

**THE IMPACT OF CUSTOMER SERVICE QUALITY ON BANK CUSTOMER  
RETENTION: A CASE STUDY OF PRIDE BANK MBALE**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT  
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**UGANDA CHRISTIAN  
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**DECLARATION**

I, KIMONO INGRID LEAH, do hereby declare that this research report titled “The impact of customer service quality on bank customer retention: A case study of Pride Bank Mbale” is my original work and has never been presented to any other University or Institution of learning for any academic award.

Sign.....

Date..... 12/09/2025

**APPROVAL**

This Study was conducted with my supervision and is now ready for submission with my approval.

Supervisor... Maureen Natuhweera K.

Date... 12/09/2025

Sign... Natuhweera

## **DEDICATION**

This dissertation is dedicated to my parents, friends and lecturers who have provided unwavering support, encouragement and unconditional love through my education journey.

The sacrifices made have enabled me reach my education goal of completing my degree of Bachelors in Business Administration.

I am grateful to my supervisor Ms. Natuhairé Maureen who provided guidance, support and mentorship throughout this research.

I am sincerely grateful to each and every one that has supported me through this journey.

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## **ABSTRACT**

This study explores the impact of customer service quality on bank customer retention at Pride Bank Mbale. In today's competitive financial sector, banks increasingly rely on the quality of service they provide as a key differentiator in maintaining loyal customers. The research is guided by three objectives, to assess the impact of service quality on customer retention, to examine the relationship between service quality retention and to investigate how responsiveness in service delivery influences customer loyalty.

A case study design is adopted focusing exclusively on Pride Bank Mbale. Data were collected from 43 respondents using questionnaires supported by secondary sources and analyzed through descriptive statistics and correlation analysis. This approach provided both numerical insights and interpretive depth making it possible to link customer service to customer retention outcomes.

The findings revealed that customer service quality plays a vital role in shaping customer perceptions and influencing their decision to remain with the Bank. Specifically, responsiveness, timely handling of inquiries and complaints and personalized attention emerged as strong drivers of retention. Correlation results showed a positive and significant relationship between service quality and customer loyalty, suggesting that improvements in service delivery directly enhance retention levels. However, the study also noted that reliance on a single case study limits generalizability, as the findings may not fully reflect dynamics in other banks or contexts.

In conclusion, the research demonstrates that customer service quality is not merely a support function but a strategic tool for sustaining long term relationships with clients. The study recommends that Pride Bank Mbale continue to invest in staff training, enhance complaint handling mechanisms and prioritize responsiveness in order to strengthen customer trust and loyalty. These lessons hold broader implications for the Ugandan banking sector where competition continues to intensify and retaining existing customers is more cost effective than acquiring new ones.

**THE IMPACT OF CUSTOMER SERVICE QUALITY ON BANK  
CUSTOMER RETENTION: A CASE STUDY OF PRIDE BANK MBALE  
CHAPTER ONE**

**CHAPTER INTRODUCTION.**

**1.1 Introduction.**

In today's financial landscape, customer service quality has become a cornerstone of competitive advantage. Globally, banks are shifting from transactional models to relationship driven strategies that prioritize customer experience, satisfaction and loyalty (Zeithaml et al,1996). Research shows that retaining existing customers is five to seven times more cost effective than acquiring new ones (Rust and Zahorik, 1993). according to (Alushurideh, 2020), loyal customers tend to spend more and refer others. With the rise of digital banking, institutions are increasingly investing in omni channel service delivery, personalized support and data driven insights to meet evolving customer expectations (Sun and Pang, 2017).

Across Africa, the banking sector is undergoing significant transformation, largely driven by financial inclusion, mobile banking innovations and rising consumer awareness. However, service quality remains inconsistent and many banks struggle to meet expectations of their diverse clientele (Hinson et al 2024). For example, in Cameroon, ineffective complaint handling and negative staff attitudes were found to significantly affect customer retention in the telecom sector (Nwahanye, 2021). Similarly, a study in Ghana revealed that hotel service quality measured through empathy, reliability and responsiveness was directly linked to customer loyalty (Sulemna et al, 2023). These findings highlight the importance for African banks to embrace customer centric approaches that focus on responsiveness, reliability and emotional connection.

In East Africa, mobile platforms and digital tools are being used to enhance service delivery, yet challenges in customer retention persist. These challenges are often attributed to inconsistent service quality, limited personalization and inadequate feedback mechanisms (Mwangi, 2018). Evidence from Kenya indicates that effective service design and system usability can significantly boost satisfaction and loyalty (Mbaabu and Njuguna, 2022). Similarly, research in Uganda has shown that adopting

Total Quality Management practices such as customer focus, teamwork and continuous improvement has a direct impact on organizational performance and customer retention (Gichure and Gitonga, 2024).

Uganda's banking industry has grown steadily with institutions like Stanbic Bank, Cetenary Bank and DFCU Bank leading the market. Despite this growth, rising competition and evolving customer preferences continue to pose challenges for customer retention. Previous studies conducted at Stanbic Bank branches in Kabalagala and Mukono revealed that reliability, responsiveness and assurance are strong predictors of whether customers remain loyal to a bank (Byogero 2017, Kusasira, 2019). In addition, findings from the healthcare sector in Mbarara suggest that customer loyalty often serves as a bridge between service quality and retention, emphasizing the role of responsiveness and assurance (Harriet et al, 2024).

Zooming in to Mbale, Pride Bank operates within a competitive microfinance environment, serving both urban and semi urban communities. Although limited studies have been conducted on Pride Bank specifically, evidence from Fincredit's Mbale Regional Office revealed that effective communication, prompt complaint handling and refund policies play an important role in retaining clients (Wanja, 2019). Further research by (Mwima, 2022) on customer orientation in Mbale's dual curriculum schools found that institutions that actively listen to and address customer needs tend to perform better. These insights suggest that improving empathy, reliability and responsiveness in financial services could substantially improve customer retention in Mbale.

Therefore, this study seeks to examine the impact of customer service quality on customer retention at Pride Bank Mbale. The research will focus on the service quality dimensions of responsiveness, reliability, empathy and assurance which have been identified in prior studies as key determinants of customer loyalty (Mukuuma and Mujinga, 2024). The findings are expected to provide valuable guidance to bank management in designing customer focused strategies while also contributing to the growing body of knowledge on service quality and consumer behaviour in Uganda (Kazaara, 2025).

## **1.2 Background**

In the global financial sector, customer retention has become a critical indicator of success, with banks striving to deliver not only superior products but also exceptional service experiences. As competition intensifies, service quality emerges as a primary differentiator in the minds of consumers, influencing where they choose to bank and whether they remain loyal (Lubega, 2016).

