 152–161.

Shavulimo, P. (2019). *Financial Factors Influencing Client Retention in Microfinance Institutions in Kenya : A Case of Kenya Women Microfinance Bank - Nyeri County Rebecca Muthoni Wainaina , Paul Shavulimo & Michael Kiama Financial Factors Influencing Client Retention in Micro*.

Setiawan, H., & Sayuti, A. J. (2017). *Effects of Service Quality , Customer Trust and Corporate Image on Customer Satisfaction and Loyalty : An Assessment of Travel Agencies Customer in South Sumatra Indonesia*. *19*(5), 31–40. https://doi.org/10.9790/487X-1905033140

Singh, S. (2016). *Positive Service Encounter : A Tool for Customer Loyalty in Retail Positive Service Encounter : A Tool for Customer Loyalty in Retail*. *April*. https://doi.org/10.22158/jbtp.v1n2p244

Ssewanyana, J. K. (2017). *ICT Usage in Microfinance Institutions in Uganda*. *1*(3), 5–28.

Saghier, N, & Nathan, D (2013), service quality dimensions and customer's satisfactions of banksin Egypt. International business research conference 4-5 april 2013, Dubai, UAE.

Singh,.S. (2013). Positive service encounter: A tool for customer loyalty in retail Journal of business Theory and Practice; 1 (2).244 – 261.

Stefanou,.J. & Christos.S(2019), "CRM and Customer-Centric Knowledge Management: An Empirical Research," Business Process Management Journal 9 (5), 617-34.

Subhash. C, Ramaseshan. B, Bejou. D,. Jain, Charlotte Mason and Joseph Pancras (2010) Issues and Perspectives in Global Customer Relationship Management. Journal of service research.

Suleyman.,M (2014) Service quality evaluation in the school of physical education and sports. An empirical investigation of students' perceptions. Total quality management of business excellence 80-94

Shahzad.K(2015).Determinants of customer retention. Journal of applied economics and business. Page 42-64

Sher Ali, U. K. & H. B. (2020). Service Quality of Micro-Finance Institutions in District MANSEHRA: An Investigation of Customer Satisfaction Sher Ali 1 , Uzhair Khalid 2 and Dr. Hazrat Bilal 3. *Journal of Economic Cooperation and Development*, *1*, 61–88.

Uganda Bureau of Statistics: Statistical (2017) Abstract Report on Census of Microfinance Institutions in Uganda.

Uganda Bureau of Statistics (2018): Report on Census of Microfinance Institutions in Uganda.

Uganda Bureau of Statistics: Statistical (2019) Abstract Report on Census of Microfinance Institutions in Uganda.

Urquizo, J. (2016). *Improving and Monitoring Customer Retention*.

Waterfield, C., Kruize, A. D., Hansel, J. E., & Mcinerny, P. (2016). *Putting Client Assessment to Work The Challenges of Measuring Client Retention*. *2*.

Wicks, A,M., &Roethlein, C.J (2009) A satisfaction –Based Definition of quality: Journal of Business & Economic studies 15 (1) 81-96

Wyman, O. (2012). Rethinking Financial Innovation: Reducing Negative Outcomes while Retaining the Benefits. World Economic Forum: Cologny: Geneva

Zeithaml, V. A., Bitner, M. J. &Gremler, D. 2009. Services Marketing - Integrating Customers Focus across the Firm, Fifth Edition, Boston: McGraw-Hill.

Yildiz, S. M. (2014). *Service quality evaluation in the school of physical education and sports: An empirical investigation of students' perceptions*. *January 2014*. https://doi.org/10.1080/14783363.2011.637804

APPENDIX 1

MAKERERE UNIVERSITY BUSINESS SCHOOL

Survey Questionnaire

Dear Respondent,

Kindly fill in this questionnaire for the purpose of writing a dissertation as a requirement for the Master of Business Administration. Am currently carrying out research on the topic **"Innovation Capacity, Customer Service Quality and Customer Retention in Micro Finance Institutions in Uganda. A case of Jinja City"** and it is purely for academic purpose. Your response will be treated with confidentiality and your identity will not be disclosed. Answer all the questions by following the guidelines.

SECTION A

PERSONAL PROFILE

A1: Sex: 1 Female: ☐ 2 Male ☐

A2: **Marital Status:** 1 Single ☐ 2 Married ☐

A3: Age of the respondents in complete year **……**?

A4 Level of Education

Certificate	Diploma	Degree	Post Graduate
1	2	3	4

If you are a client skip to **A9** and if you are a staff, **Go to A5**

A5: Work experience in current position

0-2 years.	3-5 years.	6-8 years.	9-10 years	Above 10 years
1	2	3	4	5

A6: Position Held

Manager	Supervisor	Officer	Clerk
1	2	3	4

A7: Number of employees in the MFI

0-50	51-100	101-150	151-200	Above 200
1	2	3	4	5

A8: Size of the MFI

Small Scale	Medium	Large
1	2	3

A9: Years of banking with this MFIS

Less than 5years	6-10years	11- 15years	16 years above
1	**2**	**3**	**4**

A10: what is your current profession/Work

Medical	Teacher	Marketer	Business	Others
1	2	3	4	5

SECTION B

Please choose the extent at which you agree or disagree with the items given, using the following (5) five-point scale; (1=Strongly Disagree, 2= Disagree, 3= Neither agree nor disagree, 4=Agree, 5-=Strongly agree).

Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
1	2	3	4	5

INNOVATION CAPACITY

		SD	D	NAD	A	SA
(A)	**Participatory leadership culture**					
PL1	Managers always emphasize team work in executing duties	1	2	3	4	5
PL2	Managers in this firm consult subordinates while making decisions	1	2	3	4	5
PL3	The leadership culture of this firm has a significant influence on market performance	1	2	3	4	5
PL4	The leadership culture of this firm acts as a major source of sustainable competitive advantage.	1	2	3	4	5
PL5	The leadership culture of this firm promotes financial independence and sustainability of its clients in the long run.	1	2	3	4	5
PL6	The leadership culture has increased the motivation of the employees in this firm.	1	2	3	4	5
(B)	**Knowledge Diffusion**	1	2	3	4	5
KD1	Management of this firm has provided business related knowledge and saving skills to their clients so that they can be able to achieve returns on the borrowed money.	1	2	3	4	5

KD2	Management skills of this firm are directed to the needs and preferences of the clients and craft products basing on these needs & preferences.	1	2	3	4	5
KD3	Stake holders of this firm have been educated to prevent negative publicity from the press, public and politicians	1	2	3	4	5
KD4	Staff of tis firm are aware of all the phases of their work.	1	2	3	4	5
KD5	Group borrowers have been educated to handle different financial aspects in the group	1	2	3	4	5
(C)	**Research and development**					
RD1	New innovations have been achieved through research and development	1	2	3	4	5
RD2	The firm has a well-equipped research team to carry out its duties.	1	2	3	4	5
RD3	Research and development of this firm aims at fulfilling the customer requirements.	1	2	3	4	5
RD4	The products acquired by this firm through research are able to generate enough revenues while satisfying the customer needs.	1	2	3	4	5

SECTION C

CUSTOMER SERVICE QUALITY

(D)	**Reliability**					
RE1	Provides services exactly at the time promised	1	2	3	4	5
RE2	Maintains accurate and error free records	1	2	3	4	5
RE3	Provides quality services right at the first time	1	2	3	4	5
RE4	Waiting system is same for all customers	1	2	3	4	5
RE5	Forms are easily understandable	1	2	3	4	5
(E)	**Responsiveness**					
RS1	Employees of this firm provide accurate information	1	2	3	4	5
RS2	Employees give prompt service to member	1	2	3	4	5
RS3	Employees of this firm are willing to help member	1	2	3	4	5
RS4	Employees in this firm are never too busy to clarify members doubt	1	2	3	4	5
(F)	**Assurance**					
AS1	Fee charges information is provided	1	2	3	4	5
AS2	Pre and post services are available	1	2	3	4	5
AS3	Easy and understandable documentation	1	2	3	4	5
AS4	Basic information of every transaction is provided	1	2	3	4	5
AS5	Benefits under Government Schemes	1	2	3	4	5
(G)	**Empathy**					
EM1	Caring attitude of employees	1	2	3	4	5
EM2	Individual attention to customers	1	2	3	4	5
EM3	All customers are same for administration	1	2	3	4	5

EM4	Employees listen to customers' problems	1	2	3	4	5
EM5	Specific needs of customers are taken care	1	2	3	4	5
(H)	**Time taken to serve customer**					
TM1	The firm provides an exact time to serve a specified customer					
TM2	There is short waiting time to access the firm's manager, counter, loans officer or front desk					
TM3	The firm's electronic banking is useful and cost effective					
TM4	The electronic banking saves time and transportation cost					

SECTION D

CUSTOMER RETENTION

(I)	**Repeat purchase**					
I 1	The clients will continue borrowing from the institution	1	2	3	4	5
I 2	The clients refer their friends and family members to borrow from the firm	1	2	3	4	5
I 3	Clients highly rate their overall experience of using the firm's services	1	2	3	4	5
I 4	The clients are satisfied with the level of customer service provided by the firm	1	2	3	4	5
(J)	**Customer attrition rate**					
J 1	The firm provides quality services and products in order to meet clients' expectations					
J 2	The firm contacts resting clients in order to get feedback from them					
J 3	The firm provides a wide range of products and services for the clients to choose from					
(K)	**Churn Rate**					
CR1	There is a decreased rate of defection of customers in this firm.	1	2	3	4	5
CR2	The methods of borrowing and loan recovery are the reasons for the decrease in the customer dropout rate of this firm	1	2	3	4	5
CR3	The decrease in the turnover of clients has painted a good image to this firm	1	2	3	4	5
CR4	The firm has a well-organized customer care team to minimize the dropout rate	1	2	3	4	5
(L)	**Days sales outstanding**	1	2	3	4	5
DO1	The firm sales 80% of its product in the period of seven days	1	2	3	4	5
DO2	Sales returns increases the cost of production of this firm	1	2	3	4	5
DO3	The technological department liaises with the marketing department to provide the required services of the customers	1	2	3	4	5
DO4	The daily sales of this firm have an effect on the profits they get.	1	2	3	4	5

In your opinion, what could be the factors to improve on the customer's retention in MFI institution in Jinja

……..

……..

……..

……..

Thank you for your valuable time and cooperation