The Influence of Relationship Marketing, Social Performance Management and Firm-IT Characteristics on Customer Retention by Microfinance Institutions in Kenya

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THE INFLUENCE OF RELATIONSHIP MARKETING, SOCIAL PERFORMANCE MANAGEMENT AND FIRM-IT CHARACTERISTICS ON CUSTOMER RETENTION BY MICROFINANCE INSTITUTIONS IN KENYA

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Stella Anne Kasobya Nyongesa

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Approval

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ABSTRACT

Relationship marketing strategies are widely recognized by marketing managers as key in managing customer relationships. However, customer retention continues to be a challenge for many businesses including microfinance institutions in Kenya, implying there could be other factors affecting the outcome of relationship building efforts. This study sought empirical evidence on the moderating role of social performance management and firm IT characteristics in the association between relationship marketing and customer retention. Previous studies concentrated more on establishing a direct association between relationship marketing and customer retention, neglecting to establish the moderator effects on the strength of this direct association. Against this background, the study sought to establish the influence of relationship marketing on customer retention; extent to which firm IT characteristics influence the relationship marketing-customer retention association; assess the degree to which social performance management affects this association; and determine the joint effect of these variables on customer retention. Four hypotheses were formulated and using a descriptive cross-sectional design, with a population of 55 Kenyan microfinance institutions and 41,007 customers of these institutions, relevant data were collected from 48 employees and 492 customers using semi-structured questionnaires, and analyzed using descriptive and inferential analysis. Results showed relationship marketing characterized by communication and shared values plays a critical role in retaining customers. Further, a statistically significant positive association between relationship marketing and customer retention as well as between social performance management and customer retention was found, while firm IT characteristics had a statistically insignificant, weak and negative relationship with customer retention. Social performance management had a statistically significant strong moderating effect; however firm IT characteristics had a negative moderating effect. Finally, the joint effect was statistically significant. Theoretically, this study contributes to relationship marketing knowledge base by providing a model which explains the role of moderating factors in the relationship marketing–customer retention theoretical framework. The study provides empirical evidence supporting a more complex structure of the relationship marketing-customer retention link from a developing country context using customers' and employees' perspectives. The study also extends on the theory of corporate social performance by providing evidence on the role of social performance management in a business. Practically, the findings suggest marketers should combine relationship marketing with social performance management practices for optimum customer retention results. Despite technology not being a significant predictor of customer retention, institutions should not overlook technology adoption in building successful relationships. Policy formulation may focus on social performance reporting by microfinance institutions. The study was limited by use of fewer relationship marketing factors, the quantitative approach employed placed a constraint on obtaining in-depth insights of respondents which could provide deeper meaning to their responses, only a relatively small population of MFIs was accessible and furthermore, the variables were investigated in a business-to-customer setting. Future studies could address these limitations.

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ABBREVIATIONS AND ACRONYMS

AMFI	-	Association of Microfinance Institutions
CBK	-	Central Bank of Kenya
CR	-	Customer Retention
CRM	-	Customer Relationship Management
DTMs	-	Deposit Taking Microfinance Institutions
FC	-	Firm Characteristics
FSAs	-	Financial Service Associations
FSD	-	Foundation for Sustainable Development
FSDT	-	Financial Sector Deepening Trust
IFAD	-	International Fund for Agricultural Development
IT	-	Information Technology
KNBS	-	Kenya National Bureau of Statistics
MF	-	Microfinance
MFI	-	Microfinance Institution
MIX	-	Microfinance Information Exchange
NBFI	-	Non-Bank Financial Institution
NGO	-	Non-Governmental Organization
RM	-	Relationship Marketing
ROSCAs	-	Rotating Savings and Credit Association
SACCOs	-	Savings and Credit Cooperatives
SID	-	Society for International Development
SME	-	Small and Medium Enterprise
SPM	-	Social Performance Management
SPMP	-	Social Performance Management Practices
SPTF	-	Social Performance Task Force
TM	-	Transactional Marketing
USSPM	-	Universal Standards for Social Performance Management

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DEDICATION

This thesis is dedicated to my dear late dad, Emmanuel Babalanda and mum Clementine Babalanda for the valuable gift of education that they gave me, guidance and the constant reminder to work hard and become independent. In addition, I dedicate this thesis to my children – Diana, Ian, Kennedy and Matthew – for their love and encouragement. I do not take the support they gave me for granted.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The organizational function of marketing has undergone subtle changes in terms of concepts and practices guiding business operations from the production philosophy dominant in the 1920s to the selling orientation (1930s), to the marketing orientation (1960s) and finally to the relationship marketing orientation which emerged in the 1980s (Gronroos, 1989; Gruen, 1997). Although most of marketing theory has been generally oriented towards customer acquisition, since the 1980s, there has been a shift in marketing attitude and practice from transactional marketing to relationship marketing (Storbacka, Strandvik, & Grönroos, 1994). This shift arose due to certain marketplace trends such as increased competition, more informed customers who can easily defect to competitors offering lower prices as well as the saturation and maturing of markets (Alrubaiee & Al-Nazer, 2010; Varki & Wong, 2003). Other trends include globalization, technological advances, firms offering similar products and services thereby providing customers with wide choice options (Myhal, Kang, & Murphy, 2008). Since the 1980s, customer relationship marketing strategies, program tools and technology have increasingly been adopted by firms in order to manage customer relationships efficiently and effectively (Parvatiyar & Sheth, 2001). Benefits of successful relational exchanges include more satisfied customers, customer loyalty, and increased customer retention (Alrubaiee & Al-Nazer, 2010; Jagdish & Parvatiyar, 1995). The challenge for many organizations, however, lies in devising appropriate customer relationship management programs which lead to higher customer retention.

The current study was anchored on various marketing and management theories. As asserted by Hunt (2002), the purpose of theory is to ‘increase scientific understanding through systematized structures capable of both explaining and predicting phenomena’ (p. 72). In this study, the social exchange theory (SET) and the relational market behaviour theory (RMBT) guide on the need for businesses to use relationship marketing programs to develop long lasting mutually beneficial relationship with customers as a way to retain customers for long term profitability (Lambe, Wittmann, & Spekman, 2001).

SET suggests that social exchange arises when parties who aim to benefit from one another, engage in a series of interactions whose success is determined by the extent to which each party meets their obligations (Emerson, 1976). The theory argues that successful relational exchanges depend on the willingness and ability for all parties in the exchange to trust each other, and neither should abuse the mutual interdependence and cooperation' between themselves; rather each party in the relational exchange should benefit from it (Morgan & Hunt, 1994).

The stakeholder management philosophy and theory of corporate social performance (CSP) advance the need for businesses to behave in socially responsible ways to meet the interests of all stakeholders (Dahlsrud, 2008). The modern debate about the need for firms to be socially responsible was sparked off by Bowen (1953) when he argued that businesses have an obligation to design policies, make decisions and engage in actions which are desirable to society. Since then, the issue of social responsibilities of businesses and their managers has been discussed, making corporate social performance a topic for academic study for many decades (Wood, 1991; Garriga & Melé, 2004; De Bakker, 2005). However, although the origins of stakeholder management can be traced back to 1963, Payne, Ballantyne, and Christopher (2005) argue that stakeholder theory has not guided marketing practice to any great extent. As a result, the authors recommended for additional enquiry to analyse stakeholder relationships and development of frameworks which guide marketing strategy that embraces stakeholder concerns.

Diffusion of Innovation (DOI) theory explains how, why, and at what rate new ideas and technology spread through organizations and individuals' willingness to adopt technology (Oliviera & Martins, 2011). Whereas adoption of technology by an individual is a simpler behaviour to analyse, the authors advance that at firm level, the innovation and adoption process is much more complex because it generally involves a number of individuals, both supporters and opponents of the new idea, each of whom plays a role in the innovation-decision. According to Rogers (1995), DOI at firm level is influenced by individual (leader) characteristics, internal organizational characteristics, and external characteristics of the organization. Among the internal characteristics are technological innovations.

Information technology is recognized worldwide as an essential resource for competitiveness both at organizational and country level (Oliveira & Martins 2011). At organizational level in particular, it is increasingly acknowledged as an enabler of re-designing business processes through facilitating changes to practices, aiding faster transactions, creating innovative methods which link a company to customers and other stakeholders, thereby improving overall business performance (Chen & Popovich, 2003).

Amidst an environment of escalating competitiveness, the continued survival of any commercial oriented business depends on its ability to develop meaningful relationships with customers, retain them which consequently leads to increase in customer lifetime profitability (Ryals & Payne, 2001). However, in pursuing this objective, firms are encouraged to also pay attention to the wider environment in which they operate and respond to the relevant forces therein. Key among these are the social and technological forces. A firm's social environment is recognized to increasingly play a critical role in influencing business survival because this environment consists of stakeholders who expect the business to behave in socially responsible ways, failure to which conflicts arise (Husted, 2000). Thus, corporate social performance, also known as social performance management, is considered to be an important practice for organizational effectiveness. Organizations are encouraged to embrace socially responsible practices by instituting programs to manage their social performance (Husted, 2000; Dahlsrud, 2008).

Besides the social environment and the increasing calls for firms to be socially responsible, the technological force is also regarded as an essential tool in enhancing an organization's performance (Venkatesh, 2000). Information technology (IT) refers to the use of computers to store, retrieve, transmit and manipulate data or information to make decisions for business improvement (Venkatesh, 2000). In respect to marketing operations, information technology is widely recognized as key to promoting a business's efforts to build loyal customers because it enhances its ability to store large sets of customer data, interact with customers, provide relevant products and speedy transactions, respond to customer queries faster and communicate frequently with them. According to Hoang, Igel, and Laosirihongthong (2010), apart from a firm possessing characteristics such as experience in offering a specific product or service, employing a reasonable number of educated and skilled staff and having an extensive distribution coverage, its technological characteristics (technology platforms and customer relationship management systems) are also vital to meeting customers' needs and consequently customer retention.

In the field of marketing, technology is considered to be an important element in customer data management (Ryals & Payne, 2001). The authors posit that a company's ability to understand and respond to customers' needs will depend on the type and amount of information held about customers therefore appropriate relationship marketing strategies can be developed as a result of technology adoption. Using information technology therefore generally enables a firm to determine its economics of customer acquisition, customer retention and lifetime value which consequently impact on its bottom line – profitability (Ryals & Payne, 2001).

The current study was based on 55 microfinance institutions in Kenya who are members of AMFI. The microfinance sector was found appropriate for this study because successful relationships between these service providers and their customers are considered vital for the long term sustainability of microfinance institutions. Microfinance institutions (MFIs) are important because they provide an essential basic infrastructure through which the poor can access banking services thus are an important contributor to the expansion of Kenya's financial sector (Microfinance Outlook, 2016). MFIs provide financial services ranging from savings services, credit, insurance, money transfer services to social services (Copestake, 2007).

However, with the growing number of microfinance institutions in Kenya and consequently rising competition among them, management of these institutions are struggling to attract and keep their customers to attain long term sustainability. Competition in this sector is rife due to entry of different types of players ranging from non-governmental organizations (NGOs), deposit taking microfinance institutions (DTMs), savings and credit cooperatives (SACCOs), credit only institutions and lately mainstream commercial banks (Urquizo, 2006). Apart from rising competition, these institutions face a myriad of other challenges ranging from rapid technological changes, increased stakeholder expectations, varying customer needs and expectations, dissatisfied customers, stringent regulatory requirements for financial institutions, among others. According to Musona and Coetzee (2001), such challenges are the leading cause of the frequent customers' switching between providers or high customer dropout rates among many East African MFIs. Furthermore, this research was carried out in an industry where information technology has potential to influence relationship management operations in light of the fact that these service providers deal with a vast number of clients and as previous researchers indeed acknowledged, the financial services industry, where microfinance institutions fall, has a variety of technological solutions to cater for the diverse financial services operations (Axson, 1992; Stone Woodcock, 1997, cited in Lang & Colgate, 2003).

In view of the economic significance of the microfinance sector, microfinance institutions are under pressure to achieve social empowerment through social performance management and long term sustainability in the face of dwindling donor funds and key to this survival is to build strong competences in retaining customers. Though there are studies that investigate relationship marketing and its influence on customer retention, empirical evidence which explains the nature of influence of social performance management practices and technology usage in relationship marketing efforts, however, was inadequate. In addition, relatively little attention has been devoted to empirically investigating this relationship within the microfinance sector, moreover, the role of moderating factors in this relationship has been neglected. This research was motivated by the need to contribute to this knowledge gap by establishing the influence of relationship marketing, social performance management and firm-information technology (IT) characteristics on customer retention for microfinance institutions within the Kenyan context.

1.1.1 Relationship Marketing

The term relationship marketing has attracted the interest of researchers and practitioners alike since it first appeared in marketing literature in 1983 following Leonard Berry's conference paper, 'Relationship Marketing' at the American Marketing Association's Services Marketing Conference (Berry, 2002).

Since then, management of relationships between a firm and its customers has become a priority for many businesses (Becker, Greve & Albers, 2009). A variety of definitions of relationship marketing have in the process also emerged. Berry (2002) the pioneer scholar in this area, defines relationship marketing as attracting, maintaining and enhancing customer relationships. Grönroos (1990) on the other hand defines it as giving and fulfilling promises with customers through mutual exchange but the author further improved upon this definition in 1996 to include building relationships with customers and other partners, at a profit. On his part, Buttle (1996) suggests relationship marketing is the development and maintenance of mutually beneficial relationships with strategically significant markets.

According to Ballantyne (1997) relationship marketing is as an emergent disciplinary framework for generating, increasing and supporting exchanges of value between the parties involved, so that exchange relationships end up providing not only a continuous link but also a stable link in the supply chain. Grönroos (1994) advanced his earlier definition to include the element of terminating relationships when necessary. The most comprehensive study on defining the concept of relationship marketing was by Harker (1999) who sought to construct a general definition of the term, and after analyzing 26 definitions advanced by scholars in this field, rated Grönroos' (1994) definition as the best, then went ahead to propose a general definition of relationship marketing as the practice where an organization is engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers overtime (Harker, 1999).

Although these definitions differ to some degree, they all point to three main characteristics; that relationship marketing is about developing buyer-seller relationships, the relationships are established over a long term period and the relationships are mutually rewarding to all parties. Several researchers like Berry (1983), Morgan and Hunt (1994), Sin, Tse, Yau, Lee and Chow (2002) and Oly-Ndubisi (2007) demonstrated that rewards gained from relationship marketing include increased customer retention, more revenue, reduced maintenance costs, positive word of mouth communication, customer behaviour benefits, financial benefits, social benefits and customised products.

Since the early 1980s when the relationship marketing orientation emerged in the fields of services marketing and industrial marketing, this philosophy has permeated many business operations both in manufacturing and service sectors alike, demonstrated by the variety of relationship management programs established in companies to manage and improve customer relationships for long term profitability (Ryals & Payne, 2001). Such programs include use of customer relationship management techniques, engaging in database marketing, augmenting the core service with extra benefits, pricing to encourage customer loyalty and developing an internal marketing program (Berry, 1983). Firms seeking to remain competitive therefore have to anticipate how to retain their customers and as such relationship marketing has become a cornerstone of marketing and business survival (Gronroos, 1994). A crucial task facing marketers thus is to develop strong relationships with customers because such relationships lead to better customer retention (Huang & Cheng, 2016). The relationships themselves become assets recognized as a source of competitive advantage (Myhal, Kang, & Murphy, 2008).

Ang and Buttle (2006) advance that in order to succeed at building relationships it is important for businesses to manage well their customer retention program. They suggest that performing frequent customer satisfaction measurements, implementing a customer retention planning process, establishing a quality assurance process, creating a win-back customer program and developing a complaints-handling process are crucial practices for managing customer retention processes. Furthermore, according to Biong, Parvatiyar and Wathne (1996), it is not enough to have relationship marketing programs, but rather equally important is to measure the success of these programs.

Measuring the effectiveness of a firm's relationship building efforts is thus necessary to establish the propensity of either party in the exchange to continue or terminate the relationship (Biong, Parvatiyar, & Wathne, 1996). The authors argue that when such relationship satisfaction is measured, this provides managers with rich insights into those actions they could take to improve relationship satisfaction by customers which eventually would lead to customer retention. The measurement of relationship satisfaction is thus a global measure used by firms to monitor the effectiveness of relationship marketing programs (Sheth & Parvatiyar, 1995b). The authors argue that this practice allows a business to know the extent to which transaction exchange partners are satisfied with their current cooperative and collaborative relationships. In relationship satisfaction measures therefore, the opinions of all parties in the exchange must be sought because successful relationships depend on the cooperation of all parties in the exchange (Cropanzano & Mitchell, 2005; Parvatiyar & Sheth, 2001).

Different relationship marketing scholars, however, conceptualize the outcomes of relationship marketing efforts in a variety of ways (Sin, Tse, Yau, Lee, & Chow, 2002; Henning-Thurau, Gwinner, & Gremler, 2002; Velnampy & Sivesan, 2012; Aka, Kehinde, & Ogunnaike 2016). In order to provide consistency in how the relationship marketing concept should be conceptualized, Hunt, Arnett, and Madhavaram (2006) undertook a theoretical investigation to further the development of this concept. The authors theorized that there are eight types of factors that influence relationship marketing-based strategy success, namely relational factors, resource factors, competence factors, internal marketing factors, information technology factors, market offering factors, historical factors and public policy factors. They went further to explain that with respect to relational factors, these consist of six elements as cited most often by relationship marketing authors to include *trust* (Dwyer et al., 1987; Morgan & Hunt, 1994; Sividas & Dwyer, 2000; Smith & Barclay, 1997; Wilson, 1995), *commitment* (Anderson & Weitz, 1992; Day, 1995; Geyskens et al., 1999; Moorman et al., 1992), *cooperation/bonds* (Anderson & Narus, 1990; Morgan & Hunt, 1994), *keeping promises* (Gronroos, 1990, 1994), *shared values* (Brashear et al., 2003; Morgan & Hunt, 1994; Yilmaz & Hunt, 2001) and *communication* (Mohr & Nevin, 1990; Mohr et al., 1996). It was on the basis on this conceptualization by Hunt et al. (2006) that this study adopted the six factors as dimensions of relationship marketing – trust, commitment, communication, keeping promises, shared values and bonds/cooperation. This study thus sought to investigate the extent to which the relational marketing efforts of MFIs in Kenya have created firm-customer relationships characterized by trust, commitment, communication, cooperation/bonds, keeping promises and shared values and how these affect customer retention.

1.1.2 Social Performance Management

Business organizations have a range of stakeholders whose expectations are ever rising and changing thereby necessitating business operations to be aligned to reflect stakeholders' expectations (Husted, 2000). Scholars of stakeholder management argue that managers must understand and respond to the concerns of shareholders, employees, customers, suppliers, lenders and society in order to develop objectives and strategies supported by their stakeholders (Donaldson & Preston, 1995a). The need for businesses to adopt a stakeholder approach in their operations is thus an issue that has dominated practitioners' forums for many years now. However, the adoption of a stakeholder attitude in mainstream marketing practice is yet to take root (Polonsky, 1995). According to the author, when developing organizational strategies, including marketing, firms must recognize that they have a responsibility to many internal and external stakeholders, wherein, each group has different expectations with regards to how the business must perform. Failure to respond to these expectations creates potential for conflicts to arise between the organization and its stakeholders (Polonsky, 1995). This has thus seen rising demand for managers to make decisions which are in the best interest of the business' stakeholders (Donaldson & Preston, 1995a; Freeman & McVea, 1984).

However, in making those decisions, there are two rival perspectives which emerge – those decisions whose intent is to improve corporate financial performance and those whose intent is to maximize social welfare and minimize the level of harm arising from engaging in exchange processes, as advocated for by the societal marketing and the social responsibility proponents. In response to the latter perspective, the practice of corporate social responsibility and social performance management was developed and this explains why some organisations engage in social responsibility practises and strive to measure their social performance (Polosnsky, 1995).

Scholars of corporate social performance present varying views and perspectives on what the social performance concept means (Carrol, 1979; Jones, 1980; Wartick & Cochran, 1985; Wood, 1991; Clarkson, 1995; Davenport, 2000). A notable definition is by Wood (1991) who reviewed and analysed the definitions by earlier writers and revised it as all the principles of social responsibility, processes of social responsiveness, policies, programs, and observable outcomes as they relate to the firm's societal relationships. Husted (2000) concurs with Wood (1991) by suggesting that corporate social performance refers to all those processes, structures and procedures a firm puts in place so as to meet or exceed the expectations of stakeholders with respect to social issues. This view is further shared with Sinha (2006), who advances that social performance management is a set of management practices consisting of processes, structures and strategies that get an institution to act in a socially responsible manner for improvement in clients' welfare, while Hashemi (2007) defines the term as a business strategy which entails converting an institution's social goals into practice and monitoring the achievement of these goals to effectively meet the needs of all stakeholders. On his part, Simanowitz (2003) describes social performance as a set of institutional operations that enable institutions in the microfinance sector to realize their social mission.

The above definitions imply that social performance management is a business practice which entails designing policies, structures and operations in such a way as to meet the firm's social goals. As argued by Simanowitz (2003), social performance management practice ensures a fit exists between the social missions set by institutions and their operations on the ground. Social performance management, as embraced in the microfinance sector, is in tandem with the corporate social performance, a sub-theory of stakeholder management. These social performance management practices include social mission, board member and employee commitment to social goals, client friendly products, responsible treatment of clients and employees by management, and balanced allocation of resources (Wardle, 2012).

Whereas the stakeholder management philosophy is dominant in the field of management, there are increased calls for a stakeholder approach to marketing be adopted as well (Payne et al., 2005). The authors advance that relationship based approaches to marketing offer a good opportunity to address stakeholder concerns hence improve upon the stakeholder agenda, however, there exists a paucity of studies which interrogate the role of building long term relationships with both customers and other stakeholder groups. This study therefore sought to investigate if social performance management matters when firms engage in relationship marketing for customer retention by establishing the extent to which the social performance management elements (social mission, board member and employee commitment to social goals, client friendly products, responsible treatment of clients and employees by management, and balanced allocation of resources) moderate the association between relationship marketing and customer retention.

1.1.3 Firm Information Technology Characteristics

Capon, Farley and Hoenig (1990) describe firm characteristics as those internal environmental variables which influence how an organization performs. Such firm characteristics are said to be sources of firm capabilities and have the potential to influence how a firm operates (Majumdar, 1997; Heffernan & Flood, 2000; van den Bosch, Elving, & de Jong, 2006). They include size of the firm, its age, information technology, ownership structure and management characteristics. Of these firm characteristics though, information technology (IT) is widely recognized as key to improving a business's ability to manage customer relationships (Lang and Colgate, 2003). Thus, it may not matter as much the age or size of a firm, if such a firm adopts relevant information technology to enhance its relationship management operations.

The relationship marketing practice was traditionally performed through face-to-face interactions between a firm and its customers, however, since the IT boom of the mid 1990s, relationship marketing has taken on a whole new dimension where the adoption and use of technology by firms has increasingly become important in developing and enhancing firm-customer relationships (Lang & Colgate, 2003). The use of relationship marketing strategies embedded with IT infrastructure like the internet, mobile phones, data warehouses, database mining, electronic data interchange, automatic teller machines, telemarketing, interactive voice response facilities has enabled companies to re-establish connection with their customers in a bid to improve customer satisfaction and consequently retain them for longer (Chen & Popovich, 2003). Such technology applications have improved customers' access to goods and services by creating new delivery and communication opportunities through customer 'touch points' such as the internet, email, sales, direct mail, call centres and mobile kiosks. As such, terms like 'information enabled relationship marketing', 'information intensive strategies' or 'relationship technology' have gained prominence among relationship marketers (Ryals & Payne, 2001). However, while scholars like Chen and Popovich (2003) demonstrate the benefits of IT, others point out that problems of underutilized or failed systems are common including failed customer relationship management (CRM) projects, inadequate return on investment, customer dissatisfaction and loss of employee confidence due to introduction of such relationship management technology (Venkatesh & Davis, 2000). On their part, Lang and Colgate (2003) argued that IT may not always have a positive impact on the relationship between a firm and its customers. Zablah, Bellenger and Johnston (2004) also added to this view by recommending additional empirical studies to establish the role of IT in relationship marketing since many businesses seem hesitant to invest heavily in technology platforms whose effects are uncertain. Likewise Oh, Ryu and Yang (2016) argued that IT characteristics seems to have conflicting reports about their effectiveness hence the need to empirically investigate their contribution on various firm performance variables. This implies there are contrary perspectives on the effectiveness of information technology among scholars and researchers. This study therefore sought to examine the nature of influence of information technology in relationship marketing activities. In particular, the study sought to establish whether firm-IT characteristics (technology platforms and customer relationship management actions) have a moderating effect on the association between relationship marketing and customer retention so as to help determine if there are any organizational-driven differences in the observed relationship.

1.1.4 Customer Retention

The overall aim of relationship marketing is to attract and retain customers but while it is easier for firms to attract new customers, it is often harder to retain these customers (Ryals & Payne, 2001). Customer retention refers to the repeated buying of a product from the same company over a period of time (Ibok, George, & Acha, 2012). Customer retention is demonstrated through a customer's continuous maintenance of a business relationship with a particular firm which results from a set of antecedents namely customer satisfaction, customer delight, customer switching costs and customer relationship management.

Several authors suggest that a key benefit realized from embracing a relationship marketing orientation is improved customer retention and consequently profitability (Ryals & Payne, 2001; Berndt, Herbst, & Roux, 2005; Hunt et al., 2006). In particular, Hunt et al. (2006) assert that the resultant effect of adopting relationship marketing initiatives is the realisation of relationship success outcomes, namely improved competitive advantage, financial performance, customer satisfaction, customer retention, learning by customers and ease in customers' taking up new products from the same firm. Furthermore, relationship marketing authors argue that attracting and retaining customers is a more rewarding strategy than concentrating on customer attraction only (Reichheld & Sasser, 1990; Anderson, Fornell, & Lehmann, 1994; Storbacka, Strandvik & Grönroos, 1994; Churchill & Halpern, 2001; Ang & Buttle, 2006). They posit that embracing relationship marketing programs brings about improved customer retention which in turn leads to satisfied customers, higher volumes purchase, positive word of mouth communications, repeated purchases, higher customer satisfaction, less operational costs, less price sensitive customers, lower relationship maintenance costs and better financial performance.