In Uganda, the banking industry has seen rapid growth driven by digital transformation, financial inclusion initiatives, and increased customer awareness. However, this progress comes with growing expectations from customers, who now demand personalized service, responsive support, and consistent reliability. Research shows that customer retention is increasingly dependent on how customers perceive their service experience rather than just the financial products offered (Nansereko, 2016; Nassimbwa, 2023).

Pride Bank, a locally recognized financial institution with a significant footprint in Mbale, faces the challenge of maintaining strong customer relationships in an environment where clients have numerous alternatives. While the bank has implemented strategic improvements in service delivery, retention rates suggest that further investigation is needed to understand how customer service influences loyalty. Previous studies have highlighted service dimensions such as assurance, empathy, and responsiveness as key drivers of satisfaction (Mukuuma & Mujinga, 2024). However, little has been done to explore these dynamics in the context of Pride Bank Mbale.

This study builds on existing research to assess the effect of customer service quality on customer retention at Pride Bank Mbale. The results will not only enhance the understanding of service-related factors influencing loyalty but also provide actionable insights for bank managers seeking to improve retention through better service strategies (Kazaara, 2025).

## **1.3 Statement of the problem.**

Customer retention has become a strategic priority in the banking industry as competition, digital innovation and changing customer expectations continue to

reshape service delivery. Recent studies confirm that the quality of customer service is a critical factor influencing whether clients remain loyal or switch to competitors according to (Alshamsi et al, 2021 and Mijaku, 2020). Despite efforts to improve customer experience, many financial institutions particularly in developing economies still face retention challenges linked to service quality gaps.

At pride Bank Mbale, initiatives such as enhanced responsiveness, faster turnaround times and more personalized services have been introduced to strengthen customer relations. However observable inconsistencies in client loyalty and recurring complaints suggest that these measures may not be achieving the intended outcomes. Key concerns include perceived unreliability, limited empathy and weak follow up mechanisms dimensions commonly associated with service quality deficiencies in banking (Nassimbwa, 2023 and Mukuuma & Mujinga, 2024).

Although Global research on customer service quality and retention is extensive, there remains a lack of localized evidence focusing on financial institutions like Pride Bank Mbale. Without such context specific insights, the bank risks continued customer churn and reduced trust. Recent findings by (Kazaara and Asiimwe, 2024) emphasize the need for service strategies tailored to customer expectations yet these remain largely untested in Pride Bank's operational environment.

#### **1.4 Purpose of the study**

The purpose of this study is to investigate the impact of customer service quality on bank customer retention at Pride Bank Mbale.

##### **1.4.1 Objectives.**

The objectives of the study will be to;

- i. Identify the impact of customer service quality on bank customer retention at pride Bank Mbale.
- ii. Examine the relationship between customer service quality and bank customer retention outcomes in Pride Bank Mbale.
- iii. Examine the responsiveness in service delivery and its effect on bank customer retention in Pride Bank Mbale.

## **1.5 Research Questions**

- i. What is the Impact of customer service quality on bank customer retention at Pride Bank Mbale?
- ii. What is the relationship between customer service quality and bank customer retention outcomes in Pride Bank Mbale?
- iii. How does responsiveness in service delivery influence bank customer retention at Pride Bank Mbale?

## **1.6 Scope of study**

To maintain focus and ensure meaningful results, this research defines its scope in terms of geographical coverage, content boundaries and time frame. Setting clear parameters helps to narrow the study to manageable areas of investigation while also ensuring depth and reliability of findings (Alshamsi et al, 2021).

### **1.6.1 Geographical Scope**

The study will be carried out at Pride Bank Mbale, a branch located in Eastern Uganda in Mbale City. This site was selected because of its strategic role in serving both Urban and per urban clients, as well as its visibility in the regional financial sector. Concentrating on one branch allows for a deeper exploration of how service delivery practices shape customer loyalty within a specific context (Nassimbwa, 2023).

### **1.6.2 Time Scope**

The research will cover the period between July 2025 and September 2025. This time frame is suitable because it provides space to collect both retrospective data on past experiences and current information on ongoing service delivery. It also aligns with recommendations from recent studies that emphasize the importance of observing service quality over time to capture its changing impact on customer behavior (Kazaara and Asiimwe, 2024).

### **1.6.3 Content Scope.**

This study is limited to investigating how customer service quality influences customer retention at Pride Bank Mbale. Specifically, it focuses on key service dimensions which are responsiveness, reliability, empathy and assurance and examines how they shape customer's decisions to remain loyal to the bank.

### **1.7 Justification of the study**

Retaining customers has become just as important as acquiring new ones in the global banking sector. In Uganda, the rapid growth of digital banking, the increase in customer awareness and entry of multiple financial service providers have made competition more intense. To survive in this environment, banks must differentiate themselves by offering superior service quality (Nassimbwa, 2023). Yet despite visible efforts, many institutions continue to face retention challenges particularly in regional branches such as Pride Bank Mbale.

This study is important because it seeks to unpack how specific dimensions of service quality like responsiveness, reliability, empathy and assurance contribute to customer loyalty. Although existing research supports the strong link between service quality and retention (Mukuuma and Mujinga, 2024), most of these studies have focused on larger, urban based institutions leaving a gap in knowledge about localized banking contexts.

By concentrating on Pride Bank Mbale, this research addresses that gap and generates practical insights for managers aiming to strengthen customer relationships. Academically, it enriches the discourse by applying the SERVQUAL framework in a regional Ugandan context, adding to comparative studies within Africa and beyond (Kazaara and Asiimwe, 2024). On a practical level, the findings could guide staff training, policy formulation and customer engagement strategies that enhance satisfaction, retention and ultimately profitability. Given that loyal customers are key to long term sustainability, this study carries significance for both the academic community and the banking industry.

## **1.8 Significance of the Study**

This study is significant in three major ways, for Pride Bank Mbale, for academic research and for customers themselves.

### **For Pride Bank Mbale.**

The findings will provide evidence based insights in to how key service quality dimensions such as reliability, responsiveness, empathy, assurance and tangibles affect customer retention. By identifying service gaps, the study will support the bank's strategic planning and guide targeted improvements. Previous research in Uganda shows that banks which prioritize service quality often achieve measurable gains in loyalty and retention (Nassimbwa, 2023). Thus, the outcomes of this study can help Pride Bank Mbale strengthen its customer base and competitiveness.

### **For Academic Research**

Academically, the study adds to the growing body of knowledge on service quality and retention by contextualizing the SERVQUAL model (Parasuraman et al, 1985) in an emerging market setting. It extends the work of (Alshamsi et al, 2020) who highlighted the consistent role of service quality in driving retention across industries like banking, telecom and education. Comparative studies such as (De Silva, 2019) which examined service quality and retention in Sri Lanka's telecom sector also provide a regional lens. By building on these insights this study enriches the literature on customer service quality in Uganda's financial sector.

### **For Customers.**

The study also carries significance for customers. By amplifying their feedback, it advocates for more responsive, respectful and personalized banking experiences. It reinforces the idea that customer satisfaction is central to shaping service delivery strategies, ultimately empowering customers to influence the standards of care they receive from their financial institutions.

## **1.9 Limitations and Delimitations**

While this research makes important contributions, it also faces certain limitations and operates within defined delimitations.

### **1.9.1 Limitations**

Several factors may constrain the scope and generalizability of the study. First, it focuses mainly on service quality dimensions leaving out other possible influences on retention such as pricing, product variety or competitor action. Second, the study is geographically restricted to Pride Bank Mbale, which means the findings may not fully represent other branches or banks operating in different environments. Thirdly, the data comes from a specific subset of customers and therefore may not capture the full diversity of the bank's clientele.

Additionally, perceptions of service quality are subjective and responses may be shaped by personal bias or recent experiences. The time frame is another limitation as the study is for a short period of time to capture customer views within a specific period of July to August 2025, which may overlook seasonal or long term variations in behaviour. Access to certain internal bank data such as detailed records on complaints and retention strategies may also be limited due to confidentiality. Finally, although validated instruments like SERVQUAL are used, they may not perfectly align with the cultural or institutional context of Pride Bank Mbale.

### **1.9.2 De limitations**

The study is also bounded by intentional choices made by me. It focuses exclusively on Pride Bank Mbale and does not include other banks or institutions. The analysis is limited to service quality dimensions which are responsiveness, reliability, empathy, assurance and tangibles as defined by the SERVQUAL model, with customer retention as the main outcome. Other outcomes such as profitability, market share or general customer loyalty are not examined in depth.

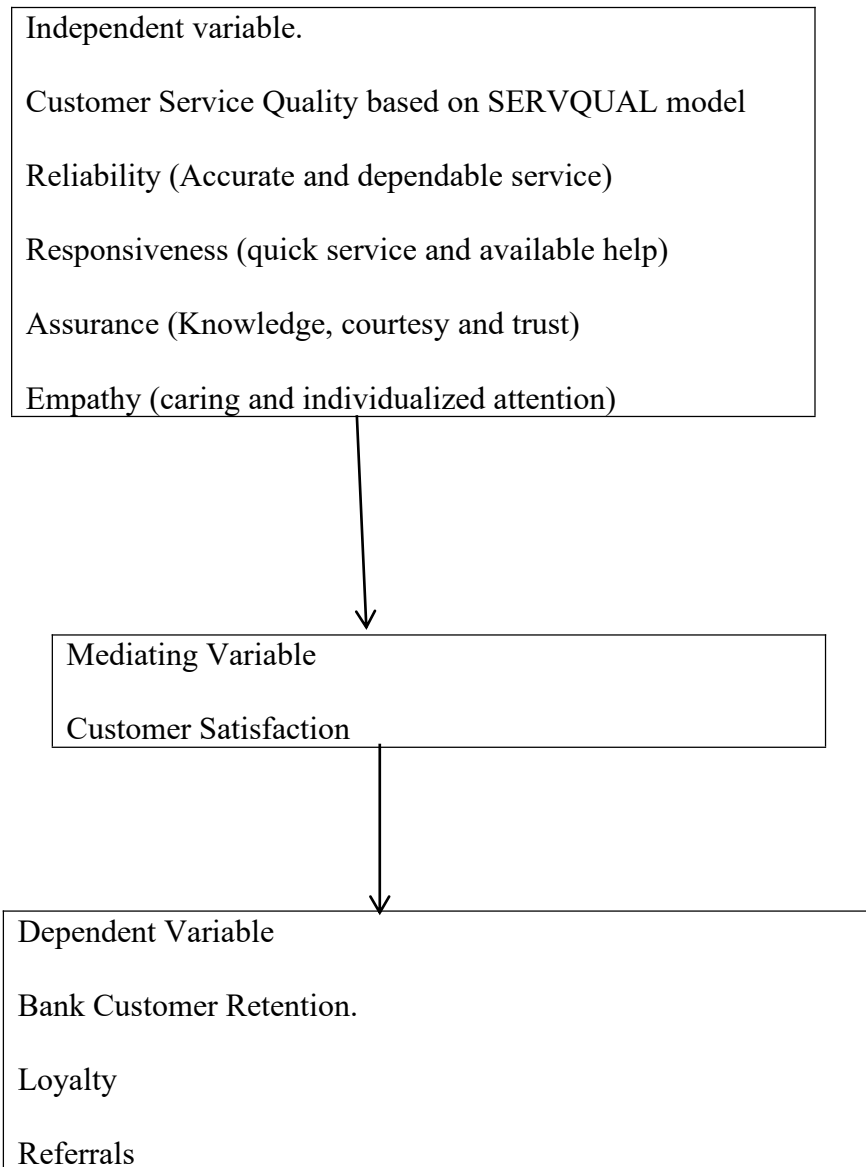
Methodologically, the study relies primarily on survey questionnaires without incorporating focus groups, observational studies or longitudinal methods. It is also limited to in person customer service interactions excluding digital channels such as

mobile banking apps or ATMs even though these may influence retention. Importantly, the study focuses only on customer perspectives leaving out views of staff and management.

The research further narrows its scope to adult customers who have held accounts for at least six months excluding newer clients. It is conducted in English which assumes a shared understanding of service quality concepts and may not fully reflect cultural nuances. Lastly, the study does not attempt to compare Pride Bank Mbale with other branches or competitors and it doesn't analyze financial performance indicators such as revenue and profit.

## 1.10 Conceptual Framework

**Figure 1: Conceptual Framework**



## CHAPTER TWO

### LITERATURE REVIEW

#### **2.0 Introduction.**

In today's banking industry, delivering excellent customer service has evolved from being merely a basic requirement to a critical factor in retaining loyal clients over time. For banks, keeping existing customers is increasingly recognized as more cost effective than acquiring new ones making consistent and meaningful service experiences essential in a competitive market.

Focusing on banking institutions like Pride Bank Mbale, this chapter reviews a range of academic studies exploring the relationship between customer service quality and customer retention. The review draws on established theories, key dimensions of service quality and relevant empirical research to provide a foundation for current study. By synthesizing these insights, the chapter situates this research within the broader scholarly conversation and identifies gaps in knowledge particularly regarding regional banking contexts in Uganda which this study aims to address.