However, although relationship marketing has the dual objectives of attracting and retaining customers, Ryals and Payne (2001) argue that there seems to be limited attention on monitoring customer retention, yet, in the current era of hyper-competition facing most business sectors, coupled with ever changing customers' expectations, businesses have no choice but to be concerned with customer retention and eventually loyalty. Sheth and Parvatiyar (1995) further emphasize this point by suggesting that any business which intends to survive well into the future must strive to build cooperative and collaborative relationships with customers. Reichheld and Sasser (1990) demonstrated that there is a high correlation between customer retention and profitability as a result of a study which showed that 5% increase in customer retention leads to improvement in profits by between 20% and 85%. The authors thus pointed out that retaining customers is perhaps the more sustainable way to achieve competitive advantage as opposed to spend efforts acquiring new ones. Consequently, such studies have led to increased recognition of the importance of relationship marketing strategies in improving customer retention (Gronroos, 1994; Sin et al., 2002).

This study therefore sought to enhance the knowledge base on customer retention by providing empirical evidence on how the relationship marketing phenomena, among other variables, influences customer retention among Kenyan MFIs. Because of such evidence, these institutions may perhaps find customer retention a more prudent strategy to adopt to achieve financial sustainability. This study adopted six constructs to measure customer retention namely, customers' length of time with institution, extent of repeat purchases by customers, extent of customers' word of mouth communication, customers' extent of price insensitivity, customer care costs incurred by institutions and extent of customer loyalty.

1.2 Overview of Microfinance

The modern microfinance system started with Professor Muhammad Yunus's experiment in Bangladesh in 1976 in which the scholar sought to establish if poor people are credit worthy (Yunus, 2004). In this experiment, collateral-free small loans of $27 were advanced to poor people to set up income generating activities, which they, in turn, paid back successfully thus giving rise to the current form of microfinancing (Yunus, 2004). Since then, many MFIs exist around the world to provide financial access to vulnerable groups, commonly excluded from traditional banking system because they are considered high-risk borrowers (Nawaz, 2010; Ayele, 2014). Microfinance is thus recognized globally as a development tool and major instrument of financial inclusion for vulnerable people who are expected to become economically and socially empowered (Convergences, 2014; van Rooyen, Stewart, & de Wet, 2012). According to the Global Findex (2012), 2.5 billion poor people worldwide were unbanked as at 2011. Additionally, the World Bank survey on the state of financial inclusion (Global Findex, 2011), found that while globally 50 percent of adults and 47 percent of women had an account at a formal financial institution, in developing countries, the situation was worse, with only 41 percent of adults and 37 percent of women in developing countries holding such accounts (Krell, 2014). This implies that majority of the adult population in developing countries meet their financial needs by accessing the services of microfinance institutions often at unaffordable rates.

The notion of corporate social performance is promoted heavily within the microfinance industry through the sector program – Social Performance Management (SPM). This is because apart from pursuing financial goals, microfinance institutions are expected to pursue social goals too and be efficient at both (Gutiérrez-Nieto, Serrano-Cinca, & Mar Molinero, 2009). In order to guide MFIs in measuring and monitoring their social performance, Universal Standards for Social Performance (USSP) management were introduced for the sector by the Social Performance Task Force (SPTF) in 2008 (Wardle, 2012). A major aim of the standards was to transform MFIs into customer-oriented and socially responsible institutions and hence meeting these social performance standards signifies such an institution is socially responsible and customer driven (Hashemi, 2007).

The social goals MFIs are expected to pursue involve designing programs which enable clients to access better health services, promote food-security and adopt better nutrition habits, access education, empower women, provide decent housing, create jobs and promote social cohesion. In addition, MFIs are expected to be socially responsible to employees, customers and society by deliberately designing programs which promote this goal. A microfinance institution (MFI) is thus an institution which provides a range of financial and non-financial services to the poor and low-income people. These groups of people often do not qualify to access these services from the traditional or formal financial institutions (Ali, 2015). The microfinance industry was therefore appropriate for this study because this sector lies at the heart of alleviating the poverty challenge many developing countries like Kenya face, hence efforts to improve its competitiveness are desirable.

1.3 The Research Problem

Relationship marketing is widely recognized as key in managing customer relationships (Morgan & Hunt, 1994). However, while some authors in this area have demonstrated that relationship marketing leads to better customer retention (Sin et al., 2002; Oly-Ndubisi, 2007; Alrubaiee & Al-Nazer, 2010) others argue that relationship marketing alone may not be enough to bring about customer retention. For instance, Zineldin (2000), and Ryals and Payne (2001) contend that relationship marketing on its own may not be an effective strategy. The issue facing marketing scholars therefore is to establish if there are other conditions under which the association between relationship marketing and customer retention may be affected (Ranaweera & Prabhu, 2003). One such condition is the role of social performance management in influencing business performance parameters like retaining customers (Graves & Waddock, 1997; Husted, 2000; Dahlsrud, 2008). The programs embraced by an organization to manage its stakeholders' interests could boost the chances of a firm succeeding in its relationship marketing efforts because key stakeholders like employees are satisfied. Firm characteristics, in particular adoption of appropriate technology platforms, are proposed as essential elements in building loyal customers because they enhance the process of delivering services which customers care deeply about and at the same time technology can assist companies to manage data about customers thereby understand them better through developing appropriate relationship marketing strategies (Hoang, Igel, & Laosirihongthong, 2010; Ryals & Payne, 2001). Yet still, there is also growing evidence of failed relationship technology investments or where they fall short of prior expectations (Becker, Greve and Albers, 2009). Empirical evidence which establishes the role of social performance management and that of firm IT characteristics in retaining customers, however, was inadequate.

The context of this study was the microfinance sector whose services are widely recognised for their potential to contribute to poverty alleviation through economic and social empowerment of the poor (Nawaz, 2010). In Kenya, over the last 15 years, this sector received an estimated USD 80 Million from the government and international donors to support sector programs, an indication of its strategic significance (FSD Report, 2016). Despite this recognition, nearly half of Kenya's 44 million people continue to live below the poverty line of less than 2 USD per day (IFAD, 2015). The sector faces a myriad of challenges namely intense competition, high rates of customer drop outs, frequent switching between service providers, poor word-of-mouth communication and deceptive lending/management practices leading to over indebtedness of microfinance clients (Rahman, Rahman, & Jalil, 2014; Mbabazi, 2012; Siliki, 2010; Urquizo, 2006). According to Musona and Coetzee (2001), East African MFIs generally face surprisingly high levels of client dropout. Data from Kenya Women Finance Trust (KWFT), for instance, showed a rise in client dropout rate from 8.6% to 14.7% between 2013 and 2014, while K-REP's dropout rate almost doubled from 11% to 21.4% in the same period (Rahman, Rahman, & Jalil, 2014). In attempt to address these challenges and transform MFIs into customer-oriented and socially responsible institutions, Universal Standards for Social performance (USSP) management were introduced for the sector to guide their social performance practice (Wardle, 2012). However, while 24 out of 50 Kenyan MFIs were trained in 2012 on how to adopt SPM practices, by 2016 only 18 institutions seemed to embrace and report social performance data to the Microfinance Information Exchange (AMFI, 2016). This raises questions about the role of social performance management in making these institutions customer-oriented.

Most empirical studies exploring the association between relationship marketing and customer retention investigate a direct link between these two variables, with few investigating indirect effects on this association. However even then, those investigating the direct link appear to have several gaps and inconsistencies in how researchers conceptualized the variables and measured the relationships. Globally, Oly-Ndubisi (2007) sought the impact of relationship marketing (trust, commitment, communication and conflict handling) on customer loyalty of Malaysian bank customers and found these dimensions significant. However, the study differs from the current one in the conceptualization of relationship marketing, where six relationship marketing indicators were used (trust, commitment, communication, shared values, bonds and keeping promises). In addition, the Oly-Ndubisi (2007) study did not investigate indirect effects, was based on an upper middle income economy and sought customers' opinions only. On their part, Sin et al. (2002) found the effect of relationship marketing (trust, bonding, communication, shared values, empathy, and reciprocity) on performance (sales, growth, customer retention, market share, return on investment) positive and significant. However, while the researchers' conceptualization of relationship marketing is similar to that of the current study, they did not investigate indirect effects and relied only on employees' opinions from 1000 randomly sampled service firms in Hong Kong, a developed country.

Morgan and Hunt (1994) investigated two of the six commonly cited relationship marketing dimensions (communication and commitment) and like Sin et al. (2002) collected data from employees only of tire dealers in United States of America, a developed country. John and Kijboonchoo (2017) on the other hand, investigated if relationship marketing (trust, commitment, bonding, communication, competence and conflict handling dimensions) had a significant relationship with customer retention/loyalty by using a convenience sample of 400 ABC bank customers in Thailand. Though results showed a significant positive relationship, they used three of the commonly cited relationship marketing dimensions (trust, commitment and communication) and like most other studies, did not investigate indirect effects, did not seek employees' opinions nor was the research based in a developing country. On their part, Hettiarachchy and Samarasinghe (2016) sought the influence of relationship marketing (informational, management, instrumental, organizational) on customer retention and using data from a convenience sample of 250 bank customers in Sri Lanka, results showed a strong positive influence between the variables. However, their study used different relationship marketing dimensions from the current study's indicators. In addition, their study did not investigate indirect effects, neither did it seek employees' opinions, issues which the current study addressed. Abtin and Pouramiri (2016) undertook to determine if relationship marketing (trust, satisfaction, management, communication, and competence) influences customer retention using a simple random sample of 155 customers of an Iranian insurance firm and found these dimensions significantly related to the dependent variable. Though their study adopted two of the commonly cited relationship marketing dimensions – trust and communication – they too sought customers' opinions only and adopted simple random sampling, yet the current study sought both customers' and employees' opinions who were sampled by convenience and purposive sampling methods respectively.

Regionally, studies on relationship marketing and customer retention are few and mainly investigate direct relationships with most based in sectors other than the microfinance sector. Ibok and Udofot (2012) studied this relationship among 13 licensed Nigerian microfinance banks, whereas Rootman, Tait, and Sharp (2012) studied the relationship marketing and customer retention strategies of banks in South Africa while Magasi (2016) investigated this relationship among 200 bank customers in Tanzania. In Uganda, Kakeeto-Aelen (2014) investigated the relationship marketing instruments employed by small and medium sized businesses (SMEs). Locally, there is a scarcity of studies which investigate relationship marketing and customer retention moreover in the microfinance sector. A study by Thuo (2011) sought to establish the influence of customer relationship management (CRM) on organizational competitiveness and surveyed all 44 commercial banks in Kenya. Results showed a positive and significant overall influence of CRM on marketing productivity. This study however did not use customer retention as the dependent variable nor was it based on the microfinance sector.

With regard to studies investigating indirect effects on the relationship marketing-customer retention association, these are rare yet over the years the issue of other factors affecting this relationship has grown in importance. Ranaweera and Prabhu (2003), Sin et al. (2002) and Zineldin (2000) for instance suggest that the original relationship marketing-customer retention association may be contingent on other forces such as firm-related and market-related factors. In particular, the moderating effects of social performance management and firm characteristics on this association is an area that has not received much attention. Alrubaiee and Al-Nazer (2010) instead sought the moderating effect of demographic variables (sex, education and income) on the relationship marketing–customer loyalty link using a convenience sample of 450 bank customers in Jordan and results were significant. Their study, however, employed demographic variables as the moderating factors, whereas the current study employed firm specific variables.

Balaji (2015) sought the moderating role of relational characteristics (age, density, and dependence) on relationship investments, satisfaction, commitment and customer retention among bank customers in India whereas Li (2015) sought the direct and indirect influences of switching barriers on the relationship between recovery satisfaction and customer repurchase intention among 272 online auction customers in Taiwan. These studies used non-firm specific variables. Locally, Thuo (2011) sought the moderating influence of firm characteristics on customer relationship management (CRM) and organizational competitiveness among customers of commercial banks in Kenya and found they did not moderate the relationship. Although Thuo's (2011) study adopted firm characteristics as a moderating variable just like the current study, it did not investigate this moderating effect on the relationship marketing-customer retention association nor was the study conducted in the microfinance sector. With respect to studies investigating social performance management as a moderating variable, it is unknown if any such study exists, yet a major issue growing in importance and debate is the need for businesses to adopt a stakeholder approach to relationship marketing (Payne, Ballantyne & Christopher, 2005).

The above analysis thus revealed theoretical, empirical, methodological and contextual knowledge gaps which this study sought to address. Extant marketing literature suggests that relationship marketing positively influences customer retention, however, a void existed with respect to the contribution of indirect factors affecting this original relationship. This study sought to fill this theoretical gap by developing a conceptual model in which the role of moderating factors (social performance management and firm-IT characteristics) was hypothesized to affect the strength of the relationship marketing–customer retention link, and further it was hypothesized that the joint effect of these variables was greater than the individual effect of relationship marketing on customer retention. Empirically, a void too existed with respect to how the hypothesized relationships interact, hence, this study sought to fill this gap by obtaining evidence on the moderating effect of social performance management and firm IT characteristics on the relationship marketing–customer retention link, and further, empirical evidence on the joint effect of these variables. As such, the current study sought to investigate these moderating and joint effects in one research.

Methodologically, while majority of prior studies used customers only as respondents, a few sought employees' opinions only, yet relationship marketing is a process involving building relations between two or more parties. This gap was addressed in the current study by obtaining and analysing views from both customers and employees. Contextually, most studies on relationship marketing and customer retention are global with few on developing countries like Kenya. Moreover, majority of these studies are not based on the microfinance sector yet this sector is of economic significance to Kenya's poverty eradication agenda.

This study addressed this issue by conducting the research in a developing country, within the microfinance sector. The main question the study sought to answer was: What is the influence of relationship marketing, social performance management and firm IT characteristics on customer retention by microfinance institutions in Kenya? This question was addressed by analysing the direct and indirect relationships among these variables.

1.4 Research Objectives

The broad objective of the study was to determine the influence of relationship marketing, social performance management practices and firm IT characteristics on customer retention within microfinance institutions in Kenya. Arising from this, the specific objectives of the study were to:

i) Establish the influence of relationship marketing on customer retention by microfinance institutions in Kenya.
ii) Determine the extent to which firm IT characteristics affect the association between relationship marketing and customer retention.
iii) Assess the degree to which social performance management practices affect the association between relationship marketing and customer retention.
iv) Determine the joint effect of relationship marketing, firm IT characteristics and social performance management practices on customer retention.

1.5 Value of the Study

The results of the study make significant contribution to theory, policy and marketing practice through addressing the knowledge gaps identified. This study, acting as reference material, also provides insights for further studies. The study contributes to the social exchange theory (SET) by introducing an integrated model which explains the role played by third forces in the association between relationship marketing and customer retention. Whereas SET theory advances the position that businesses need to develop meaningful mutually rewarding exchange relationships for long term benefits, not much is said about the role of other factors which may strengthen or weaken the relationship marketing–customer retention association. This study thus extends this knowledge base by providing an integrated model which links relationship marketing and customer retention variables through the role of moderating characteristics. The study specifically identified the individual and combined influence of these variables thereby shedding light on their importance in the relationship marketing–customer retention association. Prior research has not conclusively established this role since most concentrated on examining the direct association between relationship marketing and customer retention.

Further, this study adopted a pragmatic research philosophy in which the researcher relied on inductive and deductive reasoning to obtain answers to the question under inquiry. This approach was used because the nature of the research question required an integration of quantitative and qualitative approaches. By adopting such a philosophy, the research contributes to the knowledge base of relationship marketing by providing evidence on the significant role played by social performance management practices and firm IT characteristics in the relationship marketing–customer retention association.

Furthermore, although stakeholder theory posits that businesses must address stakeholder concerns by engaging in socially responsible practices, not much empirical evidence has been documented on the role of social performance management in influencing marketing operations, hence this study contributes to this otherwise grey area. Policy makers and other related government bodies such as Central Bank of Kenya, Ministry of Finance, Non-Governmental Organization Board and Ministry of Cooperatives are continually seeking efforts which provide direction for poverty alleviation in Kenya. This study therefore also contributes to policy by providing valuable recommendations on how to improve existing guidelines which prescribe the treatment of microfinance clients, how microfinance marketing and social performance management programs may be designed and implemented in order to improve competitiveness of the sector. Studies investigating the relationship marketing-customer retention link within the microfinance sector are scarce, yet the long-term survival of microfinance institutions depends on developing a loyal customer base to attain financial sustainability.

The results of this study should thus be useful to microfinance practitioners because objective information is made available on those managerial actions necessary to improve relationship satisfaction and consequently customer retention. This research further discloses to practitioners the importance of social performance management as well as firm IT characteristics in boosting customer retention efforts. It should further inform practitioners on the need to embrace an integrated framework which combines relationship marketing initiatives with social performance management practices and technological innovativeness to improve customer retention. Through this study, microfinance managers and practitioners thus have practical solutions on the relationship marketing–customer retention association as key drivers for successful relationship management. In addition, this study provides empirical findings in a developing country context since most studies in this area focused on developed markets.

1.6 Scope of the Study

This study was carried out in Kenya's microfinance sector with specific focus on the microfinance institutions which were members of the Association of Microfinance Institutions (AMFI) as at January 2016. The study did not include microfinance institutions outside of this category.

1.7 Organization of the Thesis

The thesis is organized into eight chapters, commencing with Chapter One which provides an overview of the study variables – relationship marketing, firm IT characteristics, social performance management and customer retention – as well as a brief synopsis of microfinance. In addition, chapter one presents the research problem of this study, research objectives and significance of the study. The Second Chapter discusses the contextual background of this study – Kenya's microfinance industry – by covering the historical perceptive, the composition of institutions in the sector, role and importance of microfinance in Kenya, growth and development of the sector, the challenges facing this sector and winds up with the rationale for choosing this sector for the study. Chapter Three presents a review of literature on the study variables by first explaining the theoretical foundation of the study, followed by an analysis of studies so far carried out on each of the study variables and their relationships. Arising from this analysis, knowledge gaps which this study sought to address are highlighted. At the end of this chapter, a conceptual framework is presented which shows the interaction between study variables from which four research hypotheses are formulated.

Chapter Four explains the research methodology approach. It commences with an explanation of the research philosophy, followed by the research design, target population, sampling techniques employed and targeted sample size. Furthermore, the chapter presents the data collection methods used, explains the tests of the reliability and validity, tests for statistical assumptions, operationalization of study variables and winds up with the data analysis section. Chapters Five and Six present the findings of the study starting with the descriptive statistics followed by inferential statistics. Data are analysed according to each research objective. A discussion of the findings is made in Chapter Seven in which an interpretation of the results is given in light of existing literature. The last part of this thesis, Chapter Eight, presents a summary of the research findings, conclusions, contribution of this study, limitations and ends with recommendations and suggestions for further research.

CHAPTER TWO

THE MICROFINANCE INDUSTRY IN KENYA

2.1 Introduction

This chapter discusses Kenya's microfinance industry, the sector in which this study was conducted. It starts by presenting the original formation of microfinance in Kenya, followed by the composition of institutions making up this sector. The subsequent section provides a description of the importance of microfinance and the role it plays in Kenya, after which highlights on the growth of this sector with respect to assets and client size are presented. Towards the end of the chapter, the transformation process from unregulated to regulated status, and the challenges facing Kenya's microfinance sector are discussed. The chapter concludes with a perspective on the mission drift dilemma facing microfinancing.

2.2 Background of the Microfinance Sector

Microfinance in Kenya serves as an essential branch of lending that is used to mitigate the negative impact of the increasing incidence of poverty and unemployment in Kenya (Magutu, Khaoya & Onsongo, 2010). Like other African countries, Kenya is associated with weaknesses in infrastructure, security, land tenure, education, employment and drought which has led to severe poverty particularly in the rural areas. The Financial Sector Deepening Trust Report (2016) showed that 59 per cent of Kenyan adults are poor and hence have no access to formal banking services thus meet their financial needs by accessing the services of microfinance institutions often at unaffordable rates.

Church-based lending programs were the earliest forms of microfinance and microcredit in Kenya, most of which arose in the 1980s since banks had not provided financial services to clients who had little or no cash income (Wijesiri & Meoli, 2015). Most microfinance providers were established from church parishes and started by financing members of the church before they developed into institutions that could cover a wider number of people in the rural, suburban and urban areas of Kenya. Important to note is that these church-based lending programs provided small sized credit facilities to the members of their congregations, and as such, their operations were limited to specific geographic locations characterized by low outreach and financial resources. However, these institutions still served the function of providing limited credit facilities to their members for use in specific purposes. However, in many cases, these organizations were overwhelmed by the demand for credit by their membership (Wijesiri & Meoli, 2015).

Due to this, in the 1990s, non-governmental organizations (NGOs) began to fill this gap by extending the credit services more widely (Wijesiri & Meoli, 2015). The NGOs developed functioning systems to facilitate the administration of the credit delivery. According to Wijesiri and Meoli (2015) these programs were funded and were not necessarily considered as outright business ventures in spite of the success that most of the schemes achieved. As the successes of the microcredit institutions grew, they received considerable funding from international donors and began to turn into full commercial entities. This development was also supported by the increased competence in administration, credit assessment, and the organization of individuals into groups to facilitate the collective guarantee of loans by individual members. Thus, as the microfinance industry in Kenya grew, the institutions assumed various formal structures and were registered under different statutes (Magutu et al., 2016).

2.3 The Composition of Kenya's Microfinance Industry

Historically, Kenya's formal financial sector has displayed unwillingness to serve the financial needs of low income clients, resulting in demand for microfinance services offered by microfinance institutions (Frank, 2008). Kenya's microfinance sector started off with few players in the 1980s and since then the industry has subsequently grown. The sector comprises institutions with varying legal structures, ownership structures, mission, lending methodology and sustainability goals characterized by organizational complexity, diversity, stiff competition posing complications on each institution's ability to attract and retain customers (Waweru & Spraakman, 2012). This sector comprises formal, semi-formal and informal institutions ranging from microfinance banks, commercial banks, non-banking financial institutions (NBFIs), deposit taking MFIs (DTMs), credit only MFIs, wholesale microfinance lenders, development banks, insurance companies, savings and credit cooperatives (SACCOs), rotating savings and credit associations (ROSCAs), financial services associations (FSAs) to local money lenders (Ali, 2015). Such diversity is a clear indicator of a competitive sector.

The Association of Microfinance Institutions of Kenya (AMFI) is an umbrella body of microfinance institutions and has a total of 55 member institutions serving approximately 6.5 million clients (AMFI, 2016). However, this number excludes those clients served by other institutions that provide microfinance services but are not members of AMFI (Omino, 2015). As such it is noteworthy that while the microfinance industry in Kenya has evolved and diversified its products, its size and estimation has not been accurately determined so far. Although the Mix Market data estimates that the number of microfinance clients in Kenya was 10.5 million by 2016, both AMFI and Mix Market may not be accurate because they do not take into account the small and informal players existing in the field of microfinance. If all players were taken into consideration, the number of industry players and the clients served would be much bigger.

Microfinance sector in Kenya comprises of small, medium and large institutions, grouped into three broad categories: first, the informal category who mainly offer savings transactions and are membership based, comprising of grassroots organizations for example Rotating Savings Credit Associations (ROSCAS), Accumulating Savings and Credit Associations (ASCAs) and Money Lenders (Mwangi, 2016). These informal organizations are not known with certainty and the sum of money transacted is also unknown although it is estimated to run in billions of shillings annually. The second category are the formal subsidized credit only institutions (semi-formal) which comprise of those formally registered organizations but whose financial operations are not subject to bank regulation and supervision (Ayele, 2014). The main institutional actors in this category are microfinance institutions registered either as NGOs, companies limited by guarantee or limited liability companies (Mwangi, 2016). The third category of institutions in the microfinance industry comprises the formal non-subsidized category which are registered and regulated by the Central Bank of Kenya, or Ministry of Finance and Planning or the SACCO Societies Regulatory Authority (SASRA). Formal MFIs are thus those institutions whose operations are subject to general laws, banking regulation and supervision and include microfinance banks, commercial banks downscaling, SACCOs and savings banks such as Post bank. Additionally, another group of institutions in this formal category are the wholesale money lenders and include wholesale lending institutions such as Jitegemee Trust, Mesp Trust, Oiko Credit and Stromme Foundation (Apalia, 2017). In terms of classification by ownership, MFIs may be owned by government, members or profit driven shareholders (Ayele, 2014).

2.4 Importance and Role of Microfinance

Microfinance institutions provide loans and other banking services to the low income, small and micro entrepreneurs to help them engage in productive activities to better organize their financial lives as well as expand their businesses (Omino, 2015). In particular, microfinance has been instrumental in uplifting the lives of the destitute or those who are extremely poor in society. According to World Bank (2016), microfinance is largely applied in developing countries as low-rate finance, using the unique technique of group lending as a financial service for the poor. The less fortunate are thus enabled to gain control over their lives and become engines of economic growth provided they put their skills to work. Kenya's microfinance sector has thus played a major role in the development of the livelihoods of the poor and the small and micro enterprises (Dupas, Karlan, Robinson & Ubfal (2016). The authors further posit that microfinance institutions not only provide finances to poor, low-income households and enterprises in both urban and rural areas, but also extend these services to low income employees in the public and private sectors and the self-employed.

Other non-financial services provided by microfinance institutions include capacity building trainings, social and economic services, management and vocational skills training, consultancy and advisory services, marketing assistance, information, technological development, transfer and business linkage promotions (Ndulu, 2016). Those institutions providing such a combination of financial and non-financial services are on the path to fulfilling their core mandate – to achieve the twin objectives (financial and social) to alleviate poverty. The provision of microcredit, savings, insurance, money transfer services and non-financial services to the poor, low income earners, as well as to micro/small businesses has made Kenya's micro, small and medium sized sector thrive (Ndulu, 2016). In so doing, this sector has over the years been recognized for its role in provision of goods and services, enhancing competition, fostering innovation, generating employment and in effect, alleviation of poverty to some degree. Dupas, Green, Keats and Robinson (2012), however, argue that although microfinance has indeed had a positive effect on poverty reduction among the poor in Kenya, immense efforts are still necessary to improve the performance of MFIs. The authors contend that these institutions require significant additional support to strengthen their operations and make them more client focused, develop appropriate products for their clients and extend their outreach to a large section of the population still unable to access financial services. Increasing access to sustainable financial services by the poor is an important part of the World Bank Africa Region's strategy for supporting the Millennium Development Goals to realize poverty reduction (World Bank, 2016).