#### **2.1 The impact of customer service quality on Bank customer retention at pride Bank.**

Customer retention has become a central concern for banks, especially in competitive, service driven economies where customer expectations are constantly evolving. Retaining existing clients is not only more cost effective than acquiring new ones but also contributes to long term profitability, brand loyalty and operational stability (Gentiana, 2020). In Uganda, the banking sector has experienced significant transformation due to financial inclusion initiatives, adoption of digital banking and greater customer awareness making service quality a key driver of customer retention (Kazaara and Asiimwe, 2024).

Service quality in banking is often assessed using the SERVQUAL model developed by (Parasuraman, Zeithaml and Berry, 1988). This model identifies five core dimensions which are reliability, responsiveness, assurance, empathy and tangibles that collectively shape customer perceptions of service delivery. Numerous studies

have confirmed that these dimensions positively influence customer retention. For example, (Kulkarni and Tilak, 2023) found that responsiveness and empathy were particularly important in promoting satisfaction and loyalty in Indian banks while (Nassimbwa, 2023) emphasized that gaps in responsiveness and assurance were contributors to customer churn in Uganda banks.

Recent research has broadened the concept of service quality by including digital and relational dimensions. The MS-QUAL model by (Surendra,2015) focuses on mobile banking services, introducing factors like efficiency, privacy and availability. These factors are increasingly relevant for banks such as Pride Bank Mblae, which are incorporating mobile platforms in to their service delivery. (Ojiaku etal, 2023) found that responsiveness, system quality and information quality significantly influence customer retention in mobile banking environments indicating that digital services must be secure, reliable and user friendly to maintain loyalty.

Beyond technical aspects, relational approaches such as Customer Relationship Management (CRM), have been essential. (Babirye and Zikusooka, 2025) demonstrated that CRM strategies personalized communication, loyalty programs and consistent follow ups enhance customer satisfaction and retention in Uganda banks. This is particularly relevant for regional branches like Pride Bank Mbale, where interpersonal relationships and community trust play a significant role in maintaining long term engagement.

The Leaky Bucket Theory (Ehrenberg, 1988), recently revisited by (Langat and Kibos, 2021) provides a useful metaphor for understanding customer attrition. It suggests that poor service leads to leaks in the customer base and retention requires continuous efforts to close service gaps. Evidence from Centenary Bank Uganda supports this showing that responsiveness and empathy are vital in preventing customer loss (Kazaara and Asiimwe, 2024).

Empirical research also highlights the mediating role of perceived value in the relationship between service quality and retention. (Langat etal, 2021) proposed a moderated mediation model showing that perceived value strengthens the effect of service quality on retention while corporate image serves as a moderator. This

suggests that even technically excellent service may fail to generate loyalty if customers do not perceive it as valuable or if the bank lacks a strong reputation.

Emerging studies further underscore the multifaceted nature of service quality. For instance, (Harriet et al, 2024) examined service quality in private healthcare in Mbarara City and found that while service quality influenced loyalty, its direct effect on retention was less pronounced. Instead, loyalty acted as an intermediary suggesting that service quality often works indirectly by fostering trust and emotional commitment before translating in to long term retention.

Similarly, (Lubega,2016) studied customer experience at Bank of Africa and found that service processes and physical evidence had measurable though modest effects on retention. Responsiveness emerged as the most influential factor reinforcing the notion that timely personalized service is critical for satisfaction and loyalty.

From a broader African perspective, (Hinson et al, 2024) highlighted a shift from transactional service models to experience oriented approaches where customers are considered co-creators of service quality. Their research across Ghana, Egypt and South Africa revealed that emotional connection, digital accessibility and cultural sensitivity are increasingly shaping customer perceptions. For Pride Bank Mbale, this implies the retention strategies must go beyond operational efficiency to incorporate human centered service design emphasizing empathy, attentive listening and proactive engagement.

(Nakiboneka, 2011), also found that product quality, pricing and corporate branding influence customer loyalty at Pride Microfinance. The study concluded that consistent high quality service delivery contributes to a recognizable brand experience which is particularly relevant for Pride Bank Mbale where community reputation and word of mouth significantly affect customer decisions.

Finally, the 2022 Pride Microfinance Annual Report highlights the institution's commitment to customer centric values summarized in the acronym PLEASE which is Pay attention, Listen, Empathy, Ask, Serve, Execute which reflects the organization's effort to embed service quality in to daily operations. This shows how

internal culture and front line behaviour are essential for enhancing customer retention.

In conclusion, the literature consistently demonstrates that customer service quality strongly influences bank customer retention, while traditional models like SERVQUAL provide a foundational structure, contemporary frameworks like MS-QUAL, CRM strategies and moderated mediation approaches strengthen the understanding of the emotional, relational and digital dimensions of services. Pride Bank Mbale integrating these insights into service practice can enhance customer loyalty and promote sustainable growth.

## **2.2 The relationship between customer service quality and bank customer retention outcomes in Pride Bank Mbale.**

Customer service quality is widely acknowledged as a foundation for building and sustaining relationships in the banking sector. It does not only affect immediate satisfaction but also shapes long term outcomes such as loyalty, trust and emotional attachment. The SERVQUAL model developed by (Parasuraman et al, 1988) remains the most prominent tool for assessing service quality which focuses on the five dimensions of reliability, responsiveness, assurance, empathy and tangibles. These dimensions have been consistently identified as predictors of customer perceptions and subsequent retention behaviors.

Studies across different contexts affirm the positive association between service quality and loyalty, for example (Kulkarni and Tilak, 2023) demonstrated that responsiveness and empathy had a strong impact on customer satisfaction and loyalty in Indian Banks. In Uganda, (Nanserek, 2016) found that reliability and responsiveness at Stanbic Bank were significant drivers of satisfaction which then translated in to repeat patronage and positive referrals. Similarly, (Lubega, 2016) in a study at Bank of Africa revealed that while several service aspects influenced retention, responsiveness stood out as the most critical factor underscoring the relational rather than transactional nature of customer loyalty.

Beyond the traditional SERVQUAL model, recent research highlights the role of mediating and moderating variables. (Langat et al, 2021) proposed a moderated

mediation in Kenya showing that perceived value mediates the relationship between mobile banking, service quality and retention while corporate image moderates it. Their findings emphasize that service quality alone may not secure loyalty unless customers perceive the service as valuable and trust the bank's image. This resonates with (Nguyen and LeBlanc, 1998) who argued that corporate image strengthens the link between perceived value and loyalty. In Uganda, (Nakiboneka, 2011) also confirmed that corporate branding and personalized services were central to building loyalty at Pride Microfinance highlighting the importance of emotional and symbolic factors.

The significance of brand image and reputation is further echoed by (Nguyen, 2001) who noted that customers are more likely to remain loyal to institutions they view as reputable and socially responsible even when competing banks provide the same products. These insights stress the importance of trust, community reputation and institutional integrity for regional banks like Pride Bank Mbale.

According to (Lubega, 2016) findings at Bank of Africa suggests that improvements in service processes yield cumulative gains in customer retention. Furthermore (Kazaara and Asiimwe, 2024) in their research at Centenary bank revealed that responsiveness and empathy were especially critical in regional branches compared to urban settings. This is particularly relevant to Pride's Bank Mbale, where interpersonal interactions and community engagement shape customer experiences. Likewise, (Mohamud,2016) observed that electronic banking adoption enhanced perceived service quality and loyalty in Ugandan banks showing that digital efficiency complements physical service in driving retention.

Engagement and emotional connection are emerging as equally emerging vital. (Setyono etal, 2021) found that customer engagement pride and perceived value significantly influenced loyalty in East Africa banks. Their study suggests that when customers feel emotionally connected to their bank through recognition, shared values or personal care they are more likely to remain loyal despite competitive offers. (Harriet etal,2024) in a related context of healthcare in Uganda also noted that service quality indirectly affects retention by first enhancing loyalty an insight that can be translated in to banking practice at Pride Bank Mbale.

Local evidence further reinforces the importance of customer centered approaches as (Wakabala, 2006) in Mbale Municipality showed that front line responsiveness, reduced penalties and expanded service access positively influenced client retention. Pride Micro-finance's 2022 Annual Report also emphasized empathy, listening and ownership captured in their PLEASE philosophy as central values for building sustainable customer relationships.

In conclusion, the literature establishes that service quality and customer retention are deeply interlinked but the relationship is not one dimensional. Technical efficiency must be complemented by emotional engagement, perceived value and institutional reputation. Embedding responsiveness, empathy and trust in Pride Bank Mbale service delivery provides a pathway to not just satisfaction but enduring loyalty and retention.

### **2.3. The Responsiveness in service delivery and its Effect on bank customer retention in Pride Bank Mbale.**

Responsiveness is considered one of the most important aspects of service quality especially in the banking industry where customers expect quick and personalized support. According to (Parasuraman et al, 1988), responsiveness refers to the willingness and ability of employees to assist customers and provide prompt services. It includes actions such as responding to inquiries on time, handling complaints effectively and offering help even before a customer asks. In banking, responsiveness reflects not only efficiency but also respect and care for customers.

Studies have shown that responsiveness has a strong link to customer retention. For example, (Negassa and Japee, 2023) found out that in Ethiopian banks, responsiveness improved customer satisfaction which influenced retention. Which means that responsiveness may not always directly lead to retention but plays a big role in keeping customers happy and building trust. Similarly, (Ojiaku et al, 2023) in a study on mobile banking in Nigeria discovered that responsiveness, system quality and information quality were the strongest predictors of retention. This is important for Pride Bank Mbale, especially as it continues to grow its mobile banking services because customers expect digital responsiveness to be as reliable as service within the bank branches.

Looking at Uganda, (Osinde et al, 2020) studied Pride Microfinance and found responsiveness did not show a strong effect on satisfaction though it could still matter in situations like service delays. This suggests that even if responsiveness is not the first factor customers look at, it becomes very important when there are service problems since quick recovery can restore customer trust. Another study by (Kaziba et al, 2023) on Barclays Bank Uganda revealed that responsiveness along with staff competence and ethical conduct strongly influenced customer trust and retention. They recommended continuous training for front line employees to improve how quickly and effectively they serve clients.

The pride Microfinance Annual Report (2022) also emphasizes values such as Pay attention, Listen, Empathy, Ask, Serve and Execute(PLEASE) which reflect responsiveness. These values show that customer care is central to the bank's culture and when practiced they can help strengthen customer loyalty. A broader study by (Moller, 2007) across ten African countries also ranked responsiveness as the most important service expectation with customers highlighting the need for shorter queues, efficient staff and timely feedback.

(Nansereko, 2012) in her study at Stanbic Bank Uganda confirmed that responsive service delivery was key in improving customer satisfaction especially when combined with visible staff presence and organized processes. (Omara, 2013) also noted in a different sector that timely service and technology integration were vital for customer satisfaction. These findings apply to banking where clients expect fast digital responses such as SMS alerts.

More recently, (Alisemeza, 2024) highlighted that responsiveness is not only about speed but also about anticipating what customers need. She found that companies that act before customers complain are more successful in retaining them. This relates to Pride Bank Mbale where using customer data to anticipate needs could help improve retention. Similarly, (Fajembimo and Akpa, 2025) stressed that market responsiveness being able to adjust quickly to customer demands is crucial in changing environments. They argue that when front line staff are empowered to solve customer issues immediately, organizations perform better in terms of retention.

In conclusion, many studies show that responsiveness has a direct or indirect effect on customer retention. Although the strength of the effect may differ depending on the situation. It is clear that customers value timely, attentive and proactive service. For Pride Bank Mbale, improving responsiveness through better staff training, efficient digital platforms and empowering employees to handle customer issues quickly could go a long way in reducing customer turnover and strengthening loyalty.

## CHAPTER THREE

### METHODOLOGY

#### 3.0. Introduction

This chapter presents the research methodology that will be used in the study titled “The Impact of Customer Service Quality on Bank Customer Retention: A Case Study of Pride Bank Mbale”. The chapter explains the research design, study population, sampling methods, data collection instruments and data analysis techniques that were employed. It also highlights the ethical considerations that guided the study as well as the limitations of the chosen approach.

The study is based on pragmatist philosophy which focuses on finding practical solutions to real world problems. Since the aim of the research is to understand how customer service quality affects customer retention at Pride Bank Mbale, pragmatism is the most suitable approach. This philosophy supports the use of both quantitative and qualitative methods allowing the researcher to use the tools that best address the problem (Creswell & Creswell, 2018 and Saunders et al, 2019). By combining numerical data such as survey responses with personal insights from customers and staff, the study provides a more complete understanding of the link between service quality and retention.

#### 3.1 Research Design.

This study will adopt a case study design with Pride Bank Mbale serving as the focus analysis. A case study is considered appropriate because it allows me to examine an issue in depth within its real life context. As (Yin, 2018) explains a case study is useful when the boundary between the phenomenon under investigation and its context is not clearly separated. In this study, customer service quality and customer retention are closely linked to the banking environment in which they occur.

The design is chosen because it provides a detailed and practical understanding of how customer service practices influence the ability of Pride Bank Mbale to retain its customers. Unlike broader research approaches, the case study method makes it

possible to capture the unique characteristics, challenges and experiences of one specific institution thereby giving the study depth and relevance.

### **3.2. Population and Sample**

The population for this study consists of both customers and staff of Pride Bank Mbale. Customers are included because they are the main beneficiaries of the bank's services and their experiences give a direct picture of how customer service quality affects retention. Only customers who are active with the bank for at least six months are considered since they are more likely to have developed informed opinions about the services offered.