Convenient and affordable instruments for savings, credit, insurance, and payment transfers are essential both to cope with the economic fluctuations and risks that make the poor especially vulnerable to take advantage of opportunities to acquire productive assets and skills that can generate increased income (Dupas et al., 2012). According to the authors, microfinance is the application of innovative methodologies that make such financial services available to relatively poor households and microenterprises in small transactions suited to their conditions. Kombo, Wesonga, Murumba and Makworo (2011) add that innovative microfinance institutions have had substantial success in making financial services accessible to the poor in many parts of the world, and microfinance is increasingly provided through licensed, commercial financial institutions capable of mobilizing the funds necessary to significantly increase the scale of outreach.

2.5 Growth of Microfinance

The Kenyan microfinance sector is considered one of the most vibrant in Sub-Saharan Africa consisting of a diversity of institutional forms and a fairly large branch network to serve the poor (Mwangi, 2016). Over the period 2014-2016, the financial sector in Kenya grew in assets, deposits, profitability and product offering (Mwangi, 2016). This growth was mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African Community and automation of a large number of services as well as the move by institutions towards an emphasis on addressing complex customer needs rather than offer the traditional 'off-the-shelf' products. Players in this sector, however, have experienced increased competition over the years resulting from increased innovations among the players and new entrants into the market. Innovations such as agency banking platforms, mobile telephony services and mobile banks (personal selling approach) have gone a long way in extending financial services to poor people at relatively low cost (Magutu, et al., 2016). Table 2.1 shows the contribution of Kenya's microfinance sector relative to other financial services providers over the period 2014-2016.

Table 2.1. Contribution of Industry Financial Indicators to Nominal GDP

Industry Indicator	**2014**		**2015**		**2016**	
	KSh Million	**% of GDP**	**KSh Million**	**% of GDP**	**KSh Million**	**% of GDP**
Nominal GDP	4,745,439		5,398,020		6,224,369	
Banking Net Assets	2,703,394	56.97	3,199,396	59.27	3,492,643	56.11
Microfinance Assets	41,400	0.87	56,900	1.05	69,465	1.12
Pension Industry Assets	696,680	14.68	788,150	14.60	814,100	13.08
Insurance Assets	366,252	7.72	426,310	7.90	478,752	7.69
Saccos Industry Assets	257,368	5.42	301,537	5.59	328,244	5.27
TOTAL ASSETS	4,065,094	85.66	4,772,293	88.41	5,183,204	83.27
Equities Market Cap.	1,920,718	40.48	2,300,054	42.61	2,049,539	32.93

Source: Compiled from sectoral data and KNBS, (2016)

As a proportion of nominal GDP, the microfinance finance sector's total assets in the financial sector excluding capital markets has gradually increased from 0.87% of GDP in 2014 to 1.12% of GDP in 2016 representing an increase of 0.25% in a span of two years (KNBS Report, 2016). Unfortunately, due to a lack of publicly available statistical information specifically about microfinance, it is difficult to provide an accurate account of outreach.

Table 2.2: Number of active MFI Clients (2010-2016)

	2010	2011	2012	2013	2014	2015	2016
Credit (n) microfinance only (%)	208,080	264,658	330,547	368,740	391,394	400,945	521,783
	n/a	27.2	24.9	7.8	6.14	2.4	30.1
DTMs (n)	575,121	562,275	584,312	693,881	711,721	771,411	831,566
(%)	n/a	−2.2	3.9	18.6	2.6	8.4	7.8
Banks (n)	691,087	817,970	817,431	946,922	1,011,672	1,101,555	1,224,000
(%)	n/a	18.4	0.1	15.8	6.8	8.9	8.9
Whole sector	1,474,288	1,644,903	1,732,292	2,009,543	2,114,670	2,273,911	2,577,349
(%)	n/a	11.6	5.3	16.0	5.2	7.5	13.4
Sector (n) without banks (%)	783,201	826,933	914,859	1,062,621	1,103,115	1,172,356	1,353,349
	n/a	5.6	10.6	14.6	3.8	6.2	15.4

Source: Compiled from AMFI Report, (2016)

Relying on AMFI membership as an indicative sample, as of December 2016, clients of microfinance were reaching 6,508,047 active borrowers with a gross loan portfolio of Kshs.49.1bn, achieving a 15.7% annual growth (AMFI, 2016). This growth of the microcredit sector suggests that Kenya's microfinance landscape has considerably changed over the period. Table 2.2 shows the growth pattern of microfinance clients over the period 2010 to 2016, where it is evident that though there were fluctuations in the number of active borrowers in most categories of microfinance providers over the six-year period, the total number of active borrowers had increased by 42.6% by 2016.

Furthermore, as at December 2016, microfinance institutions had spread across the country with an estimated 920 branches from 698 branches in 2013. Credit only microfinance institutions, banks and DTMs in particular experienced gradual growth. However, percentage growth reduced after Kenya's national elections of 2013, and thereafter these institutions recorded increased growth as shown in Table 2.2 above. These statistics are thus indicative of the importance of the microfinance in Kenya and therefore the sector cannot be overlooked as a contributor to Kenya' economic development.

2.6 Transformation Process of MFIs from Unregulated Status to Regulated Status

Poverty lending was the principal approach during the initial years of microfinance development (Dupas, Karlan, Robinson & Ubfal, 2016). According to the authors, this approach focused on providing only financial credit to the poor, especially the poorest, mainly for the purpose of reducing poverty. The focus was thus on micro-credit rather than microfinance. The service (micro-credit) was provided mainly by micro-credit projects and institutions that were set up by NGOs, government agencies, and religious and other non-profit making charitable organizations.

Sustainability dilemmas in MFIs began from strategic thinking arising from their consciousness of the changing operating environment. Looking at microfinance and MFIs on a broad sense, sustainability is a necessary condition for MFIs and the microfinance field as a whole to deliver on their purpose for being. The ultimate purpose of these institutions is to ensure continued availability of credit for low-income borrowers. Donor funding and capital injection might be necessary at the start-up phase, but if an MFI is dependent on this and other subsidized loans continuously, the donors and benefactors can quickly run out of money (Dupas et al., 2016). To remain financially sustainable in an increasingly competitive environment, the idea to engage a profit-driven model creeps in. As such, transforming MFIs from NGO status into regulated financial institutions has become more and more appealing to an increasing number of MFIs in Kenya. According to the survey by FinAccess (2016), this is due to its anticipated benefits, such as the ability to mobilize public deposits, access to private sources of capital, and improvement in governance and transparency, with an ultimate goal to reach significant scale and financial sustainability (FSDT, 2016).

Transforming NGOs into regulated financial institutions started when Fundación para la Promoción y el Desarrollo de la Microempresa (PRODEM) became BancoSol in Bolivia in February 1992. Since then, MFI transformation has rapidly spread out in many developing countries. For instance, between September 1997 and the end of 2004, a total of 16 transformations were reported in Cambodia, India, Mongolia, Nepal, Pakistan, and Philippines (Dupas et al., 2016).

In order to achieve the ultimate goal of reaching a significant scale (that is serve a large number of people) and financial sustainability, Ndulu (2016) strongly argues that microfinance must eventually move into institutions that are licensed and supervised by a country's financial authorities. This movement toward commercialization and integration of microfinance into the formal financial sector was achieved through one or a combination of several models which have been tried out in different countries. According to Dupas et al. (2016), worldwide, transformation takes four institutional models. The first model is where a microfinance NGO transforms into a commercial entity that is regulated by the country's regulatory authority, usually the central bank. The new entity could be a non-bank financial intermediary or a commercial bank. For example, BancoSol in Bolivia, K-Rep and Jamii Bora in Kenya, CARD Bank in the Philippines, BRAC in Bangladesh, Mibanco in Peru, Finsol in Honduras and Compartamos in Mexico used this model. The new entity could also take the form of a deposit taking microfinance institution (DTM) like Kenya Women Finance Trust (KWFT), SMEP, and Faulu in Kenya (AMFI, 2016). This is the model envisaged by Kenya's *Microfinance Act 2006* revised in 2012.

The second model is where traditional, regulated financial institutions penetrate the microfinance market (Dupas et al., 2016). According to the authors, such institutions may be large retail banks, including state-owned institutions, small commercial banks, finance companies and credit unions. For instance, Sogebank in Haiti, BRI in Indonesia and Banco Pichincha in Ecuador all transformed in this model by creating subsidiaries to provide microfinance services. The third model entails the creation, from scratch, of commercial microfinance institutions. For example, Bangente in Venezuela was created as a commercial financial institution from the start, while IPC is setting up "microbanks" in Eastern Europe (Dupas et al., 2016). The *Microfinance Act 2006* in Kenya also provides for registration and licensing of new DTMs (AMFI, 2016). The last model involves a merger between a commercial bank and a microfinance institution, or merger between two or more microfinance institutions. For example, CONFIE in Nicaragua and Genesis in Guatemala have incorporated into the commercial operations of an existing small commercial bank or finance company, while XAC and Gobi Ehlel, both of which were independent microfinance NGOs in Mongolia, have merged into one regulated microfinance institution.

Dupas et al. (2016) further explain that the above four institutional models can additionally be grouped into two broad categories. The first one is where existing traditional financial institutions are encouraged to start providing microfinance services. This means that they start to include lower income markets in their target market. This is referred to as downscaling. The other category is where existing MFIs, especially those from the NGO sector, convert into regulated financial institutions and completely new ones are registered as such. Moving microfinance into regulated institutions presupposes the existence of an appropriate legal framework in a country. A difficulty, however, arises with this second category because in most countries the existing legal framework consists mainly of laws and regulations that are suitable for the formal banking sector. However, Sarma (2011) asserts that since microfinance is different from conventional banking, an adjustment to the existing regulatory framework and /or the development of laws and regulations suitable for microfinance becomes necessary in many countries. The logical consequence has been to convert the existing MFIs into regulated institutions once a given country has put in place an appropriate legal and regulatory framework.

There are three events in the transformation process (Sarma, 2011). The first one is the granting of a license to the MFI by the regulatory agency in the country (which is usually the central bank), while the second event is the introduction of ownership usually through stock issuance, and the third phase consists of several activities of organizational development which might take much longer than any of the other two (Sarma, 2011). The events, and the order in which they are undertaken, differ from country to country. In addition, depending on the country in question, the processing of licenses may be carried out in one of two ways - where an MFI seeking to be regulated selects an institutional structure based on the current banking legislation, or where an MFI works with a supervisory agency to develop a special regulatory legislation for institutions providing microfinance services. However, a mix of the two ways in a single country is also possible. For example, in Kenya, K-Rep and Equity Building Society were licensed within the existing banking law as they converted into commercial banks (Mwangi, 2016). At the same time, MFIs worked with the Central Bank of Kenya to develop a specific law and regulations for microfinance. According to Mwangi (2016), the microfinance sector, through the Association of Microfinance Institutions (AMFI), worked hard for many years for the law to be enacted. Besides, even after a microfinance legal framework has been put in place, some MFIs may still choose to transform into banks but retain microfinance as their major product offering. This is the case with Jamii Bora Bank in Kenya. The Central Bank of Kenya (CBK) broadly divides microfinance institutions into deposit-taking and non-deposit taking (AMFI, 2016). The Microfinance (Amendment) Bill 2013 increased the range of financial services that the deposit taking institutions (DTMs) can offer. Moreover, the amended version has differentiated between the regulated microfinance institutions and the un-regulated microfinance lenders. The deposit-taking microfinance institutions (DTMs) are licensed and regulated by the CBK and are permitted to mobilize and intermediate (or lend) deposits from the public. However, unlike commercial banks, DTMs can only engage in a limited range of products (AMFI, 2016). They are not allowed to invest in enterprise capital; undertake wholesale or retail trade; underwrite place of securities; and purchase. On the other hand, non-deposit-taking microfinance institutions are regulated by the Ministry of Finance, and are not allowed to mobilize public funds. Thus, they can only lend their own funds or use borrowed funds (AMFI, 2016).

2.7 Challenges facing the Microfinance Sector

Kenya's microfinance sector faces a number of challenges which threaten its survival significantly. These challenges range from an intensely competitive environment due to entry into the sector by institutions with varying organisational characteristics, high rates of customer drop outs from microfinance programs, frequent switching between service providers, poor word-of-mouth communication due to customer dissatisfaction with microfinance services, over indebtedness of microfinance clients, to stringent regulatory requirements for those seeking regulatory approval (Rahman, Rahman, & Jalil, 2014; Siliki, 2010; Hulme, Kashangaki, & Mugwanga, 1999). MFIs are increasingly facing competition especially in the area of savings mobilization (Omino, 2015). In particular, competition is intensified in the sector by the entry of commercial banks who are slowly moving back into rural areas after widespread withdrawal during the years of financial restructuring.

These banks are moving towards the medium and small savers where they are setting up deposits mobilization retail outlets right into the low-income but highly populated areas and since they are perceived to be safer than the new comers (MFIs), they tend to be more successful in building up deposit bases more easily than even the newly regulated microfinance programs (Omino, 2015). Furthermore, according to the author, it has been observed that some clients of microfinance tend to borrow from an MFI but place and manage their loan funds through a commercial bank which they perceive to be more stable and safer. This evidently affects the ability of MFIs to retain customers initially recruited as they tend to lose them to the traditional commercial banks.

Apalia (2017) noted that one of the biggest challenges in the provision of financial services to micro and small entrepreneurs is the inability by many programs to design appropriate products reflecting an understanding of the reality of this market. The results are that clients are forced to accept products which in most instances do not answer to their needs, but on the other hand are the only options available, hence have no choice but to use them. This has led to dissatisfaction among some clients who eventually opt to leave the institution for others that seem to promise better alternatives (Apalia, 2017). Client drop out therefore is common among Kenya's microfinance sector, and although it is costly to an organization in terms of investments in training, opportunity costs of losing the older more experienced members most likely to take larger loans, these institutions seem oblivious to this fact. New entrants tend to be costlier to serve than already existing customers who would otherwise have developed and built loyalty to the institutions. The affected MFIs hence lose customers because they have to repeatedly offer small size and riskier loans which provide much lower returns. Consequently, they are unable to expand their programs to reach more clientele and make more profits, hence the cycle continues (Apalia, 2017).

Besides this, domestically, the 5-year election cycle generally also impacts negatively on the financial stability and growth prospects of Kenya's microfinance sector especially if results are contested. This coupled with geo-political and macroeconomic instability in some East African regional countries where some of Kenya's financial institutions operate makes the environment of microfinance even more vulnerable (Wijesiri & Meoli, 2015).

2.8 The Mission Drift (Commercialization) Dilemma

Although microfinance continues to expand, many poor people still remain mired in poverty (Dupas, et al., 2016; Darko, 2013). The fact that outreach to the poorest of the poor is not being achieved has provoked criticism that microfinance has drifted from its original mission (to empower the poor with economic and social means to alleviate them from poverty). As the microfinance industry has grown worldwide, financial sustainability has been increasingly emphasized too. The concern about financial sustainability has led to MFIs commercializing or scaling-up, which is suspected of interfering with further outreach and bringing on mission drift – a concept which means an MFI focusing more on achieving financial goals at the expense of social goals. The process of scaling-up, mainly by the involvement of large donors, leads to an increase in the size of loans and the inclination to lend to economically active or wealthier people (Dupas, et al., 2016).

However, as argued by Darko (2013), a larger average loan size is not driven by transaction cost minimization alone. Instead, anti-poverty MFIs could potentially deviate from their mission by extending larger loans, not because of progressive lending or cross-subsidization, but because of the interplay between their own mission, the cost differentials between the poor and the unbanked wealthier clients, and region-specific characteristics pertaining to the heterogeneity of their clientele. Additionally, before commercialization of MFIs, their clients are comprised of mainly those who fall below the poverty line. However, after commercialization although most MFIs will still claim to be dedicated to the poor, the number of clients served who fall below the poverty line declines as more clients who are above the poverty line instead access the MFIs' services (Darko, 2013). Furthermore, as commercialization takes root, the interest rates of most loans become higher making such loans less accessible to low income groups (Magutu, et al., 2016). On the other hand though, commercialization leads to improved financial performance of these institutions with respect to profitability since operational costs tend to decrease, the breath of outreach increases and sustainability of the MFI is improved (Darko, 2013).

The average loan size also increases with commercialization which suggests that more economically active borrowers can access these services, while most borrowers who are from the lower income levels cannot be financed through such loans since poor clientele is better served by offering a large number of small sized loans. It is thus evident that while MFIs that undergo commercialization are able to earn higher profits, the original purpose of serving the poor to alleviate poverty begins to dim, as this is overtaken by a profit driven purpose (Darko, 2013). The author explains that before commercialization, most MFIs seek to mitigate poverty through the provision of both financial and non-financial services such as basic training on business and financial management skills, educational programs for clients to sensitize them on the importance of accessing health care service, the role of education, nutrition management, how to develop self-esteem among other programs. But once a microfinance institution commercializes, such non-financial services either decline in number or are dropped altogether thereby rendering these poor clients vulnerable again.

A key concern therefore among industry stakeholders is that although commercialization earns an MFI more profits, this is often at the expense of the poverty alleviation agenda microfinancing is supposed to address. Commercialization often leads to mission drift which negatively affects an MFI's performance in regard to its social objective of poverty alleviation. Mission drift is thus a key dilemma which continues to plague the microfinance sector and hence microfinance practitioners, researchers, funders and policy makers are interested in getting a long term sustainable solution in which the dual mission of microfinancing is preserved.

2.9 Chapter Summary

This chapter has provided a detailed discussion of Kenya's microfinance sector. This study was based on this sector and thus it was imperative to provide a comprehensive perspective on the origins, growth and development of the sector. The chapter elaborated on the original form of microfinance in Kenya, the categories of microfinance institutions found in Kenya and the role and importance of microfinance services. Furthermore, the chapter examined the contribution of this sector to Kenya's economy and also highlighted the challenges facing the sector, with particular focus on the mission drift challenge.

CHAPTER THREE

LITERATURE REVIEW

3.1 Introduction

This chapter reviews the conceptual and empirical literature relevant to this study. It begins by discussing the theoretical foundations on which this study is anchored and shows the role played by these theories in the study. This section is followed by an assessment of the conceptual and empirical literature on the relevant study constructs. In the conceptual section, an analysis is made on the perspectives of relationship marketing over time, and the alternative conceptualisations of this construct.

The next section of the chapter discusses existing empirical studies on each of the study variables as hypothesised in order to identify where researchers have converged or diverged with respect to these relationships. It is from this review that the researcher established research gaps and contradictions arising due to differences in how past researchers either conceptualized the variables or measured the relationships.

Towards the end of the chapter, a summary of these empirical studies is provided, knowledge gaps are identified from which the hypothesized relationship of the study variables are represented in a conceptual model leading to formulation of the study hypotheses. The chapter winds up with a summary section.

3.2. Theoretical Foundation of the Study

The ability of an organisation to manage relationships with customers as well as other stakeholders can improve its customer retention outcomes (Sheth 2002; Payne, Ballantyne & Christopher, 2005). The relationship marketing variable of this study and its association with customer retention is anchored on the theory of social exchange and relational market behaviour theory, while social performance management variable is hinged on the stakeholder and corporate social performance theory. Firm-IT characteristics, another variable for this study, is supported by the diffusion of innovation theory (DOI). Each of these theories is discussed in more detail in the next section.

3.2.1 Social Exchange Theory

Social exchange theory (SET), whose origins can be traced to the fields of sociology and social psychology, suggests that a social exchange involves a series of interactions between parties that generate obligations from each of the parties (Emerson, 1976). SET originates from one of the oldest theories of social behaviour which advances the notion that any interaction between individuals is an exchange of resources which may be tangible resources (goods, services or money) or intangible resources (status, social amenities or friendship) (Homans 1958, cited in Lambe, Wittmann, & Spekman, 2001). This view is supported by Bagozzi (1975) who asserts that the centre of marketing are exchanges which are both tangible and intangible or indirect.

Proponents of SET explain that where there are interactions between parties of exchange, these interactions must be interdependent, so much so that the actions of one party are contingent on the actions of another party (Cropanzano & Mitchell, 2005). Additionally, SET suggests parties enter into and maintain relationships with the expectation that doing so will be rewarding (Blau, 1968; Homans, 1958, cited in Lambe, Wittmann, & Spekman, 2001). This view forms the foundation of the relationship marketing orientation which entails initiation and development of rewarding relationships with buyers, where continued interaction between the parties is made possible if all parties involved benefit from the relationship (Lambe et al., 2001).

Social exchange theory further advances that for interactions between parties of exchange to succeed, these interactions should generate trust, strong bonds, open communication and interdependence (Cropanzano & Mitchell, 2005). It is also affirmed by social exchange theory that, for a relationship between parties of exchange to be existent beyond the short term, it (the relationship) must evolve into trusting, loyal and mutual commitments by the parties involved as long as the parties ‘abide by certain rules of exchange’, wherein, there should exist a set of guidelines explaining the exchange process and the expectations of each party in the relationship (Cropanzano & Mitchell, 2005). Meeker 1971, cited in Cropanzano and Mitchell (2005) proposed a number of social exchange rules which guide social exchanges namely, reciprocity, rationality, negotiated agreements, altruism, group gain, status consistency, competition. Of these, two are directly relevant to relationship marketing - the exchange rule of reciprocity (repayment in kind) and the negotiated rules of exchange (engaging in a discussion to reach beneficial arrangements) (Gouldner, 1960; Cook & Emerson, 1978; Cook, Emerson, & Gillmore, 1983; Cropanzano & Mitchell, 2005).

SET theory thus provides relationship marketers with the pillars against which to initiate mutually rewarding exchange relationships with firms, as well as understand what motivates customers to engage in and continue in relationships with them. As posited in the model by Sin et al. (2002) successful relationship marketing manifests itself through parties who exhibit trust for one another, open lines of communication are present, parties are committed to the relationship, engage in reciprocal behaviours, extend empathy and share common values. Cropanzano and Mitchell (2005) note that the nature of reciprocity can take on three dimensions – reciprocity as interdependent exchanges, reciprocity as a folk belief (that people get what they deserve), reciprocity as a moral norm (that people ought to behave as per the set standards).

A social exchange is thus said to exist only if there is interdependence between the parties, (that is, a bi-directional transaction exists where each party in the exchange has something to give and something to receive in return), and there is a cultural mandate in which those who do not comply with the exchange rules are punished (Malinowski, 1932 & Mauss, 1967, cited in Cropanzano & Mitchell, 2005). On the other hand, negotiated rules of exchange tend to create more clarity than in reciprocity, because the duties and obligations of the parties involved in the exchange are well articulated and understood by the exchange parties. From the above analysis of SET literature, it is evident that this theory is considered a valuable theoretical foundation in the field of relationship marketing. Other fields which also rely on SET include social power (Molm, Peterson & Takahashi, 1999), networks (Brass, Galaskiewicz, Greve & Tsai, 2004) and leadership (Liden, Sparrowe & Wayne, 1997). Despite its value, SET theory has also been criticised for its ambiguities as well as its failure to provide a consistent understanding of the SET model (Cropanzano, Rupp, Mohler & Schminke, 2001, cited in Cropanzano & Mitchell, 2005). In spite of its shortcomings though, SET provides relationship marketers with the pillars against which to initiate exchange relationships in which each party of the exchange is expected to meet their obligations and in which each party of the exchange should benefit, if the relationship is to exist for a long period of time. In addition, SET provides marketers with an understanding of the motivations for customers to engage in relationships and continue with them, for as long as the exchange rules of reciprocity (repayment in kind) are adhered to, then the relationship will continue. Customers, especially those of service offers, engage in discussions with their service providers so as to reach beneficial arrangements (e.g negotiating with the bank for lower interest rate on credit by a customer whose credit rating is good; such behaviours of negotiating agreements and reciprocity, according to social exchange theorists, are critical to successful social exchanges. The role of SET theory in this study was to provide the basis upon which the relationship marketing variable was conceptualised whereby the relationship marketing constructs (trust, commitment, keeping promises, communication, shared values and development of bonds between the exchange partners) as used in this study are anchored on this theory.

3.2.2 Theory of Relational Market Behaviour

Relationship marketing antecedents can additionally be traced to the theory of relational market behaviour, a sub-theory of SET, which explains how successful business-customer relationships can be developed in the customer retention perspective (Parvatiyar & Sheth, 2001). Developing customer relationships is a business practice whose roots can be traced to the pre-industrial era (Sheth & Parvatiyar, 1995b). According to the authors, producers and consumers engaged in direct interactions, while craftsperson focused on customizing their products. This resulted into the establishment of strong relational bonds between the producers and consumers. However, the era of mass production (1930s) ushered in middlemen who made it difficult for the direct interaction between producers and consumers to continue which led to emergence of transaction-oriented marketing. Marketing functions, previously performed by producers were now handled by middlemen, yet because middlemen are profit driven, they were not keen to develop relational bonds with the customers they served (Sheth & Parvatiyar, 1995b).

However, by the 1980s, there was rapid development and evolution of the relationship marketing orientation due to several factors, namely, rising de-intermediation process because of computer and telecommunication technologies which enabled direct producer to customer interactions, rising customers' expectations, more educated and informed customers aware about the variety of goods and services available in the market, as well as an increasingly globalized economy (Sheth & Parvatiyar, 1995b). By the end of the last century, the availability of database management techniques and direct marketing tools provided many businesses with the means to develop direct meaningful relationships with their customers hence the move away from transaction- oriented marketing to relationship-oriented marketing. Relational market behaviour theory further advances that successful marketing relationships depend on the existence of two features–first, there must be willingness and ability for all parties in the exchange (customers and the organisation) to engage in relational marketing with each party able to trust the other, and secondly, neither the consumer nor the marketers should abuse the mutual interdependence and cooperation' between themselves, rather each party in the relational exchange should benefit (Morgan & Hunt, 1994). It is in these circumstances that an organisation's relationship marketing efforts will pay off (Sheth & Parvatiyar, 1995).

The Relational market behaviour theory thus provides an explanation on how successful business-customer relationships can be developed in the customer retention perspective. The theory provided this study with the justification to gather opinions from managers and customers of microfinance institutions in order to investigate the nature of the relationship between the service providers and their customers. By obtaining responses from both parties, it allowed the researcher to gauge their perceptions of the exchange relationship with respect to willingness to engage in relational marketing and extent of mutual interdependence and cooperation.

3.2.3 Stakeholder and Corporate Social Performance Theory

Stakeholder theory can be relied upon to explain why some organisations engage in social responsibility practises. The idea that an organisation has a variety of stakeholders whose interests must be met was sparked off by Bowen in 1953 when the author published a seminal book on the importance for business to be socially responsible when undertaking their operations (Garriga & Mele, 2004). Bowen (1953), cited in Garriga and Mele (2004) argued that businesses have an obligation to design policies, make decisions and engage in actions desirable to society. This argument was based on the belief that businesses had such central power that their actions affected the lives of citizens in many ways. Since then, the field has grown significantly with many different definitions, theories, approaches and terminologies (Garriga & Mele, 2004; Dahlsrud, 2008; Jamali, 2008).

The stakeholder approach towards business management can further be traced back to the original work at Stanford Research Institute (SRI International) in the 1960's, which was a build-up on the work of Igor Ansoff and Robert Stewart (Freeman & McVea, 2001). This pioneer work on stakeholder management advances that managers must understand the concerns of shareholders, employees, customers, suppliers, lenders and society, in order to develop organisational objectives and business strategies that will be supported by their stakeholders. It is argued that the long term success of a business depends on gaining the support of all stakeholders, and to achieve this requires development of active relationships with all stakeholders of a business.

Modern day stakeholder management philosophy is mirrored in what is known as corporate social responsibility and performance (Wood, 1991). However, early writers on this concept seemed to have divergent views of what the concept really was. Garriga and Mele (2004) sought to clarify the landscape of corporate social responsibility theories considered controversial and unclear, and their investigation led to classification of the main theories into four groups - instrumental theories, political theories, integrative theories and ethical theories. Instrumental theories view a business as an instrument for wealth creation so that any other activities engaged in, including social actions, should aim at generating economic results. Political theories advance the notion that a business, which has a position of power within society, should use its power-position responsibly. Integrative theories on the other hand, argue that business depends on society for its existence, continuity and growth and hence to earn legitimacy of its existence, such a business should incorporate society demands when carrying out their operations so as to meet social values, while ethical theories contend that businesses should design their operations based on ethical responsibilities of corporations to society. This last group holds the view that businesses must engage in the 'right' practices which promote the good of society, universal human rights and bring about sustainability (Garriga & Mele, 2004).

While the instrumental and political theories are inward-looking, the integrative and ethical theories are outward looking; these latter theories (integrative and ethical) advocate for businesses to go beyond just focusing on wealth creation but engage in morally upright practices which pay attention to meeting and satisfying social needs and demands by scanning the environment to detect social expectations and respond to them. In so doing such businesses gain social legitimacy, greater social acceptance and prestige (Garriga & Mele, 2004). This study is associated with the integrative theories because social performance is a business practice which incorporates the interests of stakeholders (customers, employees and the community) in the operations of microfinance institutions suggesting that management of such institutions recognize the value of these social groups.

A further review of existing literature on corporate social responsibility and performance shows that many authors have attempted to define the terms (Carroll, 1979; Wartick & Cochran, 1985; Frederick, 1986; Wood, 1991; Husted, 2000; Garriga & Mele, 2004). The contemporary definition by Carroll (1979) states that 'the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time'. Wartick and Cochran (1985) instead say corporate social performance refers to all those the principles of social responsibility, the process of social responsiveness and the policies developed to address social issues. On his part Frederick (1986) summed up corporate social performance as 'the business's obligation to work for social betterment', while Wood (1991) further developed Wartick and Cochran's (1985) definition and defined corporate social performance as ‘a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships’. Husted (2000) sought to develop a contingency theory of corporate social performance and theorized that for a business to achieve high level corporate social performance, its response (policies, programs, procedures) must consistently match the diverse social needs it faces. All these definitions thus point to one meaning – that corporate social performance entails all those business actions and policies aimed at addressing the social needs of its stakeholders thereby demonstrating the business’s level of social responsiveness.

The rationale for embracing the stakeholder approach lies in the fact that stakeholders affect businesses’ operations, and in turn are affected by these operations, hence stakeholders impose on organizations a range of responsibilities in order to meet their interests. Longo et al. (2005), cited in Jamal (2005) identified a set of values which stakeholders demand of business, which include: employees demand for health and safety at work, training, well-being and satisfaction, quality of work allocated and social equity; customers demand for quality products, safety in product use, consumer protection from harm, and transparency in product information availed; suppliers demand for partnerships, fair system in selection and analysis of suppliers performance while the general community demands for added value to the community and environmental safety.

Analysis of existing literature on corporate social performance also revealed that there are several corporate social performance models (Carroll’s 1979 CSP model; Wartick & Cochran’s 1985 CSP model; Wood’s 1991 CSP model). Of these models, Carroll's (1979) model is still the most cited and referred to. Carroll’s CSP model is a three stage model comprising the social responsibility a business will attend to (economic, legal, ethical, discretionary); the social issues or topical areas to which these responsibilities are tied (product safety, occupational safety, health safety, business ethics, environment, consumerism, and employee discrimination) and the social responsiveness or manner of response a business will adopt (processes, policies, structure, procedures that will be used to respond to the social responsibility and social issues). Carroll (1979) states that this responsiveness may range on a continuum from no response (do nothing) to a proactive response (do much). Wilson (1974), cited in Carroll (1979) on the other hand suggests that social responsiveness can be categorized into the four responses – reactionn, defense, accommodation, and pro-action. It is argued that a business may claim to embrace social responsibility on specific social issues but this has to be demonstrated by the level of social responsiveness employed; that it is the degree and kind of managerial action in place that determines how socially responsive a firm is.

For purposes of this study, Carroll's (1979) corporate social performance model provided a basis for conceptualization of the study's social performance management variable since social performance management practices by microfinance institutions mirror the social responsiveness part of this model – these practices include: presence of a social mission statement, board member and employee commitment to social goals, existence of client friendly products, responsible treatment of clients and employees by management, and balanced allocation of resources. It is assumed that when a microfinance institution embraces these practices, such an institution will be in a position to translate its social responsibility mission into practice, thereby demonstrating its level of social responsiveness. The current study thus sought to investigate the moderating effect of social performance management practices on the relationship marketing-customer retention association among microfinance institutions in Kenya.

3.2.4 Diffusion of Innovation Theory

There are several theories which explain determinants of IT adoption both at individual and firm level (Oliveira & Martins, 2011). These include the technology acceptance model (TAM), theory of planned behavior (TPB), unified theory of acceptance and use of technology (UTAUT), Diffusion on Innovation theory (DOI), and the technology, organization, and environment (TOE) theory. Of these theories, the diffusion on innovation (DOI) theory and the technology, organization, and environment (TOE) theory are the only ones that explain IT adoption at the firm level while the rest explain this adoption at individual level (Venkatesh & Davis, 2000; Oliveira & Martins, 2011). For this study, the DOI theory was adopted because it explains the drivers of technology adoption for firms, an issue of focus in this study. DOI theory posits that a firm's technological innovativeness is influenced by a range of factors grouped into three – individual characteristics, internal firm characteristics and external environmental characteristics (Oliveira & Martins, 2011). According to the theory, these characteristics are significant drivers of organizational innovativeness especially towards information technology. Individual characteristics pertain to the leaders of an organization whose attitudes towards change combined with their experience, educational background and personal objectives play an important role in influencing the technology adoption process; there will be those employees in a firm who are supporters of the new idea and those who oppose it, thereby affecting the overall rate and nature of the technological adoption decision (Oliveira & Martins, 2011).

Internal firm characteristics on the other hand pertain to the extent of centralization, formalization, interconnectedness, organizational slack and organizational size as portrayed by the firm's structure. According to Rogers (1995), centralization refers to the extent to which a few individuals within an organization have the power to control ongoing operations, while complexity is the degree to which employees in the organization have the necessary knowledge and expertise on the innovation so that once it is deployed, there will be ease of adoption. In regard to formalization, the author explains that it is the degree to which employees are required to follow laid out rules and procedures which then would affect the type of technological systems procured and the length of time it would take, and interconnectedness is the 'degree to which the units in a social system are linked by interpersonal networks'. Organizational slack is about the extent to which an organization is able to channel uncommitted resources towards investments in innovations and lastly organizational size refers to number of employees of the organization (Rogers, 1995). The third set of factors are the external characteristics which the author explains as the degree to which the system of obtaining information on suppliers of technology, prices, availability and related market dynamics is open, and free from ambiguity.

In marketing, technology is considered to be an important resource in customer data management and may be the reason why some organizations perform better than others in respect to customer relationship management (Ryals & Payne, 2001). These authors posit that a company's ability to understand and respond to customers' needs will depend on the type and amount of information held about customers. Appropriate relationship marketing strategies can thus be developed as a result of technology adoption, because the use of information technology enables a firm to determine the economics of customer acquisition, customer retention and lifetime value (Ryals & Payne, 2001).

Although several authors like Oliveira and Martins (2011) and Lin and Wu (2014) argue that when a firm adopts innovative technology this improves its performance significantly, others (Venkatesh, 2000) caution that having the resources to invest in technology is not enough to guarantee positive results, instead it is the adoption, acceptance and use of this technology that will distinguish between successful technological investments and failed ones. The authors emphasize that if an organization succeeds with its technological investments it leads to enhanced productivity but failure with such an investment brings about financial losses, dissatisfied employees and customers as well. The benefits of embracing technology thus require widespread acceptance within the organization, adoption and use, though this rate of adoption is affected by a range of factors/determinants.

This study therefore relied on the diffusion on innovation (DOI) theory to provide the basis upon which to examine the extent of adoption of information technology and the type of information technology platforms embraced by MFIs in Kenya. The current study thus sought to investigate the moderating effect of firm - information technology characteristics on the relationship marketing-customer retention association among microfinance institutions in Kenya.

3.3 An Overview of Relationship Marketing Perspectives

Research and academic interest in the practice of relationship marketing can be traced back to early works by Berry (1983), Groonroos (1994), Berry (1995) and Bitner (1995) whose perspectives centered on conceptualizing and investigating the paradigm shift in marketing from the transactional orientation to the relational orientation. These scholars demonstrated how marketing thought shifted from attracting customers only to satisfying, maintaining and developing mutually rewarding relationships. Over the years other researchers have also demonstrated the benefits of relationship marketing (Henning-Tharau, et al., 2002; Reichheld & Sasser, 1990), the role of trust and commitment in relationship management (Morgan & Hunt, 1994) coupled with the role of technology in achieving relationship marketing goals (Zineldin, 2000). The last two decades has seen increased acknowledgment of the importance of forming multiple relationship networks between different players in a transaction, a practice known as networked economy, mainly driven by advancements in new technologies (Gummerus, von Koskull, & Kowalkowski, 2017). It is thus evident that relationship marketing has evolved from relationships management between customers, to those between multiple stakeholders, to forming new types of relationships due to technological advancements. However, by the year 2000, despite the fact the relationship marketing was considered a global phenomenon, the practice begun to face an identity crisis due to the fragmented and divergent opinions, where to some it was synonymous with customer relationship management, to others it was database marketing or customer service delivery (Gummerus et al., 2017).

In an attempt to understand the future of relationship marketing, Sheth (2002) proposed a new approach relationship marketing – the need for marketers to shift from managing relationships with customers to forming contractual or virtual joint venturing with them. On their part Payne, Ballantyne, and Christopher (2005) proposed a shift in relationship marketing from focusing on creating value in exchanges to creating value for stakeholders, that is, to embrace a stakeholder approach to relationship marketing. Other proposals on the future of relationship marketing were by Gummesson (2008) who offered the perspective that research into relationship marketing should move away from the quantitative positivist paradigm to a theory generation paradigm through case study analyses.

Brodie (2017) further supported Gummenson's (2008) view by proposing that relationship marketing researchers should focus on using marketing practice to inform empirical research and consequently develop theoretical knowledge based on managers' theories. The author argues that if relationship marketing is to retain its position in academic enquiry then researchers need to theorize with practitioners and other stakeholders because these parties would be vital collaborators not only in the research process but also in theory development. This study thus aimed to address Gummesson's (2008) and Brodie's (2017) perspectives on the need to embrace a stakeholder approach to relationship marketing by collecting and analyzing views of managers of microfinance institutions and their customers on aspects of relationship marketing, social performance management, firm characteristics and customer retention.

3.4 Relationship Marketing Dimensions

Existing literature on relationship marketing reveals that this concept consists of several indicators as conceptualized by various relationship marketing scholars. To start with, Hunt, Arnett and Madhavaran (2006) undertook a theoretical investigation into the explanatory foundations of relationship marketing theory, in which they sought to find out among other things, those factors/practises which explain why some firms are more successful at their relationship marketing efforts than other firms. The authors theorized that the success of a firm's relationship marketing program is determined by a set of factors summarised as relational factors (trust, commitment, cooperation, keeping promises, shared values, communication between the firm and customers), a firm's level of competences (alliances, relationship portfolio), its internal marketing orientation, extent of technology adoption, historical factors and market factors. The resultant effect of a firm engaging in relationship marketing initiatives is what they referred to as the 'relationship success outcomes' manifested in the form of improved competitive advantage, financial performance, customer satisfaction, customer retention, learning by customers, ease in customers' taking up new products from the same firm (Hunt, Arnett & Madhavaran, 2006).

On the other hand, Sin, Tse, Yau, Lee and Chow (2002) theorized that effective relationship marketing is manifested in terms of trust, bonding, communication, shared values, empathy and reciprocity. Henning-Thurau, Gwinner and Gremler (2002) proposed word of mouth communication as a key relationship outcome factor. On their part, Hunt, Arnett, and Madhavaram (2006) posited that the success of a firm's relationship marketing program is determined by relational factors – trust, commitment, cooperation, keeping promises, shared values and communication between the firm and customers. Velnampy and Sivesan (2012) instead advanced that bonds, empathy and reciprocity were the indicators of successful relational exchanges, whereas Aka, Kehinde, and Ogunnaike (2016) conceptualized trust, commitment, communication, and service quality are the major determinants of relationship marketing. The above analysis clearly shows that the common relationship marketing indicators are trust, commitment, communication, shared values, cooperation and keeping promises.

Trust refers to the willingness to rely on an exchange partner in whom one has confidence (Morgan & Hunt, 1994). Trust is said to be an important determinant of successful business relationships because it is a measure of how each party feels they can rely on the other to fulfill their promise or obligation in the exchange (Sin et al., 2002). Commitment, according to Morgan and Hunt (1994), is the belief by an exchange partner that an ongoing relationship is so valuable that maximum effort is put in to maintain it; It is the enduring desire to maintain a valued relationship measured by the likelihood of customer loyalty and future purchase frequency (Oly-Ndubisi, 2007). Communication, on the other hand, are the formal and informal approaches of exchanging and sharing useful information between partners in a timely manner (Sin et al., 2002). When communication is shared in time, this fosters trust and assists in resolving disputes together with realigning expectations between the parties of exchange. Timely communication assists parties of exchange to respond to opportunities and threats faster hence attain competitive advantages.

Bonding, another relationship marketing component, is where the buyer and seller act in a unified manner towards a common goal (Sin et al., 2002). Strong bonds, which may be social, financial or structural, tend to exist between partners of an exchange when they have social interactions, closeness, friendship, feelings of affection, sense of belonging and realize performance satisfaction (EAC, 1993, cited in Sin et al., 2002). Shared values, refer to the extent to which partners in an exchange have common beliefs with respect to behaviour, goals, and polices (Morgan & Hunt, 1994). The authors argue that since marketing is about exchange of resources, then the parties of exchange need to share common values in order to build successful buyer-seller relationships. Sin et al. (2002) also theorized that when exchange partners have common goals/values, their commitment to the relationship is strengthened.

Keeping promises is yet another component in relationship marketing which Gronroos (1990) argues is the foundation of developing successful buyer-seller relationships. According to the author, fulfilment of promises to customers, entails first making realistic promises, then keeping the promises made and finally enabling employees to deliver on these promises through training and use of support service delivery systems. Kotler (1994) went further and extended Gronroos' (1990) view by suggesting that the nature of marketing activities necessary to realize this relational outcome include external marketing (to make realistic promises), interactive marketing (to keep the promises) and internal marketing (employ competent staff to deliver quality services with the support of effective service delivery systems). As argued by Bitner (1995), it is not enough to use external marketing to make attractive promises but rather these promises must be delivered upon in real time through a well-established employee and service delivery system.

This study adopted the relational factors expounded by Hunt et al. (2006) namely trust, commitment, strong bonds, communication, shared values and keeping promises. The researcher sought to investigate whether the nature relationships between microfinance institutions and customers are characterized by these factors and how they affect customer retention. These dimensions were used in the current study as the indicators of the relationship marketing variable in which it was conceptualized that if relationship building efforts between microfinance institutions and their customers are characterized by these six dimensions then this would lead to better customer retention. The study thus sought to establish the influence of relationship marketing on customer retention by microfinance institutions in Kenya.

3.5 Relationship Marketing and Customer Retention

Developing customer loyalty is considered the single most important driver of a firm's long term financial performance because it leads to increased sales and customer share, lower customer attraction and care costs and higher prices (Alrubaiee & Al-Nazer, 2010). Relationship marketing activities are believed to determine a firm's customer retention levels although the strength of this relationship will determine the extent of increase in customer loyalty and/or commitment (Sin et al., 2002). This view is shared by Ryals and Payne (2001) who also assert that relationship marketing programs are the key underpinnings of customer retention. Despite this acknowledgment, customer retention continues to be the greatest challenge facing marketers (Alrubaiee & Al-Nazer, 2010).

Studies investigating the association between relationship marketing and customer retention can be grouped into two – those which investigate the relationship marketing and its influence on customer retention, and those which investigate the individual components of relationship marketing and their link with customer retention. With respect to the first category, several studies investigating this link show a positive association suggesting that relationship enhancing activities trigger repeat purchase behaviour which eventually leads to customer retention and loyalty. These studies were initiated by Reichheld and Sasser (1990), who pioneered work on the link between customer retention and profitability, demonstrated that retaining customers has a powerful impact on a firm's bottom line. The authors showed that the longer a firm maintains a relationship with customers, the more its profits rise, by almost 90 per cent through retaining just 5 per cent more of their customers, thus concluded that customer loyalty, which consequently influences company profitability, is a valid outcome of relationship marketing. It was thus concluded that the longer the relationship between a firm and a customer lasts, the more profitable the customer becomes, hence recommended that firms would do well to focus on lifetime value of customers' rather than on getting profits from a single transaction.

Reichheld and Sasser's (1990) work was further supported by Anderson, Fornell, and Lehmann (1994) who sought to demonstrate the economic benefits of increasing customer satisfaction through relationship marketing efforts and found a positive association between relationship management, customer satisfaction and profitability. In their conceptual paper, Storbacka, Strandvik and Grönroos (1994) also argue that when a firm retains customers this increases its relationship revenue. In addition, Churchill and Halpern (2001) as well as Ang and Buttle (2006) show that retaining customers leads to less operational costs, less price sensitive customers, hence lower relationship maintenance costs and better financial performance.

Such results therefore suggest that if a firm manages to get customers to continue patronizing the business, this leads to increased revenue because loyal customers tend to engage in higher volumes of purchase coupled with providing the firm with higher customer referrals. Li (2015) sought to establish the direct and indirect influence of switching barriers on customer retention among online auction customers and confirmed the interrelationships while Hettiarachchy and Samarasinghe (2016) sought the influence of relationship marketing (informational, management, instrumental, organizational) on customer retention and results showed a strong positive influence between the variables. However, although relationship marketing is strongly associated with customer retention, in respect to those studies which investigated the association between individual relationship marketing components (trust, commitment, bonding, communication, keeping promises and shared values) and customer retention, they generally show a variation in the strength of the relationship when each of these components is analyzed. This implies that this issue has not yet gained consensus on which among these components is the most significant and their combined influence on customer retention. For instance, Morgan and Hunt (1994) undertook a study to establish if successful relationship marketing requires relationship commitment and trust. They found that communication has a positive and indirect impact on the retailer-supplier relationship commitment for the automobile industry. Their study also found that the two variables are important in relationship marketing, as well as key in mediating marketing relationships. Their study however used data from employees only moreover from tire dealers in the U.S a developed country.

Oly-Ndubisi (2007) on the other hand undertook a study to establish the impact of relationship marketing variables – trust, commitment, communication and conflict handling- on customer loyalty of Malaysian bank customers. The study concluded that trust, commitment, communication and conflict handling were significant and do predict a significant proportion of the variance in customer loyalty and therefore a firm can enhance and continue to improve its customer retention through developing marketing activities that aim at relationship building. However, like most others, the researcher did not seek employees' opinions.

On their part, Sin et al. (2002) investigated the effect of relationship marketing orientation (trust, bonding, communication, shared values, empathy, and reciprocity) on performance (sales, growth, customer retention, market share, return on investment) by collecting data from on 279 managers randomly sampled from 1000 service firms in Hong Kong, a developed country, and found the relationship positive and significant. Whereas most studies on relationship marketing and customer retention use face-to-face survey approach, Bowen and Chen (2001) sought to establish the relationship between customer satisfaction and loyalty among 546 hotel customers in the U.S, a developed country by using email survey and received a relatively low response rate of 27.4%.

To extend the communication factor as an indicator of successful relationship, Henning-Thurau et al. (2002) found that word of mouth communication is a key relationship outcome factor. Wetzels et al. (1998) instead investigated only one of these constructs – the role of commitment in service relationships – and found that affective commitment has the strongest effect on customers' intention to stay in the relationship and consequently on future revenue streams. Dwyer, Schurr, and Oh (1987) found that customer loyalty positively influenced profitability through cost-reduction effects and increased revenue per customer, and concluded that retaining loyal customers results in less costs than gaining new customers and as customers remain longer with the firm they become more experienced, hence less customer care costs. In addition, the authors found that customer loyalty leads to increased revenue as the relationship progresses. On their part, Wildrad, Jani and Philemon (2016) investigated the influence of relationship marketing dimensions (core service, service augmentation, relationship customization, relationship pricing, and internal marketing) on customer retention among Tanzanian hotel customers and among these found that only service augmentation and internal marketing were significant predictors of customer retention while the rest were not.

The above findings therefore imply that relationship marketing dimensions have varying effects on customer retention and hence it is important to identify those dimensions which impact most on customer retention. This study sought to establish this issue. Other studies on relationship marketing and customer retention include Abtin and Pouramiri (2016) who found relationship marketing dimensions – trust, satisfaction, management, communication and competence were significant and positive; Magasi (2016) investigated if trust, commitment, satisfaction, and relationship influence affect customer retention and results showed that a positive and statistically significant influence, while Mazhari, Madahi and Sukati (2012) used relationship marketing dimensions – trust, commitment, communication, and conflict handling – to establish their effect on customer retention and found a statistically significant positive association.

It is evident from the above analysis that the relationship marketing construct has been conceptualized in varying ways thus revealing inconsistencies in the constructs representing the relationship marketing variable a demonstration that further research is still necessary on this conceptual front. The above literature review further revealed a methodological gap in existing studies in which none sought the views of both employees and customers yet as argued by Biong, Parvatiyar, and Wathne (1996) each party's relationship satisfaction should be measured to establish the propensity of either party to continue or terminate the relationship. This study sought to address these conceptual and methodological gaps. In addition, the above analysis of studies linking relationship marketing and customer retention seem to suggest that engaging in relationship marketing activities brings about firm-customer relationships characterized by the relational factors, either trust, shared values, cooperation, ease of communication, or strong bonds which then are accordingly thought to significantly predict customer retention. However, most of these studies focus their investigation on relating one or two relationship marketing variables with customer retention without investigating the combined influence of these relationship marketing variables on customer retention. This study thus sought to fill this empirical gap.

For purposes of this study, the researcher conceptualized that if a firm engages in relationship marketing activities, the success of these efforts are reflected in the level of trust and strength of bonds existing between customers and the firm, timely exchange of communication, keeping promises, sharing common values and strong commitment by exchange parties to the relationship such that the combined effect of these leads to improved customer retention. Customer retention was conceptualized as repeated purchases by clients, positive word of mouth communication (referrals), price insensitivity by existing clients, as well as reduced costs of recruiting new customers. Arising from this analysis therefore, the first hypothesis of the study was formulated as:

H1: There is a statistically significant relationship between relationship marketing and customer retention.

3.6 Relationship Marketing, Firm IT Characteristics and Customer Retention

During the mid-19th century, companies were preoccupied with transaction-oriented marketing approaches in which time customers lost their uniqueness and importance (Chen and Popovich, (2003). However, since the 1990s, companies are keen to re-establish their connection with customers through the use of relationship marketing strategies embedded with technology based applications. This has been made possible by the development of a range of relationship management tools and software (Chen and Popovich, (2003). The rapid advancement in technology has provided organizations with the ability to use information technology platforms to manage and improve customer relationships far better than it was possible over three decades ago (Payne & Frow, 2006). The range of technology platforms at the disposal of firms include databases, data warehouse technologies, data mining techniques, internet, electronic data interchange, automatic teller machines and interactive voice responses facilities (Payne & Frow, 2006; Lang & Colgate, 2003). Such technological infrastructure allows firms to gather and store large sets of data about customers' purchase and product usage behaviours, analyse that data, interpret and make relevant decisions on how to target the most promising customers more effectively.

Chen and Popovich (2003) categorize the benefits of embracing information technology in relationship management into firm-related and customer-related benefits. To firms, the benefits include ability to leverage marketing, operations, sales, customer service and human resource functions to maximize profitability for customer interactions, increased competitiveness manifested through increased revenues and lower operational costs effectively boosting customer satisfaction and retention. For customers, using relationship technology offers customization of products and services, simplicity in processes they go through to access services and convenience in transactions performed with the firm.

Ryals and Payne (2001) sum up the benefits of using information technology in relationship management into four areas; first, it allows for identification of the company's best customers thus enable maximization of value from them, second, it enables a firm analyse information on existing customers to determine their current purchase behaviour and predict future behaviours, third, through such information technology platforms, a firm is in a position to see all the customer touch points and lastly is able to track what they are buying and what they would be interested in.

Although the benefits of adopting technology are generally apparent, several scholars also caution that the benefits of relationship enhancement through information technology may not automatically be realized simply by purchasing technologies (Chen & Popovich, 2003; Lang & Colgate, 2003; Payne and Frow, 2006). According to Chen and Popovich (2003), it is critical for firms to have a balanced and integrated approach that incorporates technology with processes and well trained competent people to realize success from investments in technology.