In addition, the study includes management and front line staff of Pride Bank Mbale. This group is important because they are directly responsible for providing services and implementing customer care strategies. Staff such as the Branch manager, Customer service manager, customer relations officers and tellers are targeted since they have both operational and strategic insights in to customer service and retention practices.

### **3.3. Sampling Techniques.**

The study employs both purposive sampling and simple random sampling. Purposive sampling will be used to select key staff informants who are expected to provide detailed and relevant information about customer service and retention. These include the Branch manager, customer service manager and few of the customer service officers. The choice of purposive sampling ensures that only those with direct knowledge and experience are included.

For customers, simple random sampling will be used. This gives each customer an equal chance of being selected which helps to reduce bias and improve the representativeness of the sample. Random selection also makes the findings more reliable since views collect a reflected and fair cross section of the bank's customers.

### **3.4. Data Collection Methods.**

The study will rely on a structured questionnaire as the main tool for collecting data. Questionnaires are chosen because they are simple to administer, cost effective and allow data to be gathered from a relatively large number of respondents within a short period of time. They also make it easier to compare responses since all participants are asked the same set of questions.

The questionnaire will be designed using the SERVQUAL model developed by (Parasuraman et al, 1988) and the three objectives of this research which adapted to the context of Pride Bank Mbale. It will cover five quality dimensions which are tangibles, reliability, responsiveness, assurance and empathy. Respondents were asked to rate their level of agreement on a 5 point Likert scale ranging from 1- strongly Disagree to 5-Strongly Agree. In addition, the questionnaire will include questions on customer retention such as customer loyalty, likelihood to recommend the bank, willingness to continue banking with Pride Bank and overall satisfaction. Basic demographic details like age, gender, occupation and length of time as a customer will be also included.

### **3.5. Data Analysis Methods.**

The data collected through questionnaires will be carefully checked, coded and entered in to the SPSS software for analysis. Descriptive statistics such as frequencies and percentages will be used to summarize customer perceptions of service quality. Correlation analysis will be conducted to determine the relationship between service quality dimensions and customer retention. The findings will be presented in tables and charts to make the results clear and easy to interpret.

### **3.6. Ethical Considerations.**

The study will follow strict ethical guidelines to protect participants and the institution. Key considerations include:

Informed consent: Participants will be fully informed about the purpose of the study, how their data will be used and their rights. Consent will be obtained before participation.

Voluntary participation: The participation will be entirely voluntary and respondents can withdraw at any time without any consequences.

Confidentiality and Anonymity: Personal identifiers will not be collected and all responses will be kept confidential. Data will be anonymized to ensure privacy.

Privacy: Participants personal and banking information will be respected at all times.

Data Security: All data collected will be stored on password protected devices.

Researcher integrity: I will maintain honesty and transparency accurately reporting findings and avoiding bias.

### **3.7. Limitations of the Study.**

while this study will follow a careful and structured methodology, there are some limitations that should be noted.

Case study scope. Since the research will focus only on Pride Bank Mbale, the findings may not be directly generalizable to other banks or the wider banking sector in Uganda.

Self-reported data: The study will rely on customer's own perception of service quality and retention intentions which may affect social desirability bias in recalling past experiences.

Researcher bias. Techniques such as careful questionnaire design and cross checking of data will be used to minimize bias though it cannot be completely eliminated.

Access to data: The ability to obtain detailed internal records limits access to in depth analysis for certain variables.

## CHAPTER FOUR.

### DATA ANALYSIS AND PRESENTATION.

#### 4.0 Introduction

This chapter presents and interprets the data recorded from respondents regarding customer service quality and its influence on customer retention at pride Bank Mbale. The findings are organized according to the study's objectives and analyzed using both descriptive and inferential techniques.

#### 4.1 Response Rate.

**Table 1: showing Response Rate**

Instrument	Sample target	Actual Sample	Percentage
Questionnaire	45	43	95%
Total	45	43	95%

Source; Primary data 2025

#### 4.2 Demographic Characteristics of respondents

The demographic profile of respondents provides context for interpreting the data. Variables such as age, gender, education level and duration of banking relationships are summarized below in table 2.

**Table 2: showing Demographic Characteristics of respondents**

Variable	Frequency	Percentage(%)
<b>Gender</b>		
Male	19	44.2%
Female	24	55.8%
<b>Age Group</b>		

18-25	31	72.1%
26-35	9	20.9%
36-45	1	2.3%
46 and above	2	4.7%
<b>Education level</b>		
Masters and above	2	4.7%
Bachelor's degree	26	60.5%
Certificate/ Diploma	9	20.9%
Primary/Secondary	2	4.7%
<b>Banking Tenure</b>		
Less than a year	21	50%
1-3 years	18	42.9%
4-6 years	3	7.1%

Source; Primary data 2025

The study in table 2 sought to understand the background information of the respondents in terms of gender, age group, education level and banking tenure with Pride Bank Mbale.

The findings indicate that majority of the respondents were female at 55.8%(24), while the males were 44.2%(19). This implies female customer were slightly more represented in this study which may also suggest that women form n important customer base of the bank.

Most of the respondents 72.1% were in the age group of 18-25years, followed by those aged 26-35 years at 20.9%. Only 2.3% fell in the 36-45years bracket, while 4.7% were aged 46 years and above. This could mean that younger clients are more active in using banking services, possibly because of their involvement in education, employment or starting businesses.

Regarding education, the results revealed that majority of respondents 60.5% had attained a Bachelor’s degree, 20.9% held a certificate or diploma while only 4.7% had a master’s degree and above. These findings imply that most customers of Pride Bank are educated, which may influence their expectations and perceptions of customer service quality.

This study also examined how long respondents had been banking with Pride Bank. Half of the respondents 50% had been with the bank for less than a year, 42.9% for 1-3years and only 7.1% for 4-6years. This indicates that most of the customers are relatively new to the bank, which might reflect the bank’s growing customer base.

### 4.3 Key Study Findings.

The rating scale in table 3 below was used to rate the respondent’s opinion about the study variables.

**Table 3: showing Key Study Findings.**

Respondent mode	Rating	Description
Strongly agree	5	You Agree with no doubt
Agree	4	You agree with some doubt
Neutral	3	Not sure
Disagree	2	You disagree with some doubt
Strongly disagree	1	You disagree with no doubt at all

Source; Primary data 2025

#### 4.4 Findings by Research Objectives.

##### 4.4.1 The impact of customer service quality on bank customer retention at Pride Bank Mbale.

The table below summarizes respondent's responses on the impact of customer service quality on bank customer retention.