Empirical studies on the influence of information technology on firm-customer relationships reveal varied results. For instance, Lang and Colgate (2003) undertook to establish how using a combination of information technology mediums affect the quality of relationship between the customer and the firm by administering email questionnaires to a sample of 2,688 bank customers in New Zealand. Relationship quality was measured using 5 constructs – trust, commitment, bonds, conflict and satisfaction. The results showed that IT may have both a positive and negative impact on firm relationships with customers and concluded that firms which fail to provide IT mediums valued by their customers will find it more difficult to develop strong relationships with them as opposed to firms that do provide such mediums.

Becker, Greve and Albers, (2009) investigated among other things, the link between technological implementation and customer relationship management performance measured by initiation, maintenance and customer retention among four industries from 400 companies drawn from ten Europe countries. The study concluded that it is not enough to merely implement technology infrastructure and hope for direct effects on customer retention, but rather, management support, appropriate organizational structures and motivated well trained sales personnel are key support pillars to the implementation of relationship based technology platforms. On their part, O'Leary, Rao and Perry (2004) investigated the influence of technology platforms (internet and databases) on customer relationship management in an Australian company and results showed that integration of the internet and database marketing techniques enhances effectiveness of relationship management practices because these allow a firm to collect accurate data about customers behaviours, interact better with them, speed up transactions thus leading to cost savings and consequently better customer relationships. In addition, just like the research by Becker, Greve and Albers, (2009), their study revealed that a supportive environment consisting of the right organizational culture, top management support, collaboration between marketing and IT teams are key in producing positive results when technology is used to enhance firm-customer relationships. Ryals and Payne (2001) instead investigated the extent of adoption and use of information technology infrastructure among eleven UK financial services organizations, using a qualitative research approach and found that using appropriate data infrastructure was key to successful adoption and use of customer relationship management practices implying that technology is key in enhancing firm-customer relationships. Another study by Oh, Ryu and Yang (2016) investigated the contribution of information technology characteristics on firm performance from the supply chain management perspective. The researchers examined the interaction effects of information technology characteristics and supply chain capabilities on firm performance using 5-point Likert scale, and collected data from managers of manufacturing firms. The results showed significant moderating effects of ICT characteristics on the relationship between supply chain capabilities and firms' market performance. The moderating effect on the relationship between supply chain capabilities and firms' financial performance, however, was weak.

Chen and Popvich (2003) undertook to conceptualize that successful technology-enabled relationship marketing requires a combination of people, processes and technology. The authors argued that for a firm to improve its customer retention levels, there is need to embrace a relationship management strategy that is companywide and cross-functional, embedded with customer focused business process re-engineering. They advanced that if an organization focuses on viewing relationship technology in isolation of business processes and the people element, then its relationship marketing efforts were likely to fail. The authors further asserted that organizations should not just focus on having relationship management information systems, but rather, should aim at having a balanced and integrated approach that incorporates technology, processes and people. In so doing, using information technology enables the organization to identify the most profitable customers, target marketing efforts to them, reward the loyal ones, interact and respond to customer queries faster, communicate frequently thus develop stronger bonds which consequently leads to customer retention.

While the above studies investigate a direct association between information technology and customer retention or relationship quality or customer relationship management , other scholars like Zineldin (2000), Ryals and Payne (2001), Sin et al. (2002) and Oly-Ndubisi (2007) argue that relationship marketing alone may not be an effective strategy, implying that there could be third forces affecting the strength of the association between relationship marketing and customer retention. In particular, Zineldin (2000) posits that relationship marketing is not complete without the effective use of firm resources such as technology. The author argues that if a firm invests in technology this will enhance its ability to increase in product/service volumes, control costs better, become more innovative and customer oriented, recommending that information technology should not be viewed as a separate supportive element in developing relationships but rather as a core element relationship management. To add to this view, Ryals and Payne (2001) also advance that relationship marketing strategies depend on the deployment of appropriate organizational infrastructure if they are to succeed in retaining customers implying that the nature of firm characteristics seem important in influencing the ability of a firm to realize its relationship building objectives.

According to Kauser and Shaw (2004), the environment in which businesses operate is characterized by several complexities, uncertainty and discontinuity arising from changing market conditions, intensified global competition, and shorter product life cycles. This, according to the authors, implies that organizations have to re-think the strategies they have been employing to establish if they are relevant given such conditions. Pearce (1997) cited in Ryals and Payne (2001) reasoned that customer retention strategies cannot be effective without the support of a suitable data infrastructure which means deployment of information technology resources must take place. This is because once appropriate technology and tools are employed, it facilitates prompt response to customers' requirements hence improved customer retention and lifetime profitability.

This argument is further extended by Hoang, Igel, and Laosirihongthong (2010) who posit that the presence and use of supporting activities like technology systems, employing educated and competent staff, holding many years' experience in offering the product or service, and extensive distribution coverage of business operations are vital to meeting customers' needs and consequently customer retention. On their part, Ryals and Payne (2001) explain that information technology is an important element in customer data management and that a company's ability to understand and respond to customers' needs depends on the type and amount of information held about customers. Appropriate relationship marketing strategies should thus include technology adoption tactics, because information technology enables a firm to determine the economics of customer acquisition, customer retention and lifetime value (Ryals & Payne, 2001).

The above analysis therefore seems to suggest that businesses may need to combine their relationship marketing efforts with other initiatives in the realm of technology, in order to boost customer retention. However, while previous scholars have studied relationship marketing, information technology characteristics and customer retention, these variables were studied independently. In order to better assess the contribution of information technology in relationship marketing this study proposed a model in which the moderating effect of a firm's information technology characteristics were tested. The researcher hypothesized that relationship marketing leads to improved customer retention but a firm's information technology resources strengthen the customer retention improvement since existing literature suggests that advances in information technology provide businesses with opportunities to enhance performance in various functional areas including marketing.

This study thus set out to obtain empirical evidence which explains the nature of this moderating role because studies investigating the moderating effect of firm IT characteristics on the relationship marketing-customer retention link are scarce. Instead, those available test moderating effects on other variables for instance moderating effects of green consciousness by Young, Kang and Kim (2017), relational characteristics by Balaji (2015); demographic variables by Alrubaiee and Al Nazer (2010); relationship marketing variables by Ranaweera and Prabhu (2003) and Rootman et al. (2012); situational and reactional triggers by Gustafsson, Johnson and Roos (2005).

Balaji (2015) investigated the moderating role of relational characteristics (age, density, and dependence) on the association between relationship investments, satisfaction, commitment and customer retention among 381 retail bank customers selected by convenience sampling and using a 5-point scale questionnaire found that these characteristics moderated the relationships. On the other hand, Li (2015) sought the direct and indirect influences of switching barriers on the relationship between recovery satisfaction and customer retention, and using a web based questionnaire, data was collected from 272 online service customers selected by judgmental sampling. The study found that switching costs and inertia moderated the relationship. Alrubaiee and Al Nazer (2010) instead investigated the impact of relationship marketing orientation constructs –

bonding, trust, communication, satisfaction and commitment- on customer loyalty. In addition, the researchers, sought to establish the moderating effect of demographic variables (gender, education and income) on the association between relationship marketing dimensions and customer loyalty**.** Results showed relationship marketing orientation is significant in explaining the variation in customer loyalty, while sex and income were significant on the association between relationship marketing and customer loyalty suggesting that the gender or level of income of a customer has an effect on the relationship marketing efforts taken by a firm to boost its customer retention. Their study, however, did not consider firm characteristics as moderators**.** Furthermore, Ranaweera and Prabhu (2003) undertook a study to investigate the combined effects of satisfaction, trust and switching barriers on customer retention among fixed line telephone users in the U.K. Data was obtained using a mail survey in which questionnaires were sent to 2,850 customers randomly selected from the customer database of major UK telephone service providers.

The study found that both customer satisfaction and trust have a strong positive effect on customer retention, although the effect of trust on retention is weaker than that of satisfaction. The interaction between trust and satisfaction was significant on retention, suggesting that if a firm builds both customer satisfaction and trust, it is a more rewarding approach than to a focus on satisfaction alone. Switching barriers were found to have both a significant positive effect on customer retention as well as a moderating effect on the relationship between satisfaction and customer retention implying that a firm is better off using a combined strategy of employing switching barriers as well as create customer satisfaction. On the other hand, Homburg and Giering (2001) sought to determine the moderating effect of personal characteristics on the customer satisfaction and retention relationship among 943 customers of a car manufacturer in Germany and found the relationship strongly influenced by customer characteristics. However, the study did not use relationship marketing as an independent variable, neither did it consider the moderating effect of firm characteristics.

The above studies seem to point out a significant fact that indeed third forces do influence the ability of a firm to retain customers when the primary activity of relationship management is employed. However, none of these studies used firm IT characteristics as the moderating factors, yet scholars like Oly-Ndubisi (2007), Ranaweera and Prabhu (2003) and Sin et al., (2002) suggested future research is necessary to investigate the possible influences of such factors on the association between relationship marketing initiatives and customer loyalty. Sin et al. (2002) in particular proposed that the moderating effect of firm-related and market-related factors on the association between relationship marketing and business performance should be examined, because such factors may influence the type of strategies used by companies which in turn affects a business's performance with respect to customer retention and profitability.

The researcher found it important to investigate the moderating effect of firm IT characteristics because such information would be important to relationship marketers to justify investment in technology infrastructure and customer relationship management systems which aim at boosting customer retention. Additionally, most studies investigating moderating effects did not conduct these within the microfinance sector, yet this sector comprises of a variety of institutions targeting millions of poor or low income clients and thus such a competitive environment would require relationship technology to effectively manage its customer relationships. It was thus necessary to establish the moderating role of firm IT characteristics on the association between relationship marketing and customer retention within the microfinance sector. Firm IT characteristics was thus adopted as a moderating variable to establish the nature of its moderating influence relationship marketing- marketing customer retention association through the second hypothesis that:

H2: Firm IT characteristics have a statistically significant moderating effect on the association between relationship marketing and customer retention.

3.7 Relationship Marketing, Social Performance and Customer Retention

Management inquiry into social issues has gained momentum over the years arising from increased sensitivity to ethical behaviour, concerns to damaged environments, improper treatment of employees and customers, faulty products sold in the market place, increased government regulations to protect citizens and the environment from negative business practices (Harrison & Freeman, 1999). In view of these concerns, consumers and investors are making decisions based on the social responsiveness and social performance management of companies they relate with. Harrison and Freeman (1999) further contend that such intensified ethical concerns coupled with increased competition and a vibrant media ready to report on any misdeeds by companies implies managers have to devise appropriate strategies which must balance between the needs of all stakeholders though may sometimes conflict with one another. Scholars like Freeman and McVea (1984) and Freeman and Gilbert (1987) also concur with this observation and add that these dilemmas can best be resolved by adopting an effective stakeholder management approach. Husted (2000) suggests the social environment of a business consists of stakeholders whose expectations are ever rising and changing. In view of such conditions, the author argues, firms have no choice but to embrace appropriate practices which will earn them their legitimacy and social support and to achieve this objective, it is necessary for them to be concerned with their social performance because in so doing, they will satisfy stakeholders' expectations. Such practices are what are commonly known as social performance management.

Although relationship marketing literature stresses the importance of managing stakeholder relationships (Morgan & Hunt, 1994; Buttle, 2006; Gummesson, 2008; Gummerus, 2017), not much is documented on the effect of employing social performance management practices on an organisation's customer retention efforts. As alluded by Short, McKenny, Ketchen, Snow and Hult (2015), 'corporate social performance has been under examined empirically in literature to date' (p. 1122). Prior studies on social performance instead focused on examining either the relationship between corporate social responsibility practices and customer retention (Hassan, Nareeman & Pauline, 2013), or between financial and social performance (Wood & Jones, 1995) or between corporate social performance and stocks uptake (Graves & Waddock, 1994). Others examined the inter-relationships between board composition characteristics, social responsibility performance and financial performance (Sahin, Basfirinci, & Ozsalih, 2011), ethics and responsibility in relationship marketing (Perret & Holmlund, 2013).

For those studies which established an association between social performance and firm performance majority of results pointed to a positive relationship between corporate financial performance and social performance (Sahin, Basfirinci, & Ozsalih, 2011; Campbell, 2007; Carroll, 1979; De Bakker, 2005) however others revealed contradictory findings, for instance, Boyle et al. (1997), Vance (1975) and Wrights and Ferris (1997) found a negative relationship, while others such as Teoh, Welch and Wazzan, (1999), Aupperle et al. (1985), Alexander and Buchholz (1978), Folger and Nutt (1975) and found no relationship between social performance and firm performance. On the other hand, Wood and Jones (1995) reviewed empirical literature on studies relating social performance and financial performance and concluded that the causality is complex for the relationship between corporate social performance and financial performance is ambiguous; further they found no comprehensive measure of corporate social performance and that the most that could be demonstrated with the data was that “bad social performance hurts a company financially’. Waddock and Graves (1990) cited in Freeman and McVea, (2001) instead found that firms which demonstrated a high level of corporate social performance realised an increase stocks uptake by other institutions. Hoepner, Liu, Moauro, Perez-Rocha, and Spaggiari, (2012) on their part, found that social performance management and social responsibility towards the staff are necessary to sustain financial performance.

In respect to studies establishing the moderating effect of social performance on the relationship marketing - customer retention association, these are particularly rare. Instead, those available either used corporate social performance as an independent variable or as a mediating variable, or linked social performance with other variables. For instance, Hassan, Nareeman and Pauline (2013) sought to determine the impact of customer perception of corporate social performance practices on customer satisfaction and retention among 101 respondents of multinational corporations. Using data collected with a 5-point scale questionnaire the researchers found a significant and positive impact of these practices on customer retention. In this study, ‘corporate social practices’ was an independent variable, while the current study employed it as a moderating variable. Luo, Wang, Raithel and

Zheng (2015) sought to determine the meditating role of analysts' recommendations in the relationship between corporate social performance and financial performance link and found that analysts act as mediators. In their study too, corporate social performance was an independent variable.

Lam (2016) sought to determine if corporate social responsibility contributes positively to customer loyalty and whether this relationship is mediated by perceived service quality and trust. Using bank customers in Hong Kong, the study confirmed the relationships between perceived service quality, trust and attitudinal loyalty, although the relationship between philanthropic corporate social responsibility reputation and trust was insignificant. In this study too, corporate social responsibility was an independent variable.

This review suggests that there are insufficient studies which examine social performance as a moderating variable to establish its role in influencing business performance measures such as the association between relationship marketing and customer retention. It is important to establish this issue because the future of relationship marketing lies in adopting a stakeholder approach to relationship management where focus must shift from focusing on creating value in exchanges with customers to creating value for all stakeholders (Payne, Ballantyne & Christopher, 2005; Sheth, 2002). Further, scholars like Woller (2002) and Hoepner et al. (2012) opine that if an institution ignores paying attention to its social performance, and instead, concentrates on achieving strong financial performance alone, this approach does not translate into client benefits (client welfare).

In view of the above therefore, while most studies investigating if social performance matters seem to suggest that it is important for financial results, it is not yet clear whether social performance influences customer retention in particular, and in addition its moderating effect on the association between relationship marketing and customer retention is unknown. In fact, Perret and Holmlund (2013) stated that while the role of ethics and social responsibility is growing in business and in society, 'but surprisingly, that role is sparsely examined in the relationship-marketing context' (p. 746). Empirical evidence was therefore necessary to disclose the nature of influence of social performance management on a firm's customer retention ability as well as the moderating effect of social performance management practices on the association between relationship marketing and customer retention. This was an issue addressed by this study through the third hypothesis that:

H3: Social performance management practices have a statistically significant moderating effect on the association between relationship marketing and customer retention.

3.8 Relationship Marketing, Social Performance Management, Firm IT Characteristics and Customer Retention

Existing studies on relationship marketing and customer retention generally show that building relationships with customers leads to increased sales, improved customer share as lower customer attraction and care costs, and ability by the firm to charge higher prices (Reichheld & Sasser, 1990; Ryals & Payne, 2001; Alrubaiee & Al-Nazer, 2010; Magasi, 2016; John & Kijboonchoo, 2017). This demonstrates the importance of relationship marketing as a key driver to customer retention. However, other scholars suggest that the relationship marketing-customer retention association may be contingent on additional intermediary factors (Durukan & Bozaci, 2011; Oly-Ndubisi, 2007; Sin et al., 2002). In particular, the moderating effect of factors such as firm IT characteristics, individual characteristics and market characteristics, on the relationship between relational marketing practices and customer retention has been recommended by researchers like Oly-Ndubisi (2007) and Sin et al. (2002). The authors argue that despite employing certain relationship marketing programs, some firms continue to face challenges in retaining customers implying that there could be additional explanatory factors affecting this relationship.

On his part, Zineldin (2000) advises that relationship marketing is not complete without the effective use technological resources such as technology platforms and customer relationship management systems, implying that embracing such resources may boost a firm's relationship marketing efforts. Further, it is argued by Payne et al. (2005) and Sheth (2002) that the future of relationship marketing depends on developing relations which create value for all stakeholders which could be achieved through embracing social performance management practices. All these views therefore seem to suggest that the relationship marketing-customer retention association may be strengthened (or weakened) by the presence (absence) of these two factors, however, empirical evidence which sheds light on the nature of this relationship is lacking. Hardly any research exists which has sought to determine the nature of influence of social performance management and firm IT characteristics on the relationship marketing-customer retention association. Instead existing studies used other factors as moderators for instance green consciousness, relational characteristics, demographic characteristics, relationship marketing factors, situational and reactional triggers. The current study thus addressed this empirical gap by adopting social performance management and firm IT characteristics as moderating variables.

Besides, while the relationship marketing, firm IT characteristics and social performance management effects have been examined in separate contexts, published research that has empirically examined the joint effects of these variables on customer retention is rare. Furthermore, a review of existing studies on relationship marketing and customer retention also reveals that the microfinance industry has received limited research attention in the context of the extent to which relationship marketing is a driver of customer retention, hence the motivation of this study was to investigate these issues in the microfinance sector.

Based on the forgoing discussion therefore, it was evident that although earlier studies recognized the effect of relationship marketing practices on customer retention, the dynamic forces in this relationship were not yet conclusive due to the varying perspectives and areas of concentration of the various studies. In particular, the role of social performance management in the association between relationship marketing and customer retention has hardly been tested before, while scanty evidence exists on the moderating role of firm IT characteristics. There was thus need for empirical evidence to establish the nature of influence of social performance management and firm IT characteristics on firm performance parameters specifically customer retention. The basic assumption of this research therefore was that relationship marketing practices, combined with social performance management practices and firm IT characteristics significantly improves microfinance institutions' ability to achieve customer retention.

It is for this reason and because relationship marketing is considered an important business strategy that this study set out to empirically investigate the influence of relationship marketing on customer retention. At the same time, this study investigated the moderating influence of firm IT characteristics and social performance management practices, on the association between relationship marketing and customer retention, since the moderating role of these variables in this association, has not been investigated much. The study further sought to examine the nature of joint influence among the study variables. A holistic approach was thus taken by examining the nature of interaction between the independent, moderating and dependent variables through the fourth hypothesis that:

H4: Relationship marketing, firm IT characteristics and social performance management practices have a statistically significant joint effect on customer retention.

3.9 Knowledge Gaps

The above section was a review of existing literature in which theories pertinent to this study were discussed and this was followed by an analysis of the relationships among the study variables – relationship marketing, social performance management, firm IT characteristics and customer retention. Arising from this review therefore is a summary of knowledge gaps as presented in Table 3.1.

Table 3.1: Summary of Knowledge Gaps

Authors	Focus of the Study	Research Methods	Main Findings and Conclusions	Gaps	Focus of Current Study
John and Kiboonchoo (2017)	Established if relationship marketing had a significant relationship with customer loyalty	Used a convenience sample of 400 ABC bank customers in Thailand; analysed data using descriptive and inferential statistics	Study found a significant positive relationship	The study conceptualized RM to include conflict handling and employee competence, constructs not cited much; study did not seek for employees' opinions; based on a developed market; did not seek indirect effects	Conceptualized RM based on the 6 dimensions by Hunt et al., 2006 indicators; commonly cited collected data from both customers and employees; study was based on a developing market context; sought direct and indirect effects
Hettiarachchy and Samarasinghe (2016)	Established if RM had a significant relationship with CR	Collected data from a convenience sample of 250 bank customers in Sri Lanka; analysed data using descriptive and inferential statistics	Study found a strong significant positive influence	Did not investigate indirect effects; All the constructs of relationship marketing used differ from the commonly cited ones; study did not consider employees' opinions	Conceptualized RM with the 6 indicators commonly cited; collected data from both customers and employees; study measured direct and indirect effects
Balaji (2015)	Sought to determine the moderating role of relational characteristics on relationship investment and customer retention	Sampled 381 bank customers in India to collect data using a questionnaire and analysed by structural equation modelling and regression analysis	Relational characteristics were found to moderate the relationships.	Study used one moderating variable; sought views from customers only; and did not establish joint effects	This study used two moderating variables and sought views from both employees and customers in a developing country; study established direct and indirect effects
Li (2015)	Sought the direct and indirect influences of switching barriers on recovery satisfaction and customer repurchase intention	Used a web-based questionnaire on 272 customers in Taiwan; data analysed using descriptive statistics and partial least squared regression	Switching barriers were found to moderate the relationship	Study used only one construct of customer retention – repurchase intention; study base on a developed market; employee opinions were not sought	Study used five other constructs of CR including repurchase intention; used a structured questionnaire; customers and employees' opinions were sought
Waithaka (2014)	Examined the moderating influence of FC on corporate identity management practices and brand performance	Data was obtained from all the 53 Kenyan universities using a descriptive cross-sectional survey design	Study found that FC moderated the relationship	The study did not determine customer retention as the dependent variable	The current study operationalized customer retention as the dependent variable and microfinance institutions as the unit of analysis
Ibok and Udofot (2012)	Investigated CR practices in the context of microfinance banks in Oyo state Nigeria	Data was obtained through a survey of 84 respondents, by administering a questionnaire and analysed using descriptive and inferential statistics	Results show that developing superior customer retention strategies is a significant predictor to retaining customers	Investigation did not investigate indirect effects	Study examined both direct and indirect effects of RM in influencing CR in Kenya's microfinance sector.

Table 3.1 Contd…

Authors	Focus of the Study	Research Methods	Main Findings and Conclusions	Gaps	Focus of Current Study
Velnampy and Sivesan, (2012)	Established the determinants of RM of Mobile Services Providers in Sri Lanka	Data collected through a seven points Likert type summated rating scales of questionnaires Factor analysis method employed	Results showed three factors extracted from the analysis which together accounted 67.007% of the total variance.	Study lacks a coherent conceptual framework; study was conducted in the communications sector in an emerging market	Current study developed an integrated framework; was based on the microfinance sector of a developing country - Kenya
Thuo (2011)	Established the influence of CRM on organizational competitiveness and surveyed all commercial banks in Kenya.	The study surveyed 44 commercial banks using a semi structured questionnaire.	Results showed a positive and significant overall influence of CRM practices on organizational marketing productivity but firm characteristics did not moderate the relationship.	The study did not establish the role of social performance management as a moderating variable and also did not consider customer retention as the dependent variable	This study examined the role of social performance management and firm characteristics in the link between relationship marketing and customer retention
Alrubaiee and Al-Nazer (2010)	Assessed the impact of relationship marketing orientation on customer loyalty.	A convenience sample of 450 respondents to which structured questionnaires were sent. The data were factor analysed; regression analysis too was used	Results established that the five dimensions' scale possess adequate reliability and internal consistency as well as convergent validity.	Study had demographic factors as the moderating variables to establish the extent to which they affect the association between RM and CR. Study was carried out in a developed market	Current study used 2 moderating variables – firm characteristics and SPM; study sought to determine the combined influence of these variables– RM, FC, SPMP and CR and focus was on a developing country
Oly-Ndubisi (2007)	Examined the impact of relationship marketing strategy on customer loyalty.	Questionnaires were completed by 220 bank customers in Malaysia. Multiple regression analysis used	Results showed the four variables have a significant effect and predict a good proportion of the variance in customer loyalty. Moreover, they were significantly related to one another.	the data analysed were collected from the banking sector of the service industry; the moderating variable used was customer characteristics	This study focused on the micro-finance sector of a lesser developed country and used two moderating firm related characteristics
Ang and Buttle (2006)	Investigated the associations between CR outcomes and management processes -	Research method was quantitative survey of 170 companies in Australia, using mail questionnaires	Study found that excellence at customer retention is positively and significantly associated with the presence of documented complaints-handling processes.	Methodology did not focus on the behavioural based relationship marketing factors, instead focus was on the external relationship marketing efforts	Study focused on six RM factors – to establish their association with customer retention