**Table 4. summarizes respondent's responses on the impact of customer service quality on bank customer retention.**

Assertions	Agreement and Disagreement.				
	SA	A	N	D	SD
	Freq (%)	Freq (%)	Freq (%)	Freq (%)	Freq (%)
Bank staff treat me with courtesy and respect	13 30.2%	24 55.8%	6 14%	0 0%	0 0%
The bank provides timely assistance whenever I need help	15 34.9%	19 44.2%	6 14%	2 4.7%	1 2.3%
I am satisfied with the professionalism of Pride Bank staff	10 23.3%	20 46.5%	10 23.3%	2 4.7%	2 2.3%
Customer service quality influences my decision to continue banking with pride bank	18 41.9%	17 39.5%	7 16.3%	1 1.3%	0 0%
Good customer service makes me recommend Pride Bank to others	17 39.5%	19 44.2%	7 16.3%	0 0%	0 0%

Source; Primary data

The results indicate that the majority of respondents agreed at 55.8% and strongly agreed at 30.2% that bank staff treat them with courtesy and respect. Only 14% were

neutral, while none disagreed. This shows that customer service at Pride Bank is generally perceived positively in terms of staff behaviour.

On whether the Bank provides timely assistance, most respondents either agreed 44.2% or strongly agreed at 34.9%, however, 14% were neutral while small proportion disagreed 4.7% and strongly disagreed 2.3%. This suggests that while many customers are satisfied with the bank's responsiveness, there is a gap that shows services could be improved especially for speed and availability in assistance.

Findings also showed that 46.5% of respondents agreed and 23.3% strongly agreed that they were satisfied with the professionalism of the bank staff. Another 23.3% were neutral, while 7% expressed disagreement. This indicates that although professionalism is acknowledged by the majority, there is room for improvement to fully win over the undecided and dissatisfied.

When asked whether customer service quality influences their decision to continue banking with Pride Bank, most respondents strongly agreed at 41.9% or agreed at 39.5%. only a small proportion were neutral at 16.3% and very few disagreed at 1.3%. These results strongly highlight that customer service quality is a key factor in customer retention.

Lastly, 44.2% of respondents agreed and 39.5% strongly agreed that good customer service makes them recommend Pride Bank to others, while 16.3% were neutral. This finding shows the importance of customer service, as satisfied clients not only stay with the bank but also promote it through word of mouth which brings in new customers.

These findings demonstrate that customer service quality is a major determinant of customer retention at Pride Bank Mbale. When customers are treated with courtesy, professionalism and efficiency, they are more likely to remain loyal to the Bank. On the other hand, poor service may drive customers to seek alternatives in other banks. The results therefore confirm that delivering quality customer service is crucial in strengthening customer loyalty and ensuring long term retention.

#### 4.4.2 The Relationship between Customer Service Quality and Bank Retention.

**Table 5: The Relationship between Customer Service Quality and Bank Retention.**

Assertions	Agreements and Disagreements				
	SA	A	N	D	SD
	Freq (%)	Freq (%)	Freq (%)	Freq (%)	Freq (%)
There is a strong connection between customer service quality and my loyalty to Pride Bank	14 32.6%	18 41.9%	11 25.6%	0 0%	0 0%
Poor customer service would make me consider switching to another bank	17 41.5%	11 26.8%	10 24.4%	2 4.9%	1 2.4%
Consistent good service encourages me to keep using Pride Bank's services	16 37.2%	22 51.2%	4 9.3%	1 2.3%	0 0%
I believe customer service quality directly affects the bank's ability to retain customers.	17 39.5%	20 46.5%	5 11.6%	1 2.3%	0 0%
Customer service is more important than other factors like interest rates in influencing my retention	11 25.6%	18 41.9%	10 23.3%	3 7%	1 2.3%

Source; Primary data

The findings show that the majority of respondents agreed at 41.9% and strongly agreed at 32.6% that there is a strong connection between customer service quality and their loyalty to Pride Bank Mbale. About 25.6% were neutral, and none disagreed. This suggests that most customers recognize the role of service quality in shaping their loyalty.

On whether poor customer service would make them consider switching to another bank, 41.5% strongly agreed and 26.8% agreed, 24.4% were neutral, while 7.3% disagreed to some extent. These results indicate that poor service delivery has the potential to push customers away, though some customers may still tolerate service challenges for other reasons like convenience.

The majority of respondents strongly agreed at 37.2% or agreed at 51.2% that consistent good service encourages them to continue using Pride Bank's services.

Only 9.3% were neutral and 2.3% disagreed. This emphasizes that sustained service quality builds customer trust and promotes long term retention.

Responses on whether customer service directly affects the bank’s ability to retain customers, 46.5% agreed and 39.5% strongly agreed. 11.6% were neutral, and very small fraction of 2.3% disagreed. This finding shows a very strong consensus that service quality is central to customer retention at Pride Bank Mbale.

Lastly, 41.9% of the respondents agreed and 25.6% strongly agreed that customer service is more important than other factors like interest rates in influencing bank retention. 23.3% were neutral, while 9.3% disagreed. This suggests that while interest rates and other factors matter, customer service carries greater weight in shaping retention decisions among most customers.

**4.4.2.1 Correlation Analysis Between Customer Service quality and Bank retention.**

A Pearson’s correlation coefficient was utilized to determine the strength of the relationship between customer service quality and Bank retention as showed in the table below.

**Table 6: showing Correlation Analysis Between Customer Service quality and Bank retention.**

		Customer service quality	Customer retention
Customer service Quality	Pearson Correlation	1	.725
	Sig(2-tailed)		<.001
	N	43	43
Customer Retention	Pearson Correlation	.725	1
	Sig(2-tailed)	<.001	
	N	43	43

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

Source: Primary Data 2025

According to Table 6, the Pearson's correlation coefficient between customer service quality and customer retention is  $r(43) = 0.725, p < 0.001$ . This indicates a strong positive relationship between the two variables. The positive correlation value 0.725 implies that as customer service quality improves, customer retention at pride bank Mbale also increases.

The significance value ( $p < 0.001$ ) is lower than the standard threshold of 0.01, confirming that the relationship is statistically significant at the 99% confidence interval. This means the chances of the relationship occurring due to error or randomness are very minimal.

The findings reveal that customer service quality has a strong relationship with customer retention at Pride Bank Mbale. Most respondents agreed that timely responses, effective complaint handling and prompt service delivery increase their confidence and willingness to continue banking with the institution. While a few customers expressed neutral views, the overall results show that when the bank is responsive and attentive, customers feel valued and are more likely to remain loyal. Therefore, it can be concluded that improving customer service directly contributes to customer satisfaction and long term retention at the bank.