Table 3.1 Contd…

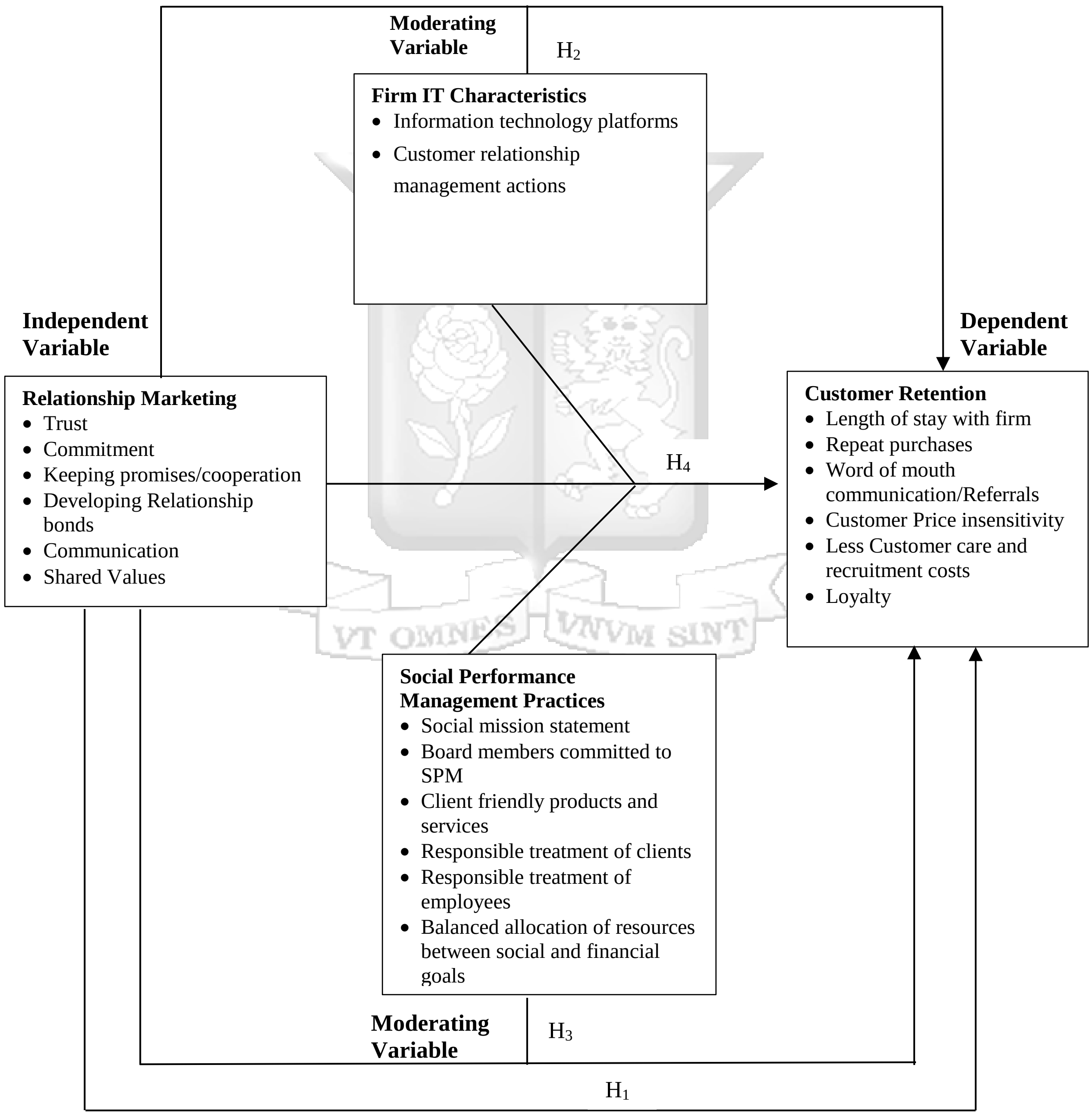
Authors	Focus of the Study	Research Methods	Main Findings and Conclusions	Gaps	Focus of Current Study
Ranaweera and Prabhu, (2003)	Assessed the influence of satisfaction, trust and switching barriers on customer retention among UK fixed line customers	A mail survey was carried out among 2,850 customers randomly sampled from UK service provider database; questionnaires were emailed; regression analysis carried out	Customer satisfaction and trust were significant on CR; switching barriers were significant on CR and had a moderating effect on satisfaction and retention	This study used one of the RM variables as a moderating variable; data collection method used resulted in a low response rate at 16%	This study used FC and SPM as the moderating variables; the face to face method of data collection was employed which led to a high response rate.
Sin et al., 2002)	Determined the effects of RMO on business performance in a service oriented economy	Conceptualisation of RMO and its important dimensions, survey of 1000 firms using a questionnaire	Results showed that RMO positively is associated with sales growth, market share, customer retention, and return on investment	Study did not test for indirect effects, used only employee opinions and was based on a developed country context	The current study tested for indirect effects, collected the opinions of both customers and employees and was based in a developing country
Ryals and Payne (2001)	Established the adoption and use of CRM in the UK financial services sector by examining key elements of CRM.	Qualitative research approach was used using a semi-structured, in-depth interview guide on a sample of 10 firms	data infrastructure, especially data warehouses, is central to the successful adoption and use and use of CRM	Study used qualitative research methodology; study did not focus on hypothesis testing; deductive research philosophy	Used the positivism research philosophical orientation; tested for hypotheses
Wetzels et al. (1998)	Examined the role of commitment in business relationships	Stratified random sample of customers; B2B relationship; questionnaires emailed to 1988 respondents; 572 usable questionnaire received	affective commitment in business relationships has a strong positive relationship with customers' intentions to continue a relationship	Study concentrated on only one construct of relationship marketing; focused on customers of only one service firm, and relationship examined was B2B	Study used 6 RM indicators, focused on many institutions within the microfinance sector and the B2C relationship examined
Morgan and Hunt (1994)	Conceptualization of RM by discussing its ten forms, from which the authors then theorized that successful relationship marketing requires relationship commitment and trust	Developed a model in which relationship commitment and trust were mediating variables of successful marketing efforts and tested this model.	The results showed that in cooperative relationships, commitment and trust are key in mediating successful relationship marketing.	The study did not focus on the other four factors of relationship marketing yet relationship marketing success is said to be influenced by many other variables which were not tested for in this study	Study hypothesised that RM success is determined by six factors, and that the RM outcome is moderated by two antecedents – FC and SPM

Source: Current Researcher, 2017

3.10 Conceptual Framework

Following the preceding literature review, a conceptual model was derived showing the researcher's conceptualization of the relationships between the study variables. The variables were relationship marketing, social performance management, firm IT characteristics and customer retention and from these, hypotheses for this study were proposed.

Figure 3.1: The Conceptual Model



Source: Current Researcher, 2017

The conceptual model (Figure 3.1), shows the constructs for each of the study variables, whose operationalization was based on existing theoretical and empirical literature as illustrated in Table 4.5 in Chapter four. Relationship marketing was the independent variable (IV) comprising the relationship constructs – trust, commitment, communication, keeping promises, cooperation, relationship bonds and shared values. These factors represent the characteristics of the relationship existing between a firm and its customers, which are postulated to influence extent of customer retention, the dependent variable (DV) of this study. Firm IT characteristics were hypothesized as moderating the relationship between relationship marketing and customer retention. The specific firm information technology characteristics that were studied included extent of technology adoption by the institutions represented by technology platforms and customer relationship management actions. Social performance management, which comprises the practices an institution embraces in order to be socially responsible, was also hypothesized to have a moderating role on the association between relationship marketing and customer retention. This component constituted the six universal standards for social performance management (USSPM) dimensions by microfinance institutions, namely, existence of a social mission, board member and employee commitment to social goals, existence of client friendly products, responsible treatment of clients and employees by management, and balanced allocation of resources. The researcher sought to assess the degree of effect, whether positive or negative, these social performance management practices have on customer retention.

Customer retention, the repeated buying of a product from the same company over a period of time (Ibok et al., 2012), was hypothesized as the resultant outcome of the relationship between the study variables as described above, and customer retention was measured using customers' length of stay with the institution, extent of repeat purchases by customers, extent of customers' word of mouth communication, price insensitivity by customers, customer care costs incurred by institution and extent of customer loyalty. The above conceptual framework was therefore designed based on existing theoretical and empirical literature which the researcher analysed.

3.11 Hypotheses

A set of hypotheses were thus proposed based on the literature review and from the relationships illustrated in the conceptual model in Figure 3.1. The study hypotheses were:

H1: There is a significant relationship between relationship marketing and customer retention by MFIs in Kenya.

H2: Firm IT characteristics have a statistically significant moderating effect on the association between relationship marketing and customer retention by MFIs.

H3: Social performance management practices have a statistically significant moderating effect on the association between relationship marketing and customer retention by MFIs.

H4: Relationship marketing, firm IT characteristics and social performance management practices have a statistically significant joint effect on customer retention by MFIs which is greater than the individual effect of relationship marketing on customer retention.

3.12 Chapter Summary

This chapter has discussed the theoretical foundation upon which this study was based, and elaborated on the literature review relating to relationship marketing, firm IT characteristics, social performance management and customer retention. Furthermore, the chapter has examined empirical literature documented on the study variables, presented a summary of the knowledge gaps, the conceptual framework and its description, and winds up with the hypotheses that guided this study. The ultimate purpose of the study was to establish the nature of interaction between the independent and dependent variables, the effect of the moderating variables and the joint effect of the independent and moderating variables on the dependent variable.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

This chapter discusses the research philosophy, research design, population of the study and data collection techniques that were used for this study. In addition, in order to address concerns for reliability and validity, the chapter presents the results of the reliability and validity tests carried out for each. Further, the chapter presents a summary of operationalization of the study variables, and ends by explaining the data analysis procedures that were used to test for the hypotheses.

4.2 Research Philosophy

Researchers seek to obtain answers to questions they have and the methods used to obtain these answers are influenced by the researcher's philosophical scientific orientation. This study was guided by the pragmatic research philosophy because the nature of the research question required an integration of more than one research approach since using either one of the approaches, quantitative or qualitative, would not completely address the nature of inquiry in light of the multiple realties or views that the subject under investigation has in the real world. Hunt (2002) sums up philosophical science as that view which enables researchers to obtain scientific explanations to scientific questions posed. According to Creswell (2012), research philosophy is the underlying belief held by a researcher on the way data for a particular study should be collected, analysed and applied. Owino (2014) instead refers to it as how knowledge about reality is established together with the constructs of that knowledge.

According to Babbie (2010), research philosophy provides an explanation for the assumptions that people make about nature of reality and it defines the orientation of the person carrying out research. This orientation is what is known as epistemology which deals with the study of nature and extent of knowledge (Truncellito, 2007). This view is shared by Veal, (2005) who defines epistemology as a branch of philosophy which studies knowledge by attempting to answer the basic question - what distinguishes true or adequate knowledge from false or inadequate knowledge? In so doing, the author argues, the field of scientific methodology is explored where scientists attempt to develop theories or models that are better than competing theories/models. There are different types of philosophies which guide research namely positivism, interpretivism, pragmatism, realism and constructivism, although, the epistemological research philosophies which support social science research are three main ones – positivism, interpretivism and pragmatism (Saunders, Lewis, & Thornhill 2011). Interpretivism research involves gathering large amounts of rich information based on belief in the value of understanding the experiences and situations of a relatively small number of subjects (Veal, 2005). Realism philosophy instead assumes that people's social interpretations and behaviour are influenced by the existence of external and objective reality and that the human beings are not the objects of the study in the style of natural science (Williams, 2013). Constructivism, another type of research philosophy, holds the view that reality is based on how the human mind processes the environment, an aspect of cognitive psychology, and therefore reality in this case is rather subjective (Creswell, 2012). As a qualitative type of research, it maintains that knowledge is constructed by scientists and opposes the idea that there is a single approach to knowledge generation (Creswell, 2012).

Positivism, on the other hand, is an empirical, quantitative approach in which hypothesis testing is used to discover facts generalizable to the population (Williams, 2013). Positivism, also called empirical science, holds a deterministic philosophy that for a given event, the causes of this event determine its effects or outcomes (Creswell, 2012). It is therefore deduced that under positivist approach, the research process begins with gathering and presenting theoretical issues under investigation, then data is collected to either prove or disprove the theory (Creswell, 2012). The positivism ontological position further assumes that data shapes knowledge whereby objectivity supersedes any other judgment (Owino, 2014). The positivism school of thought is based on the philosophy that only one reality exists though it can only be known imperfectly due to human limitations and researchers can only discover this reality within the realm of probability (Reichardt & Rallis, 1994). Adopting a positivism approach thus implies data is collected and analysed using quantitative approaches, thereby leading to predictions based on existing theory.

Unlike the above philosophies where a single approach is adopted in a study, pragmatic research philosophy instead advocates for the integration of both qualitative and quantitative research approaches in a single study (Saunders, et al., 2011). In a pragmatic approach, the researcher believes that the study will benefit from the strengths of both techniques since this would lead to a better understanding of the phenomena under inquiry. Pragmatic research philosophy is thus adopted when the phenomenon under inquiry draws different views and interpretations thus producing multiple realities (Saunders, et al., 2011). In such situations, the researcher needs to rely on inductive and deductive reasoning to obtain answers to the question under inquiry. This view is also advanced by Cresswell (2012) who posits that to fully analyse a phenomenon that has multiple realties, it is important for the researcher to analyse data collected and then employ inductive reasoning supported with deductive thinking to make interpretations. In so doing, a researcher is in a position to integrate different perspectives to a complex phenomenon thus provide a balanced point of view and interpretation of the data. Pragmatic research approaches thus perceive issues differently in different scenarios and permit different views and interpretation of the world.

In view of the above analysis, this study adopted a pragmatic research philosophy because this method provided the researcher with the opportunity to use objective and subjective reasoning to analyse the points of view of the participants of the study who included both employees and customers of microfinance institutions in Kenya. The nature of question this study sought to investigate did not fit wholly either in the positivism approach or in the interpretivism approach, and as such, the study considered the pragmatic paradigm as the most appropriate approach to empirically establish the nature of relationships between the independent, moderating and dependent variables through data collection and analysis.

4.3 Research Design

The study used a descriptive cross-sectional survey design. Cooper and Schindler (2006) define descriptive studies as those investigations whose aim is to describe the phenomena under inquiry by establishing the characteristics associated with the subject population. In addition, descriptive studies are useful when the researcher intends to establish the direction and strength of relationships between or among variables. Thus, the descriptive design was chosen because the study's intention was to describe relationships among different variables namely: relationship marketing, social performance management, firm characteristics and customer retention, by collecting a large amount of data from the population of interest.

This study was cross-sectional since data was collected at a single point in time on multiple variables. According to Zikmund (2003), cross-sectional studies are those in which data is collected once from a respondent, rather than repeatedly. Authors such as Creswell (2012), Cooper and Schindler (2011) and Babbie (2010) suggest that many studies in the field of business and marketing research are descriptive and cross-sectional in nature. In addition, the cross sectional survey was preferred because it enables collection of data from a pool of participants with varied characteristics and an assessment of relationships between variables in order to prove or disprove assumptions about the phenomena under inquiry. Further, it was preferred because it is not costly to perform and does not require plenty of time over which to collect data. The descriptive cross-sectional design has been previously used in similar studies by several researchers including Owino (2014), Njuguna, (2014) Njeru (2013) and Kinoti (2012).

4.4 Population of the Study

The target population of this study was all microfinance institutions in Kenya that were members of the Association of Microfinance Institutions (AMFI) as at January 30th 2016 and all customers of these institutions. There were fifty-five microfinance institutions registered with the AMFI, Kenya as at January 2016 (Association of Microfinance Institutions, 2016). Out of the 55 MFIs, 5 were commercial banks offering microfinance services, 5 were wholesale microfinance lenders, 16 deposit taking micro-finance (DTM) institutions and 29 retail microfinance lenders. Due to the small population size, all MFIs registered with AMFI were targeted in this study. In respect to customers, the population size stood at 41,007 based on the association of microfinance institutions in Kenya (2016) Report. Previous studies that have used umbrella bodies as the target population include Mbugua (2015) and Adede (2017). Microfinance sector was deliberately chosen because it comprises institutions with varying characteristics, and in addition, the nature of competition in the industry has forced firms to adopt relationship marketing in order to survive. Furthermore, MFIs were selected for the study due to the social and economic empowerment these institutions are expected to offer to low income and disadvantaged groups. In particular, MFIs make a significant economic contribution through the provision of financial services to the unbanked population. Data collected from this sector was thus used to describe the influence of relationship marketing, social performance management and firm characteristics on customer retention.

The unit of analysis for this study were the MFIs, while employees and customers from each institution were the respondent categories. Both employees' and customers' opinions were sought because according to Biong, Parvatiyar, and Wathne (1996) the success of cooperative relationships depends on the performance of all parties in the exchange. As such, each party's relationship satisfaction should be measured to establish the propensity of either party to continue or terminate the relationship.

4.5 Sample Design

Employee respondents were selected using non-probability sampling, specifically purposive sampling, because these respondents were the custodians of information regarding the study variables. Cooper and Schindler (2011) suggest that purposive sampling is used when the researcher wishes to select a sample that conforms to certain criteria. The employee targeted for this study was either the Chief Executive Officer or Relationship/Marketing Manager or Social Performance Program Manager because by holding such positions in their organizations, they are the most ideal respondents possessing information about relationship marketing, social performance management, firm IT characteristics and customer retention. Interviews were set up prior to meeting the respondents. For this study, one employee was selected from each of the fifty-five MFIs listed with AMFI, thereby giving a total sample size of fifty five employees.

The second group of respondents were customers whose sample size was determined based on two factors: the level of precision (confidence interval) and the acceptable margin of error (confidence level). The researcher adopted a confidence interval of ±5% because most business and social science research use alpha level of 0.05 (Israel, 1992; Bartlett, Higgins, & Kortlik, 2001). In addition, a confidence level of 95% was used because most of the data generated from this study was categorical (interval) data. Bartlett et al. (2001) propose that in such situations a 5% margin of error is acceptable. Based on these reasons therefore, customers' sample size was calculated using the formula for finite population as proposed by Yamane (1967) cited in Israel (1992). At 95% confidence level and 0.05 alpha level,

$$n = \frac{N}{1+N(e^2)}$$

Where:

n= desired sample size

N= Population

e = margin of error at 5% (standard value of 0.05)

The sample size for the study was:

$$n= \frac{41007}{1+ 41007(0.05)^2} = 396 \text{ customers constituted the required sample size.}$$

However, to cater for non-response Israel (1992) suggests that 10% should be added to the sample size to cater for those targeted respondents the researcher may be unable to contact, and a further 30% increase to cater for those who will not respond even though they are contacted. As such the adjusted sample size to cater for these situations was:

$$\underline{40\% * 396} = 158$$
$$158 + 396 = 554 \text{ customers thus constituted the planned study sample}$$

Stratified random sampling was applied to establish the proportionate number of customer respondents from each category of MFIs (stratum), that is commercial banks offering microfinance services, wholesale microfinance lenders, deposit taking micro-finance (DTM) institutions and retail microfinance lenders. This sampling method was chosen because it allowed the researcher to select respondents from each of the different types of MFIs. Sample selection from each category was then done using convenience sampling.

Customers who participated in the study were accessed by the researcher through the respective institutions' Field marketing officers. The researcher accompanied these Filed officers to the weekly group meetings held with customers and it was at these meetings that questionnaires were administered to the respondents. Table 4.1 shows the distribution of the sample in each stratum.

Table 4.1: Sample Design

MFI Category	**No. of Institutions**	**% Representation**	**n = sample size**
Commercial banks offering microfinance services	5	5/55*554 = 50	50
Wholesale microfinance lenders	5	5/55*554 = 50	50
Deposit taking micro-finance (DTM) institutions	16	16/55*554 = 161	161
Retail microfinance lenders	29	29/55*554 = 293	293
Total	**55**		**554**

Source: Current Researcher, 2017

4.6 Data Collection

This study used only primary data which was collected by administering semi-structured questionnaires. Similar studies which have used semi structured questionnaires include Oly-Ndubisi (2007), Velnampy and Sivesan (2012), Leverin and Lijander (2006), Thuo (2011), Owino (2014) and Njuguna (2014). Two questionnaires were employed; one for employees (Chief Executive Officer, Relationship/Marketing Manager or Social Performance Program Manager) and the other for customers of the institutions. Before administering the data collection instrument, respondents were assured of complete confidentiality and anonymity regarding their responses. The employee questionnaire was self-administered using the 'drop and pick up later' method so as to allow the respondents ample time to respond to the questions, thereby enhance accuracy in responses and improve response rate. Customer questionnaires too were self- administered but using the 'wait and fill method' because it was impractical to leave behind the questionnaire with customers since these respondents were selected using convenience sampling. Respondents were required to state the extent to which they perceived a particular statement as descriptive of the situation in the institution.

The questionnaires were administered by research assistants who were first trained in areas such as interviewing skills, building rapport with respondents and ethical practices to uphold while in the field. To further increase response rate, the employee respondents were first contacted to request for an appointment, upon which the researcher visited them at their respective offices and administered the questionnaires. In addition, an introductory letter from the University explaining the purpose of the study was provided to the respondents, and they were also informed that participation in the study was voluntary, with an assurance of utmost confidentiality and anonymity. The questionnaires had mostly closed questions, with a few open ended questions.

Majority of closed questions used to collect the data were five-point Likert type scale ranging from not at all (1) to a very large extent (5); or strongly disagree (1) to strongly agree (5). Similar studies that have used these scales include Morgan and Hunt (1994), Wetzels et al. (1998), Oly-Ndubisi (2007), Sin et al. (2002) and Leverin and Lijander (2006). The employees' questionnaire was divided into five sections. Section A obtained data on the background information, Section B collected data on relationship marketing, Section C was dedicated to firm IT characteristics, while Section D was devoted to data on social performance management and Section E collected data on customer retention. Customers' questionnaire on the other hand, was divided into four sections. Section A obtained data on the background information, Section B on relationship marketing, Section C was dedicated to social performance management and Section D collected data on customer retention.

The items in the questionnaires were developed based on existing literature with some modifications made to make them more suitable for the context of this study. For employees' questionnaire, the background information had 7 items, relationship marketing variable had 6 items, firm IT characteristics' variable had 12 items, while the social performance management variable had 6 items, and finally customer retention variable had 2 items. Customers' questionnaire on the other hand, had 7 items for the background information, 6 items on relationship marketing variable, 2 items for social performance management and 2 items on the customer retention variable. A total of 55 employee questionnaires were distributed but the researcher received back 48, while 554 questionnaires were distributed to customers and 514 were returned. However, of these 22 were discarded for lack of consistency and completeness thus 492 questionnaires were fit for analysis.

4.7 Reliability and Validity Tests

Cooper and Schindler (2011) suggest that a good measurement tool is one which passes the test on validity (extent to which the questions measure what the researcher wishes to measure), reliability (degree to which the measurement procedure is consistent producing the same results on repeated trials, and is free from random error) and practicality (degree to which the measurement tool is economical to use, convenient or easy to administer, and results can be interpreted by other persons other than the measurement tool designer). For this study, the researcher tested for both reliability and validity of the measurement tools.

4.7.1 Reliability Test

Reliability is a measure of degree to which an instrument yields consistent results or data after repeated trials as well as under different conditions (Saunders, Lewis & Thornhill, 2016). Reliability is concerned with estimates of the degree to which a measurement is free of random or unstable error. It is a measure of consistency as the correlation analysis tests the assumptions in order to avoid Type I and Type II errors (Osborne & Waters, 2002). It is important that the measurement instrument used in a survey is reliable for it to measure consistently (Cooper & Schindler, 2011). For this study, Cronbach coefficient was used to assess the internal consistency by correlating the responses to questions in the questionnaire with each other i.e calculating average correlation of items. The internal consistency Cronbach's Alpha (α), which ranges from 0 to 1, is a coefficient that reflects how well the measurement items correlate to one another, with the closer it is to 1, the higher the reliability, hence, the coefficient alpha value ranges from zero (no internal consistency) to one (complete internal consistency) were used. Reliability factors were extracted from the Likert type of scale questions (rating from scale 1 to 5). Different authors recommend different cut off points for reliability, for instance Gliem and Gliem (2003) indicate that Cronbach value of 0.7 is considered reliable whereas Cooper and Schindler (2006) suggest a range of 0.7 to 0.9 Cronbach's alpha coefficient to be good for reliability test, while Asikhia (2009) recommends a reliability cut off point of 0.6. On their part, Hair et al. (2006) and Bagozzi and Yi (2012) instead recommend a value of 0.5 to be the reliability cut off point necessary for further analysis. This study adopted a cut off Cronbach value of 0.7 and above which is considered to be a strong measure of reliability consistency as suggested by Gliem and Gliem (2003) as well as Cooper and Schindler (2006).

Reliability of the survey instrument was thus established at two levels - at pilot study stage using five microfinance institutions that were not members of AMFI, and on the main sample from whom data was collected. At the pilot stage, five employees and ten customers were interviewed, and requested to report on any ambiguous questions, identify any defects in the questions or lack of clarity in the instructions as well as suggest any changes. Hair et al. (2007) recommend that a pre-test of 5 to 10 respondents selected from the targeted population is sufficient enough to allow validation of a questionnaire. These respondents were excluded from participating in the main survey. Validity and reliability tests were performed using SPSS version 17. Cronbach's Alpha co-efficient was calculated to establish internal consistency of the instruments. The results of the reliability tests of the pilot sample are summarized in Table 4.2.

Table 4.2: Summary of Cronbach's Alpha Reliability Coefficients of Pilot Sample

Variable	Components of Variables	Cronbach's Alpha	Number of items	Decision
Relationship marketing (Section B)	• Trust • Commitment • Communication • Keeping promises • Relationship bonds • Shared values	.782	99	Reliable
Firm IT Characteristics (Section C)	• Information technology platforms • Customer relationship management actions	.727	22	Reliable
Social Performance Management Practices (Section D)	• Social mission statement (social goals • Board and employees' commitment to social goals • client friendly products and services • Responsible treatment of clients • Responsible treatment of employees • Balanced allocation of resources	.875	74	Reliable
Customer Retention (Section E)	• Length of stay with firm • Repeat purchases • Word of mouth communication/Referrals • Customer Price insensitivity • Less Customer care and recruitment costs • Loyalty	.763	29	Reliable

Source: Primary Data, 2017

As shown in Table 4.2, the alpha coefficients for all the variables were above the 0.7 threshold. This was confirmation of reliability of the data used to draw conclusions from theoretical concepts. Cronbach's alpha coefficient ranged from 0.727 (Firm IT characteristics) to 0.875 (Social Performance Management Practices) revealing a high degree of reliability of the instrument. The results indicate that all constructs had high scores of reliability coefficients. Social performance management practices and Relationship Marketing in that order had the highest reliability scores. Firm IT characteristics had lowest reliability score although it was above the 0.7 cut-off point for reliability test (Nunnally, 1978).

After data collection on the main sample, before actual analysis was carried out, further reliability and validity tests were carried out to confirm the pilot results. Reliability tests were performed on each of the questionnaires – employees' and customers'. The reliability test results for employees' sample were as presented in Table 4.3.

Table 4.3: Summary of Cronbach's Alpha Reliability Coefficients for Employees

Variable	Components of Variables	Cronbach's Alpha	Number of items	Decision
Relationship marketing (Section B)	• Trust • Commitment • Communication • Keeping promises • Relationship bonds • Shared values	.882	55	Reliable
Firm IT Characteristics (Section C)	• Information technology platforms • Customer relationship management actions	.717	20	Reliable
Social Performance Management Practices (Section D)	• Social mission statement (social goals • Board and employees' commitment to social goals • client friendly products and services • Responsible treatment of clients • Responsible treatment of employees • Balanced allocation of resources	.875	54	Reliable
Customer Retention (Section E)	• Length of stay with firm • Repeat purchases • Word of mouth communication/Referrals • Customer Price insensitivity • Less Customer care and recruitment costs • Loyalty	.746	11	Reliable

Source: Primary Data, 2017

The alpha coefficients for all the variables for employees' questionnaire were above the 0.7 threshold. This was confirmation of reliability of the data used to draw conclusions rom theoretical concepts. Cronbach's alpha coefficient ranged from 0.717 (Firm IT Characteristics) to 0.882 (Relationship Marketing) thus revealing a high degree of reliability of the instrument. The results indicate that all constructs had high scores of reliability coefficients (Nunnally, 1978). The reliability test results for customers' sample too were obtained as presented in Table 4.4.

Table 4.4: Summary of Cronbach's Alpha Reliability Coefficients for Customers

Variable	**Components of Variables**	**Cronbach's Alpha**	**Number of items**	**Decision**
Relationship marketing (Section B)	• Trust • Commitment • Communication • Keeping promises • Relationship bonds • Shared values	.903	43	Reliable
Social Performance Management Practices (Section D)	• Social mission statement (social goals • Board and employees' commitment to social goals • client friendly products and services • Responsible treatment of clients • Responsible treatment of employees • Balanced allocation of resources	.778	20	Reliable
Customer Retention (Section E)	• Length of stay with firm • Repeat purchases • Word of mouth communication/Referrals • Customer Price insensitivity • Less Customer care and recruitment costs • Loyalty	.756	15	Reliable

Source: Primary Data, 2017

The alpha coefficients for all the variables in customers' questionnaire were above the 0.7 threshold too. Cronbach's alpha coefficient ranged from 0.756 (Customer Retention) to 0.903 (Relationship Marketing) for customers' questionnaire thus revealing a high degree of reliability of this instrument. Just as in the case for employees, the results for this questionnaire showed that all constructs had high scores of reliability coefficients (Nunnally, 1978).

4.7.2 Validity Test

Validity tests were also carried out to determine the extent to which the instrument measured what it was designed to. Validity is the ability of the research questionnaire or instrument to measure what is intended to measure in terms of accuracy and meaningfulness (Saunders, Lewis & Thornhill, 2016). It is a classic evaluation criterion used in science, referring to the extent to which conclusions drawn in a study provide an accurate description or explanation of what happened (Coopers & Schindler, 2011). There are a variety of validity tests including face to face validity, content validity, construct validity, criterion (predictive) validity and convergent validity. For this study, construct validity and face to face validity tests were employed. This is because these tests measure the extent to which the set of questions (scale items) measure the presence of the target constructs (Saunders et al., 2016). Face to face validity was dealt with by discussing the questionnaire with experts in relationship marketing and social performance management who confirmed their understanding of what the questions sought to measure. Construct validity on the other hand, was assessed using a factor analysis in order to observe how well the individual measures reflected their constructs. The factors were rotated using the Varimax rotation method while Principal Component Analysis method was employed to extract the factors (see Appendix 9 and 10). All the variables in the study were found to be unidimensional and valid indicators of the constructs they were to measure.

4.8 Operationalization of the Key Study Variables

Following a detailed review of literature, the variables of this study were operationalized and measured using multi-items five-point Likert type scales. Likert scales are a type of summated rating scale used to measure attitudes of respondents ranging from favourable to unfavourable attitudes, by presenting a series of statements to which respondents are required to state the extent to which they agree or disagree with them (Saunders et al., 2016).

Likert-type scales are widely used to collect data on attitudes and beliefs held by respondents on issues in business research which tend to be difficult to measure if they are asked directly (Coopers & Schindler, 2006; Njeru, 2013). Previous studies on relationship marketing and customer retention which have used Likert scales include Morgan and Hunt (1994), Wetzels et al. (1998), Velnampy and Sivesan (2012), Oly-Ndubisi (2007), Sin et al. (2002) and Leverin and Lijander (2006).

In this study, the independent variable was relationship marketing, the moderating variables were firm IT characteristics and social performance management while the dependent variable was customer retention. To measure the independent variable (relationship marketing), a five multi-dimensional scale was used. This scale was adopted from the multi-dimensional construct by Morgan and Hunt (1994) and Sin et al. (2002) comprising the components – trust, commitment communication, bonding, empathy, shared values, keeping promises and reciprocity. Six of these constructs were adopted for this study – trust, commitment, communication, keeping promises, relationship bonds and shared values. Questions used in the scale were derived from the work by Morgan and Hunt (1994) and Sin et al. (2002), with some modifications in order to suit the context of this study. A composite score of relationship marketing was obtained by combining the mean scores of this dimension for data from each microfinance institution.

To measure the dependent variable (customer retention), the questions used in the scale were derived from studies by Dwyer et al. (1987), Churchill and Halpern, (2001), Ang and Buttle (2006), Reichheld and Sasser (1990), Hunt et al. (2006) as well as Ibok et al. (2012). For instance, Ibok et al. (2012) found customer retention to be established through the repeated buying of a product by a customer from the same company over a period of time. Dwyer et al. (1987) found that customer retention is demonstrated through a firm incurring less customer attraction and care costs because as customers remain longer with the firm they tend to refer others to it and also tend to become more experienced hence less customer care costs are incurred by the firm. In addition, the authors found that customer loyalty leads to increased revenue as the relationship progresses. Ang and Buttle (2006) on their part found that loyal customers tend to purchase more and engage in positive word of mouth communication thus providing the firm with increased customer referrals. Others like

Churchill and Halpern (2001); Ang and Buttle (2006) found that retaining customers leads to less operational costs, less price sensitive customers, hence lower relationship maintenance costs and consequently better financial performance. For this study therefore, customer retention was measured using 6 constructs – customers' length of stay with institution, extent of repeat purchases, extent of customers' word of mouth communication, customers extent of being price insensitive, less customer care/recruitment costs incurred by institution and extent of customer loyalty. A composite score of customer retention was obtained by combining the mean scores of this dimension for data from each microfinance institution.

Firm IT characteristics, a moderating variable for this study, was measured using 2 constructs – extent of technology platforms and customer relationship management actions adopted by the institutions. The questions were derived from previous studies which used similar constructs such as Lang and Colgate (2003); Becker, Greve and Albers, (2009); O'Leary, Rao and Perry (2004), with some modifications in order to suit this study's context. A composite score of firm IT characteristics was obtained by combining the mean scores of technology platforms and customer relationship management actions for data from each microfinance institution.

Social performance management, another moderating variable for this study, was measured using a scale comprising 6 constructs, derived from the six Universal Standards for Social Performance Management (USSPM) developed for the microfinance sector by the Social Performance Task Force (SPTF). These were social mission, board member and employee commitment to social goals, client friendly products, responsible treatment of clients and employees by management, and balanced allocation of resources (Wardle, 2012). These constructs are similar to those employed by other studies investigating corporate social performance such as Hoepner, Liu, Moauro, Perez-Rocha, and Spaggiari (2012), Wood and Jones (1995), Graves and Waddock (1994). A composite score of social performance management was obtained by combining the mean scores of this dimension for data from each microfinance institution. Table 4.5 illustrates this operationalization.

Table 4.5: Operationalization of the Key Study Variables

Variable	Indicators	Measure	Scale	Questionnaire Item	Supporting Literature
Relationship Marketing (Independent Variable)	Trust Commitment Keeping promises Relationship bonds Communication Shared values	5-point rating scale 1=not at all, 2 = to a small extent 3 = to a moderate extent 4 = to a large extent 5=to a very large extent	Interval	Section B	Morgan and Hunt (1994) and Sin et al. (2002)
Customer Retention (Dependent Variable)	Length of stay with firm Extent of repeat purchases WOM/referrals Price insensitivity Customer care/recruitment costs Loyalty	5-point rating scale 1=strongly disagree, 2 = disagree 3 = neither disagree nor agree 4 = agree 5= strongly agree 5-point rating scale 1=not at all, 2 = to a small extent 3 = to a moderate extent 4 = to a large extent 5=to a very large extent Multiple choice questions,	Interval	Section E	Dwyer et al. (1987), Churchill & Halpern, (2001), Ang & Buttle (2006), Reichheld & Sasser (1990), Hunt et al. (2006), Ibok et al. (2012)
Firm IT characteristics (Moderating Variable)	Technology adoption (Information Technology Platform; CRM actions)	5-point rating scale 1=not at all, 2 = to a small extent 3 = to a moderate extent 4 = to a large extent 5=to a very large extent Direct questions, Multiple choice questions	Discrete/ Interval	Section C	Lang and Colgate (2003); Becker, Greve and Albers, (2009); O'Leary, Rao and Perry (2004)
Social performance management practices (Moderating Variable)	Social mission /social goals Management commitment to social goals Client friendly products Responsible treatment of clients Responsible treatment of employees Balanced resource allocation	5point rating scale 1=strongly disagree, 2 = disagree 3 = neither disagree nor agree 4 = agree 5= strongly agree Multiple choice questions,	Interval	Section D	Wardle (2012), Hoepner, Liu, Moauro, Perez-Rocha, and Spaggiari (2012), Wood & Jones (1995), Graves & Waddock (1994).

Source: Current Researcher, (2017)

4.9 Data Analysis

Data obtained was first cleaned by discarding incomplete or inconsistently answered questionnaires while extreme values were removed. The remaining questionnaires then underwent coding and analysis using SPSS version 17. There were few instances of missing data which the researcher dealt with by replacing the missing values using imputation. Nunnally (1978) suggests that replacing the missing values can be done using different estimation methods, and hence the "Missing Values Analysis" add-on module in SPSS was employed. Data analysis took place at two levels – descriptive statistics level and inferential statistics level. Descriptive analysis aims at summarizing distributions and describing a set of data on factors of the study. This analysis was thus used to profile respondents. It was carried out by producing frequency distributions, mean scores, standard deviations and coefficients of variation and these results were displayed in tables. In addition, cross tabulation was carried out to examine relationships within the data which may not be readily apparent when total survey responses are analysed.

Inferential analysis was performed in order to establish the nature and magnitude of the relationships between the variables and to test the hypothesized relationships. Since the researcher's intention was to establish relationships between the study variables, correlation analysis tests - Pearson's Product Moment Correlation (PPMC) and Coefficient of determination (R^2), which specifies the amount of variation in the dependent variable explained by the independent variable, were used to determine the association between the variables. To test the study hypotheses, simple and multiple linear regressions were used.

Multiple regression analysis was carried out to predict the dependent variable given the independent variable. P-value was used to check for significance of individual variables in the regression equations, whereby a relationship was considered to be statistically significant if the p-value was ≤ 0.05 (a summary of these models is shown in Table 4.11).

The general regression model is expressed as follows:

$y = \beta_0 + \beta_1 RM + \beta_2 FC + \beta_3 SPM + \varepsilon$

Where: y = Customer retention

RM = Relationship marketing

FC = Firm IT Characteristics

SPM = Social performance management

ε = error term

4.10 Tests of Statistical Assumptions

Prior to performing the descriptive and inferential analyses, statistical assumptions were tested to establish if the data met the normality, linearity, independence, homogeneity and collinearity assumptions, and it was on the basis of these results, that the measures of central tendency, dispersion, tests of significance, tests of associations and prediction were performed. According to Osborne and Waters (2002), tests of statistical assumptions rely on certain assumption being met about the study variables; failure to meet these assumptions implies the study results may not be trustworthy.

4.10.1 Test of Normality

The test for normality was carried out because this study required the use of regression analysis and yet this type of analysis assumes data is normally distributed (Osborne & Waters, 2002). The test for normality is necessary when the researcher intends to conduct simple and multiple regression analysis. In particular, the Shapiro-Wilk test was employed to test for normality. This test establishes the extent of normality of the data by detecting existence of skewness or kurtosis or both. Data is considered to be normally distributed when the test results are statistically insignificant (significance value should be more than 0.05). Shapiro-Wilk statistic ranges from zero to one with figures higher than 0.05 indicating that the data is normal (Razali & Wah, 2011). Table 4.6 shows the Shapiro-Wilk test results.

Table 4.6: Shapiro-Wilk Test for Normality

Tests of Normality

Model	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Relationship Marketing	.075	48	.200*	.991	48	.29
Firm IT Characteristics	.149	48	.010	.909	48	.67
Social Performance Management Practices	.225	48	.000	.611	48	.40
Customer Retention	.121	48	.076	.973	48	.14

a. Lilliefors Significance Correction

*. This is a lower bound of the true significance.

The Shapiro-Wilk test results for normality showed that all the variables were above 0.05 (p > 0.05) hence confirming data normality. Normality assumes that the sampling distribution of the mean is normal. Data normality was also demonstrated by the plotted Quantile Quantile plot (QQ plot). Q-Q plots are as presented in Figures 4.1(a), 4.1(b), 4.1(c) and 4.1(d) below.

Figure 4.1 (a): Normal Q-Q plot of Data on Relationship Marketing

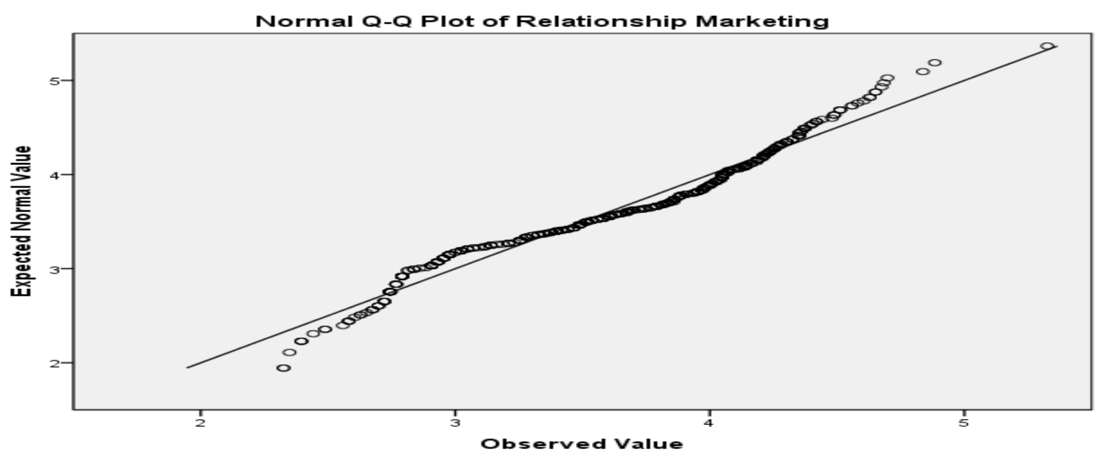


Figure 4.1 (a) shows the Q-Q plots with all the observed values on relationship marketing clustered along the line of best fit. This demonstrates the data was normal and hence the relationship marketing variable had a good fit in the normal distribution.

Figure 4.1 (b): Normal Q-Q plot of Data on Firm IT Characteristics

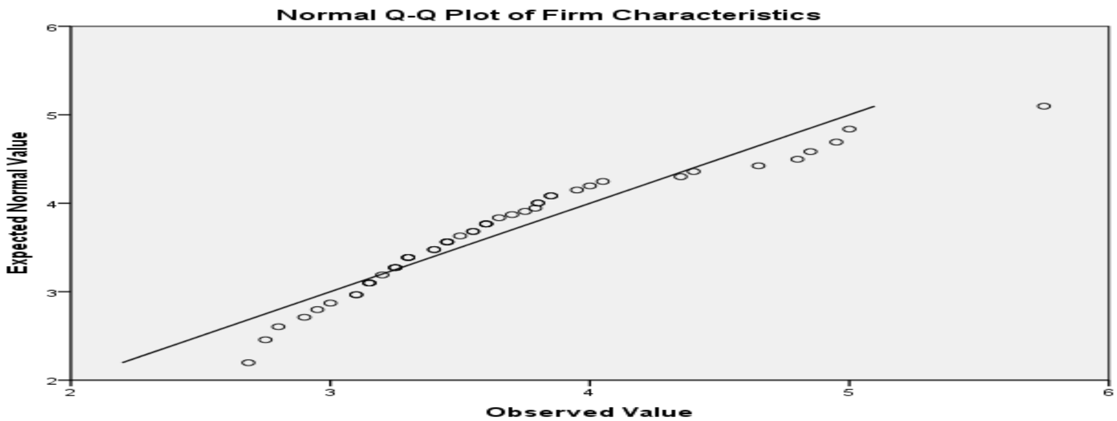


Figure 4.1 (b) also shows the Q-Q plots for observed values on firm characteristics clustered along the line of best fit. This demonstrates that the data too was normal and hence thereby confirming that the firm IT characteristics variable had a good fit in the normal distribution.

Figure 4.1 (c): Normal Q-Q Plot of Data on Social Performance Management Practices

Figure 4.1 (c) shows the Q-Q plots for observed values on social performance management as clustered along the line of best fit. This demonstrates normal data thereby confirming as well that the social performance variable had a good fit in the normal distribution.

Figure 4.1 (d): Normal Q-Q Plot of Data on Customer Retention

Figure 4.1 (d) also shows the Q-Q plots for observed values on customer retention clustered along the line of best fit. This demonstrates that the data normal hence it is evident from the Q-Q plots in Figures 4.1(a), 4.1(b), 4.1(c) and 4.1(d) that all the study variables had a good fit in the normal distribution.

4.10.2 Test of Multicollinearity

Multicollinearity test was conducted to assess whether a high correlation existed between one or more variables in the study with one or more of the other independent variables. It is a situation which occurs when some independent variables are correlated with one another and when this association is high, this affects the prediction abilities of each predictor variable (Mugenda & Mugenda, 2003). Multicollinearity is thus assumed to be absent when testing hypothesis using regression analysis but this has to be confirmed by the multicollinearity test. The test was thus computed using the Variance Inflation Factors (VIF) and its reciprocal, the tolerance, to establish if one predictor had a strong linear relationship with other predictors. A common variance inflation factor (VIF) rule of thumb is that VIFs of 10 or higher is a sign of severe or serious multi-collinearity that affects the study (O'Brien, 2007). Table 4.7 presents the result of tests for multicollinearity.

Table 4.7: Test for Multicollinearity

Coefficients

Model		Collinearity Statistics	
		Tolerance	VIF
1	Relationship Marketing	.65	1.55
	Firm IT Characteristics	.56	1.79
	Social Performance Management Practices	.62	1.61

a. Dependent Variable: Customer Retention

In the current study tolerance ranged from 0.56 to 0.65 and therefore its reciprocal, the VIF was between one and two, which is below the maximum threshold value. This indicated that the data set displayed no multicollinearity.

4.10.3 Test of Homoscedasticity

Furthermore, homoscedasticity was tested to establish whether or not the variance of errors between the dependent and independent variables is the same across all levels of the independent variable. When homoscedasticity is absent it leads to serious weakening of analysis and distortion of findings (Osborne & Waters, 2002). Regression analysis thus assumes homoscedasticity (variance of errors is the same), however the test for this assumption must be carried out. The Levene's test of homogeneity of variances was thus used in the current study and according to Gastwirth, Gel and Miao (2009) the Levene statistic is significant at $\alpha = 0.05$, which implies at p value greater than 0.05 there is homoscedasticity and hence regression analysis can be applied. Table 4.8 shows the results.

Table 4.8: Test of Homogeneity of Variances

Variables	Levene Statistic	df1	df2	Sig.
Relationship Marketing	1.295	10	20	.115
Firm IT Characteristics	1.895	10	20	.107
Social Performance Management Practices	2.443	10	20	.172

From the results in Table 4.8, P-values of Levene's test of homogeneity of variances were greater than 0.05. The test therefore was not significant at $\alpha = 0.05$ confirming homogeneity.

4.10.4 Test of Linearity

Accurate estimation of the relationship between the dependent and independent variable using multiple regression can only be done if the relationships are linear (Osborne & Waters, 2002). According to the authors, where the variables under study have a non-linear relationship then the regression results will underestimate the true relationship thus yield models which are misleading. Regression analysis thus assumes linearity whereby data values of the dependent variable for each increment in the independent variable lie along a straight line (Zhang, Cheng & Liu, 2011). To test for linearity therefore, the ANOVA test was used which computes both the linear and nonlinear components of a pair of variables. According to Zhang et al. (2011), linearity is significant if the significance value for the linear component is above 0.05.

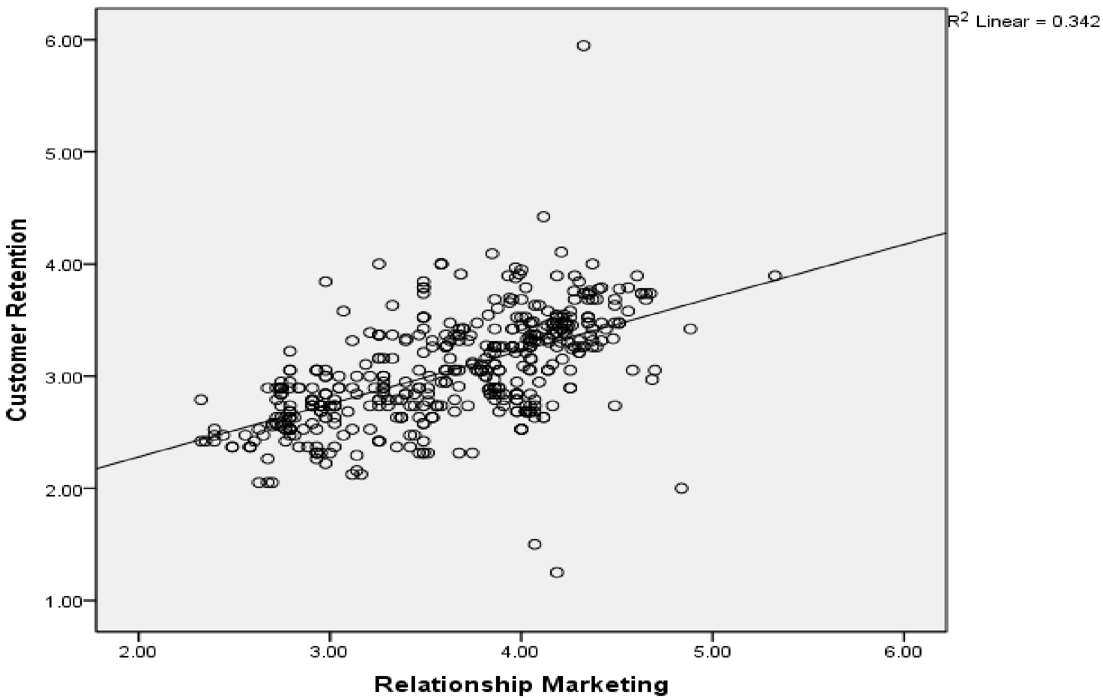
Table 4.9: Linearity Test (ANOVA test)

Variables	F	Sig.
Relationship Marketing	254.469	.520[a]
Firm IT Characteristics	.007	.27[a]
Social Performance Management Practices	121.466	.26[a]

a. Predictors: (Constant), Relationship marketing, firm IT characteristics, social performance management practices
b. Dependent Variable: Customer Retention

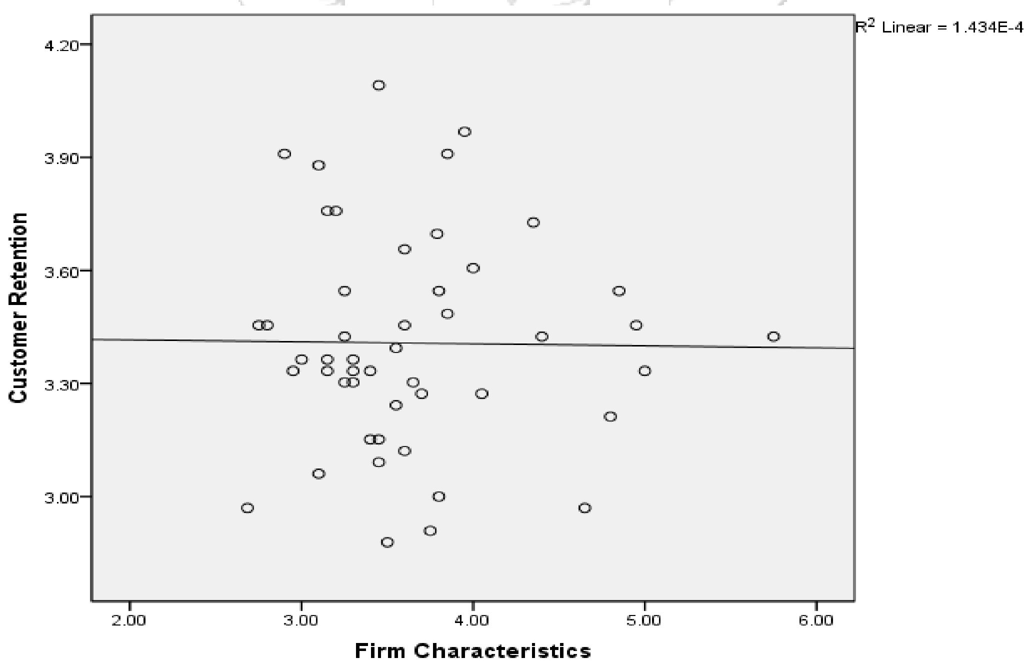
The results of the ANOVA test of linearity as depicted in Table 4.9 showed all readings were above 0.05 hence confirming linear relationships (constant slope) between the predictor variables and the dependent variable. Scatterplots were also used to show whether there is a linear or curvilinear relationship between the independent and dependent variables. This relationship should be fairly linear for regression analysis to be carried out. Linearity was thus also tested for using the scatter plots whose results are indicated in Figures 4.2, 4.3 and 4.4 below.