#### 4.4.3 Responsiveness in service delivery and its effect on bank customer retention in Pride Bank

**Table 7: showing Responsiveness in service delivery and its effect on bank customer retention in Pride Bank**

Assertions	Agreement and Disagreement				
	SA	A	N	D	SD
	Freq (%)	Freq (%)	Freq (%)	Freq (%)	Freq (%)
Bank staff respond quickly to my inquiries.	10 23.3%	16 37.2%	13 30.2%	2 4.7%	2 4.7%
Complaints are handled effectively and in a timely manner.	6 14%	21 48.8%	11 25.6%	4 9.3%	1 2.3%
Delays in service delivery reduce my confidence in the bank.	16 37.2%	10 23.3%	14 32.6%	3 7%	0 0%
Prompt services increases my willingness to continue banking with Pride Bank.	16 37.2%	16 37.2%	9 20.9%	2 4.7%	0 0%
Responsiveness in service delivery influences my overall satisfaction and retention..	12 27.9%	21 48.8%	9 20.9%	1 2.3%	0 0%

Source; Primary data.

From the findings, 23.3% strongly agreed and 37.2% agreed that bank staff respond quickly to customer inquiries. However, 30.2% remained neutral while a small proportion of 9.4% disagreed and strongly disagreed, this suggests that while most customers are satisfied with the responsiveness of bank staff, there is still a significant number who are undecided about the promptness of the service.

In relation to complaint handling, almost half of the respondents 48.8% agreed that complaints are addressed effectively and on time, and 14% strongly agreed. Meanwhile, 25.6% were neutral with only a few 11.6% expressing disagreement. This implies that most customers view the bank's complaint resolution positively, although a quarter of the respondents are unsure, indicating room for improvement in making the process more consistent and visible.

When asked whether delays in service delivery reduce their confidence in the bank, a majority of 37.2% strongly agreed and 23.3% agreed, while 32.6% were neutral. This finding emphasizes that service delays have a direct negative effect on customer trust, which can harm retention if not properly addressed.

Similarly, prompt service delivery was strongly associated with willingness to remain at the bank. A combined 74.4% of 37.2% strongly agreed and 37.2% agreed supported this statement, while only 4.7% disagreed. This clearly shows that timeliness in service delivery is an important factor in customer loyalty.

Lastly, 27.9% strongly agreed and 48.8% agreed that responsiveness influences overall customer satisfaction and retention, with only 2.3% disagreeing. This confirms that responsiveness is a significant driver of both satisfaction and retention at Pride Bank Mbale.

Overall, the results indicate that most customers are positively influenced by timely and responsive service. However, the number of neutral responses suggests that some customers are undecided or have inconsistent experiences. This highlights the need for the bank to standardize its responsiveness in order to strengthen customer confidence and improve retention.

## **CHAPTER FIVE.**

### **CONCLUSIONS AND RECOMMENDATIONS.**

#### **5.1 Introduction**

This chapter presents the discussion of the study findings in relation to the research objectives. It also draws conclusions based on the results obtained and provides recommendations aimed at improving customer service quality and enhancing customer retention at Pride Bank Mbale.

#### **5.2 Summary of the findings.**

The study was guided by three objectives:

1. To identify the impact of customer service quality on bank customer retention at Pride Bank Mbale.
2. To examine the relationship between customer service quality and bank retention in Pride Bank Mbale.
3. To examine the responsiveness in service delivery and its effect on Bank customer retention in Pride Bank Mbale.

The findings revealed that customer service quality greatly influences customer retention. Respondents indicated that courteous staff, prompt handling of complaints, and provision of accurate information were essential to their continued loyalty to the bank.

Correlation analysis further showed a positive and significant relationship between customer service quality and customer retention, meaning that as the quality of services improves, retention levels also arise. Additionally, responsiveness in service delivery was highlighted as a key factor that strengthens trust and long term relationships between customers and the bank.

### **5.3 Discussion of Findings.**

#### **5.3.1 Impact of Customer Service Quality on Customer Retention.**

The results indicated that service quality elements such as reliability, empathy, assurance and tangibility influence customer's decision to remain with the bank. Customers emphasized that when they are served respectfully and efficiently, their satisfaction and trust increase, which in turn promotes loyalty. This Finding is consistent with Parasuraman's SERVQUAL model which underscores service quality as a determinant of customer retention. The results also align with Oliver's 1999 assertion that service satisfaction is a precursor to loyalty and retention.

#### **5.3.2 Relationship Between Customer Service Quality and Customer Retention.**

Correlation analysis confirmed a significant positive relationship between customer service quality and customer retention at Pride Bank Mbale. This suggests that improving service quality directly boosts retention rates. The results agree with (Zeithaml and Bitner,2000), which note that high service quality leads to customer satisfaction and long term commitment to the Bank. Furthermore, (Reichheld and Sasser,1990), note that retaining existing customer through improved service is more cost effective than constantly attracting new ones. The findings therefore reinforce the idea that customer service quality is not just an operational concern but strategic factor in sustaining customer loyalty.

#### **5.3.3 Responsiveness in Service Delivery and Customer Retention.**

The study also revealed that responsiveness such as timely feedback, quick handling of inquiries and efficient resolution of complaints has a strong effect on customer retention. Customers who receive fast and accurate services are less likely to switch competitors. This aligns with Kotler and Keller's (2016) argument that responsiveness is a vital element in creating positive customer experiences that enhance loyalty. For Pride Bank, this means that staff efficiency and availability directly shape customer's decisions to continue banking with them.

#### **5.4 Conclusions.**

Based on the findings, the study concludes that;

Customer service quality significantly impacts customer retention. Pride Bank Mbale's ability to provide reliable, empathetic and professional service increases customer satisfaction and loyalty.

There is a strong positive relationship between customer service quality and customer retention. The higher the quality of services, the greater the chances of retaining customers.

Responsiveness in service delivery plays a critical role in customer retention. Customers who are served promptly and whose concerns are addressed quickly tend to maintain long term relationships with the bank.

#### **5.5 Recommendations.**

From the study findings, I made the following recommendations:

Pride Bank should organize continuous training programs in customer care, communication and problem solving to ensure employees deliver services that meet customer expectations.

Adoption of mobile banking applications, automated chat bots and digital service platforms will improve responsiveness and convenience in service delivery.

Management should continuously evaluate service delivery standards and track customer satisfaction levels to identify gaps and implement corrective measures.

It should have regular customer satisfaction surveys, loyalty programs and personalized services which can help the bank build stronger and more lasting relationships with clients

## **5.6 Areas for Further research.**

This study focused on Pride Bank Mbale but future research could expand to other banks within Uganda to allow comparative analysis. Additionally, further studies could explore other factors influencing customer retention such as pricing strategies, digital banking innovations and brand image. Exploring these areas would provide a more holistic understanding of the drivers of customer loyalty in the banking sector.

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