Figure 4.2: Scatter Plot for Relationship Marketing Variable



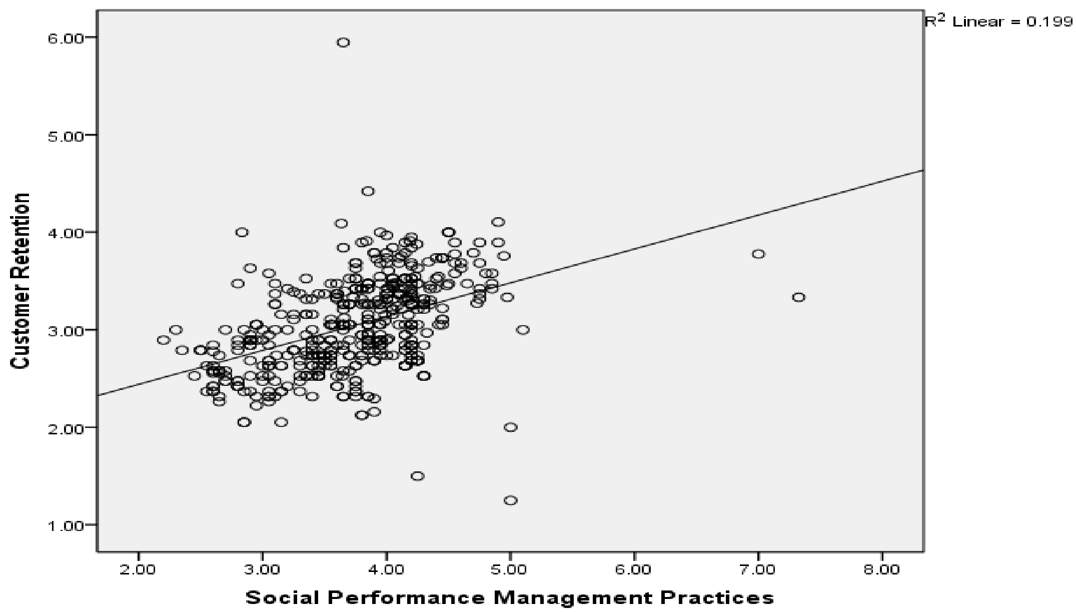
The results from the scatter plot in Figure 4.2 shows that there is linearity between relationship marketing and the dependent variable (customer retention) thus this relationship was considered fit for further analysis.

Figure 4.3: Scatter Plot for Firm IT Characteristics Variable



The results from the scatter plot in Figure 4.3 shows that there is linearity between firm IT characteristics and the dependent variable (customer retention) thus this relationship too was considered fit for further analysis.

Figure 4.4: Scatter Plot for Social Performance Variable



The results from the scatter plot in Figure 4.4 shows that there is linearity between social performance management and the dependent variable (customer retention) thus this relationship was considered fit for further analysis. The results from all the scatter plots hence demonstrate linearity on all explanatory variables (relationship marketing, firm characteristics and social performance management practices) and the dependent variable (customer retention) thus were fit to carry out regression analysis.

4.10.5 Test of Independence

The Durbin-Watson co-efficient test was employed for testing independence of error terms, where if the statistic ranges from 1.5 to 2.5, it implies that the observations are independent (Garson, 2012). Results on this test were as shown in Table 4.10.

Table 4.10: Independence (Durbin-Watson test)

Variable	Durbin-Watson
Relationship Marketing	2.073
Firm IT Characteristics	1.865
Social Performance Management Practices	2.072

As indicated through the Durbin-Watson test whose statistic ranges from 1.5 to 2.5, in the current study, the test results ranged between 1.865 and 2.072 supporting independence of observations.

4.11 Moderation Tests

The study sought to establish the moderating effect of firm IT characteristics and social performance management practices on the association between relationship marketing and customer retention (hypotheses H_2 and H_3) as well as the joint effect of relationship marketing, firm IT characteristics and social performance management on customer retention (hypothesis $H_{4)}$. To test for the moderating effects (hypotheses H_2 and H_3), hierarchical multiple regression analysis, also known as stepwise regression, was used. In this process, linear models are built successively with the addition of more predictors at each step. Stepwise regression was used by applying the procedures recommended by Fairchild and MacKinnon (2009) and Baron and Kenny (1986). With this analysis, the researcher sought to determine the nature of effect the two moderating variables have on the direction and/or strength of the association between relationship marketing (the independent variable) and customer retention (the dependent variable).

The moderation steps employed were as follows: Step one: The independent variable (X) and the moderator (Z) were entered into SPSS program. Step two: The interaction term (XZ) which is a product of the standardized predictor and moderator variables was then entered in step two. Moderation exists if the additional variance in the outcome beyond that explained by either of the single variables is statistically significant. To test for the joint effects (hypotheses H_4), hierarchical multiple regression analysis was used. It involved adding the variables and joint effect terms incrementally in order to determine their relative contributions to the relationship. The hypotheses were tested at 95% confidence level (α=0.05), the R^2, p- values, β coefficients and F values were interpreted accordingly. A summary of the hypotheses, analytical equations and criteria for interpreting the results are presented in Table 4.11.

The regression model thus used was as follows:

$y = \beta_0 + \beta_1 RM + \beta_2 FC + \beta_3 SPM + \varepsilon$, Where:

y = Customer retention (dependent variable)

RM = Relationship marketing (independent variable)

FC = Firm IT Characteristics (moderating variable)

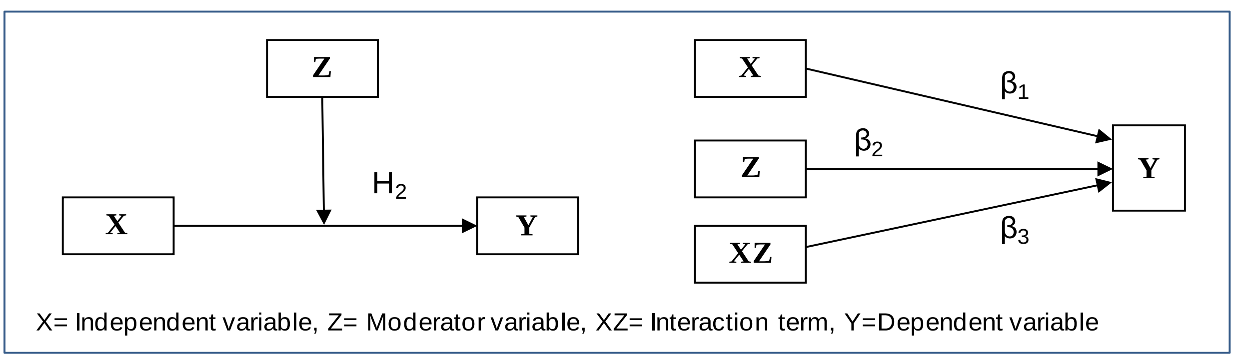
SPM = Social performance management (moderating variable)

ε = error term

Figure 4.5 shows the moderation steps where β_1 is the regression coefficient relating the independent variable X to Y when Z=0; β_2 is the coefficient relating the moderator variable Z to Y when X=0; and β_3 is the coefficient for the interaction term. If this term was found to be statistically different from zero, then it was determined that Z moderates the relationship between X and Y. The moderation model is hence expressed as:

$Y = i + \beta_1 X + \beta_2 Z + \beta_3 XZ + \varepsilon$, where i = intercept, ε = error term

Figure 4.5: Moderation Path Diagram



Source: Adopted from Fairchild and Mackinnon, 2009

Table 4.11: Summary of Research Objectives, Hypotheses, Analytical Models and Interpretation of Results

Objective	Hypothesis	Model	Interpretation of Results
1. Determine the influence of relationship marketing (RM) on customer retention (CR) by MFIs	H_1: There is a statistically significant relationship between Relationship Marketing and customer retention by MFIs.	Pearson's Product Moment Correlation (r) $Y_1=a+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5X_5+\beta_6X_6+\varepsilon$ Where: a = intercept Y = Customer retention $\beta_1, \beta_2, \beta_3, \beta_4$ are beta coefficients for H1 $X_1, X_2, X_3 X_4$…. represent dimensions of RM, where ε is the error term	R^2 assessed how much change in customer retention is due to the relationship marketing indicators. F - test assessed overall robustness and significance of the regression model. t - test determined the significance of individual variables.
2. Determine the extent to which firm IT characteristics (FC) moderate the relationship between relationship marketing (RM) and customer retention (CR).	H_2: Firm IT characteristics have a statistically significant moderating effect on the association between relationship marketing and customer retention by MFIs.	Stepwise Regression analysis $Y_2=\alpha+\beta_1X+\varepsilon$ $Y_3=\alpha+\beta_1X+\beta_2Z+\varepsilon$ $Y_4=\alpha+\beta_1X+\beta_2Z+\beta_3X.Z+\varepsilon$ α =constant (intercept) $\beta_1, \beta_2, \beta_3$= coefficients Y_2, Y_3 and Y_4 = Customer retention X= Relationship marketing Z= Firm IT characteristics ε= Error term X.Z= Relationship marketing and Firm IT characteristics interaction	R^2 assessed how much change in customer retention is due to its association with relationship marketing and firm IT characteristics. A significant change in R^2 upon introduction of the interaction term X.Z confirms a moderating effect. F – test used to assess overall robustness and significance of the regression model. t - test used to determine significance of individual variables.

Table 4.11 Contd...

Objective	Hypothesis	Model	Interpretation of Results
3. Assess the degree to which social performance management practices (SPMP) moderates the association between relationship marketing (RM) and customer retention (CR).	H_3: Social performance management practices have a statistically significant moderating effect on the association between relationship marketing and customer retention by MFIs.	Stepwise Regression analysis $Y_5 = \alpha + \beta_1 X + \varepsilon$ $Y_6 = \alpha + \beta_1 X + \beta_2 W + \varepsilon$ $Y_7 = \alpha + \beta_1 X + \beta_2 W + \beta_3 X.W + \varepsilon$ α =constant (intercept) $\beta_1, \beta_2, \beta_3$= coefficients Y_5, Y_6 and Y_7 = Customer retention X= Relationship marketing W= Social performance management ε= Error term X.W= Relationship marketing and Social performance management interaction	R^2 used to assess how much change in customer retention is due to its association with relationship marketing and social performance management. A significant change in R^2 upon introduction of the interaction term X.W confirms a moderating effect. F - test to assess overall robustness and significance of the regression model. t - test to determine the significance of individual variables.
4. Determine the extent to which the association between relationship marketing (RM) and customer retention (CR) is influenced by social performance management practices (SPMP) and firm IT characteristics (FC)	H_4: The combined effect of relationship marketing, social performance management practises and firm IT characteristics on customer retention of MFIs is different from the independent effects of RM on CR.	Multiple Regression analysis $Y_8 = \alpha + \beta_1 RM + \beta_2 FC + \beta_3 SPM + \varepsilon$ Y_8= Customer retention α= constant (intercept) RM= Relationship marketing FC-= Firm IT characteristics SPM= Social performance management $\beta_1, \beta_2, \beta_3$ are the coefficients ϵ-is the error term	Statistical significance at $\alpha \leq .05$ R^2 used to assess how much change in customer retention is due to RM, FC and SPM. F - test used to assess overall robustness and significance of the regression model. t - test used to determine the significance of individual variables.

Current Researcher, (2017)

4.12 Ethical Considerations

In this study, the researcher upheld the ethical requirements of research by undertaking certain considerations. Participants were informed who the researcher was, the academic purpose of the study, what the research would entail and why it was important for them to participate in it. In addition, participants were enlightened on what the researcher intended to do with the information obtained and assured them of confidentiality and anonymity. Furthermore, to enhance the accuracy of data collected, the researcher ensured that research assistants were trained on the ethical practices to adopt while in the field and emphasized to them the need to follow the data collection process as proposed. To encourage high level participation, respondents were also sensitized on the potential benefits of participating in the study while for management respondents, they were further informed that the findings would be made readily available to them.

4.13 Chapter Summary

This chapter has presented the nature of research philosophy that was adopted for this study, as well as discussed the type of research design, population and sampling technique employed in this study, together with the data collection methods used. In addition, the chapter outlined the process that was used to test for reliability and validity and provides the results of these tests. Furthermore, the chapter has presented information on the tests of statistical assumptions that were carried out – normality, linearity, homogeneity and multicollinierity. A summary of operationalization of the study variables, how data was analysed, and the methods of hypotheses testing that were used are also discussed towards the end of the chapter.

CHAPTER FIVE

RESEARCH FINDINGS

5.1 Introduction

The broad objective of the proposed study was to determine the influence of relationship marketing, social performance management practices and firm IT characteristics on customer retention within microfinance institutions in Kenya. To achieve this objective, four specific objectives were set and corresponding hypotheses formulated. This chapter presents the findings on descriptive statistics containing response rate, demographic profiles of respondents, percentages, means, frequencies, and standard deviations. Through the use of descriptive statistics, this chapter provides the premise on which further statistical operations and analyses were carried out to test the study hypotheses. The data analysed were obtained through questionnaires. For each study variable, respondents were presented with descriptive statements in a 5-point Likert type scale and were required to indicate the extent to which the statements applied in their organizations.

5.2 Response Rate

The study was a descriptive cross-sectional survey of 55 microfinance institutions registered with the Association of Microfinance Institutions as at 30th January 2016. This study was conducted in the months of October 2016 to January 2017. The questionnaires were self-administered to employees and customers of the MFIs. The study targeted 55 employees and 554 customers. However, the researcher received response from 48 employees and 492 customers, representing a response rate of 87.3 %, and 88.8 % respectively. This response rate was comparable to similar studies Oly-Ndubisi (2007) at 75%, Njeru (2013) at 60%, Njuguna (2014) at 99.22% and Owino (2014) at 96%. Previous studies in a similar area which had lower response rates include Leverin and Lijander (2006) 33.7 %, Sin et al. (2002) at 27.9% and Morgan and Hunt (1994) 14.6%. Therefore, this study's response rate was considered very good for survey research as recommended by Mugenda and Mugenda (1999) who suggest that a 50% response rate is adequate, 60% good and above 70% very good. On his part, Fowler (1984) cited in Njeru (2013) suggests that a response rate of 60% is representative of the population of the study. Such a high response rate for this study can be attributed to the use of introductory letters from the University and National Commission for Science, Technology and Innovation (NACOSTI) explaining the purpose and nature of the study (see Appendix 2, 3 and 4), as well as the use of trained research assistants who were equipped with skills on how to build rapport with respondents.

5.3 Respondent Demographic Profiles

The study first sought to establish the demographic profile of respondents. Employee respondents were requested to indicate their gender, age distribution, highest level of education and years of service in the microfinance industry. The age of the employees in organizations is an important factor because it determines how well they can interpret the environment (Miles & Snow, 1978), adapt to changes in the environment (Bourgeois & Elsenhardt, 1988), and consequently make decisions for their organizations that will eventually influence customer retention. When an organization has gender diversity this is said to influence decision making (OECD, 2012), therefore in this study it was important to determine the extent of this diversity for MFI employees since customer retention practices may benefit from the range of perspectives provided by male and female employees. Years of service by managers was also an important factor to determine because it was necessary to establish how long they were employees of the organization since when senior leaders in a company move, relationship management programs undergo changes as well (Parvatiyar & Sheth, 2001).

Education is the level of academic and professional qualifications that is possessed by employees. It is an indicator of their knowledge, skills and capability (Horwitz & Horwitz, 2007). Education can influence decisions made in respect to the need for building valuable customer relationships leading to their retention. Years of service by employees was also determined because a longer time with an institution could be interpreted to mean more experience and possession of technical knowledge and skills necessary for management roles. Such employees would also be in a position to give institutional memory on the firm’s activities, hence their responses would be credible. The results on the demographic profiles of employees are presented in Table 5.1.

Table 5:1 Employee Respondents' Demographic Profiles

Gender	**Frequency**	**Percentage (%)**
Female	21	43.8
Male	27	56.3
Total	48	100.0
Age Distribution		
up to 29	1	2.1
30 – 34	4	8.3
35 – 39	26	54.2
40 – 44	16	33.3
45 and above	1	2.1
Total	48	100.0
Highest education level		
postgraduate degree	17	35.4
Undergraduate degree	29	60.4
Diploma	2	4.2
Total	48	100.0
Years of service in MF industry		
0-4 years	15	31.25
5-9 years	23	47.92
10-14 years	6	12.5
Over 15 years	4	8.33
Total	**48**	**100**

Source: Primary Data

The results in Table 5.1 show that majority of employees sampled were male (56.3%) with female being 43.8%. This shows that there are slightly more males than females but with less disparity in the distribution which may be due to roles related to marketing relationship that tends to attract more females than males. Gender diversity in senior positions could improve performance of firms through a number of channels. Higher representation of women could bring in heterogeneity in values, beliefs, and attitudes, which would broaden the range of perspectives in the decision making process (OECD, 2012) and stimulate critical thinking and creativity (Lee & Farh, 2004). The results further show that more than half (54.2%) of the sampled employees ranged within the age bracket 35-39 years followed by 33.3% who ranged between 40-44 years. This showed that they were still within the active age of between 30-50 years. This is an indication that microfinance institutions had most of their managers within the active age and that they can actively interpret relationship marketing environment to boost customer retention.

The results further revealed that 95.4% of top management employees had an education level of a bachelor's degree and above. This was a clear indication that education levels of employees in management level were considered as important since most of them were well educated. Concerning the length of service in microfinance, the results indicate that slightly less than half (47.92%) of the managers had worked in the microfinance sector for between 5 and 9 years. This means that the managers had relevant and adequate knowledge of the microfinance.

The study further determined customers' demographic profiles in terms of gender, age distribution, highest level of education, years of stay with institution, how they joined the institution and how they learned about the institution. This was important since it provides an insight understanding of the level of the customers' characteristics as exhibited by the microfinance sector, and extent of their loyalty to the institution. The results are presented in Table 5.2.

Table 5.2: Customer Respondents' Demographic Profiles

Gender	**Frequency**	**Percentage (%)**
Female	241	49.40
Male	247	50.60
Total	488	100.0
Age Distribution		
up to 29	4	.8
30 – 34	123	25.1
35 – 39	332	67.6
40 – 44	27	5.5
45 and above	5	1.0
Total	491	100.0
Highest education level		
Postgraduate degree	16	3.29
Undergraduate degree	64	13.14
Diploma	278	57.08
Certificate	129	26.49
Total	487	100.0
Years of stay with institution		
Less than 1 year	78	16.18
1-3 years	358	74.27
4-6 years	34	7.05
Over 7 years	12	2.49
Total	**482**	**100.0**
How did you join this institution		
Switched from another institution	184	38.49
My first microfinance institution	294	61.51
Total	**478**	**100.0**
How did you learn about this institution		
My own initiative	107	22.19
Friends referrals	287	59.54
Through the institution's marketing programs	88	18.25
Total	**482**	**100.0**

Source: Primary Data

The study findings in Table 5.2 depict a gender balance in the distribution of male (50.60%) and female (49.40%). This implies that both male and female customers utilize microfinance services with male customers being slightly higher in number than their female counterparts in the microfinance sector. The finding however seems to contradict the commonly held view that most customers of microfinance services are female. The study further shows that majority (67.6%) of the customers sampled ranged between 35-39 years of age and closely followed by 25.1% who ranged between 30-34 years. Most customers of MFIs therefore seem to fall within the active and productive age bracket of 30-40 years which tends to consist of people who are more ambitious, with high dependence ratio which motivates them to borrow from microfinance institutions to meet their financial needs and overall family responsibilities.

In addition, the results indicate that majority of sampled customers (59.54%) had a diploma as the highest level of education, while 26.49% had a certificate. Such a finding is consistent with the nature of characteristics of microfinance clients who often are low-income people and possess lower education levels if any. Furthermore, the respondents were requested to state how long they had been customers of their institution, and majority (74.27%) indicated between 1-3 years while only 4.49% had been with their institution for more than 7 years. The finding seems to suggest that defection rates within MFIs are high hence the need for an improvement in the relationship marketing practices employed. According to Reichheld and Sasser (1990) customer defections are closely linked to profits, hence firms are better off watching and minimizing customer defection rates. Furthermore, the respondents were asked how they learnt about their institution where majority (59.57%) replied through referrals from friends, with only few (18.25%) stating that it was through the institutions' marketing programs. This finding further confirms the power of word of mouth communication especially in service businesses as demonstrated in studies by John and Kijboonchoo (2017); Henning-Thurau et al. (2002) and Hunt, Arnett, and Madhavaram (2006).

5.4 Relationship Marketing according to Employees

Relationship marketing is the process of identifying customers and other stakeholders, establishing, maintaining and growing relationships with them in a profitable manner to achieve objectives of all parties involved in the exchange (Grönroos, 2004). Relationship marketing is a two-way practice whose success depends on the cooperation of all partners in the exchange because the actions of one party are contingent on the actions of another party (Cropanzano & Mitchell, 2005). Relationship marketing variable was operationalized according to Hunt, Arnett, and Madhavaram's (2006) relational factors - trust, commitment, cooperation, keeping promises, shared values and communication between the firm and customers.

The study sought to establish the influence of these six factors on customer retention in the microfinance institutions in Kenya. Views were sought first from employees regarding the extent to which they trusted their customers, their level of commitment to customers, communication efforts, how strong their relationship bonds with customers are and extent to which they keep the promises made to customers. On the other hand, customers too were asked to give their opinions regarding to what extent they trust their microfinance institution, their institution's level of commitment to them, communication efforts, strength of relationship bonds, keeping of promises and the extent to which they share values with their institution. The next section presents the findings on perceptions by employees, after which perceptions by customers are presented.

5.4.1 Employees' Level of Trust in their Customers

This study sought to establish the extent to which employees of microfinance institutions trust their customers. According to Morgan and Hunt (1994), trust refers to the willingness to rely on an exchange partner in whom one has confidence. It is suggested to be an important determinant of successful business relationships with numerous studies abound on how it affects various organizational performance variables. It is a critical factor fostering commitment in relationships between institutions and their customers. The presence of trust improves the chance of successful customer retention and a lack of trust often results in inefficient, ineffective and straining relationship between organizations and their customers.

To determine the extent to which MFIs in Kenya trust their customers, statements to measure this aspect were developed. The respondents were asked to rate factors on trust on a Likert scale ranging from 1(strongly disagree) to 5 (strongly agree) as applied in the institutions. The results are presented in Table 5.3.

Table 5.3: Employee Perceptions: Level of Trust in their Customers

Items	**N**	**Mean score**	**Std. Deviation**	**CV (%)**
Customers have full confidence in our institution's services	47	4.6596	.47898	10.27
Our institution always keeps our customers aware of our product/service attributes	48	4.4792	.61849	13.81
Our institution does research to match products/services with customer needs	48	4.4583	.54415	12.21
Our institution fulfils its obligation to customers	48	4.2500	.60142	14.15
Our customers trust our institution will deliver what they need	48	4.2083	.58194	13.83
Our customers have confidence in our products and services (reliability)	48	4.1875	.81623	19.49
Our institution is consistent in providing quality services to customers	48	3.8333	1.13613	29.64
Our customers can be relied upon to fulfil their obligations	48	3.6250	.98121	27.07
Our customers are consistent in their dealings with us	47	3.5106	.83072	23.66
Our customers are honest and responsible (they have high integrity)	47	3.4043	.85108	25.00
Overall Mean Score	47	4.062	0.744	18.91

Source: Primary Data

The results show an overall mean score of 4.062, standard deviation of 0.744 and coefficient of variation of 19%. This depicts strong agreement by employees on the attributes describing the level of trust their customers have towards the institution and its products. The statement that customers have full confidence in our institution's services had the highest mean score (Mean=4.659, SD=0.4789 and CV=10%) followed by the statement that our institution always keeps our customers aware of our product/service attributes (Mean=4.479, SD=0.6184 and CV=14%. However, the statement that our customers are honest and responsible (they have high integrity) recorded the lowest mean (Mean=3.404, SD=0.851 and CV=25%) implying that honesty and responsibility of the customers in the minds of employees is a matter of discussion in the microfinance institutions.

Furthermore, the statement that our institution is consistent in providing quality services to customers had the highest variability in responses as depicted by its highest coefficient of variation (30%) implying that consistence in providing quality services to customers by the microfinance institutions is a subject of debate. In general, trust leads to relationship commitment, which is what marketers are striving to achieve. Trust is a key element for relationship success and tends to be related to a number of elements such as competitive advantage customer satisfaction and retention (Ratnasingam & Pavlou, 2003).

5.4.2 Employees' Level of Commitment to Customers

The study determined the respondents' level of agreement on commitment attributes. Commitment refers to an implicit or explicit pledge of the continuity of a relationship between exchange partners. In the relationship marketing literature, the concept of commitment plays a central role, as it is a major characteristic of relationship marketing models (Anderson & Weitz, 1992; Day, 1995). Various statements depicting the different manifestations of commitment were posed and respondents were required to indicate the extent of agreement to which these statements applied to their institutions. The results are presented in Table 5.4.

Table 5.4: Employee Perceptions: Level of Commitment to Customers

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Our institution is dedicated to the relationship we have with our customers	48	4.7917	.41041	8.56
The relationship we have with our customers deserves our firm's maximum effort to maintain	48	4.7708	.42474	8.90
We intend to maintain the relationship with our customers indefinitely	48	4.7500	.52592	11.07
We review changes in the marketing environment at least once a year	48	4.6458	.52550	11.31
Our sales people are trained to spot and report marketing intelligence	48	4.3750	.63998	14.63
Our firm is willing to invest in the relationship we have with our customers	48	4.3333	.90703	20.93
Our top managers from every department regularly interact with current and prospective customers	48	4.3125	.77614	17.99
We collect customer complaints daily	48	4.3125	.58913	13.67
We are quick to detect changes on consumer preferences	48	4.1042	.75059	18.28
Our institution makes adjustments to suit customer needs and expectations	48	4.0625	1.09944	27.06
We offer personalized services to meet individual customer needs	48	4.0000	.79894	19.97
We carry out market research at least once a year	48	3.8125	.91457	23.99
Overall Mean Score	48	4.356	0.697	16.36

Source: Primary Data

The findings in Table 5.4 reveal that the overall mean of the commitment attributes as far as relationship marketing is concerned was 4.356, standard deviation of 0.697 and coefficient of variation of 16%. This depicts strong agreement on the perception of employees on the commitment aspect towards their customers in microfinance institutions. The statements that manifested the highest agreement from respondents were our institution is dedicated to the relationship we have with our customers (Mean=4.7917, SD=0.4104 and CV=9%), we intend to maintain the relationship with our customers indefinitely (Mean=4.75, SD=0.5259 and CV=11% and that the relationship we have with our customers deserves our firm's maximum effort to maintain (Mean=4.7708, SD=0.4247 and CV=9%). However, the statement that we carry out market research at least once a year had slightly lower mean though above average depicting average agreement by the respondents (Mean=3.8125, SD=3.8125 and CV=24%).

The statement with highest coefficient of variation was that our institution makes adjustments to suit customer needs and expectations (27%) and the statement that our institution is dedicated to the relationship we have with our customers and that the relationship we have with our customers deserves our firm's maximum effort to maintain having (9%) each, which depicts low variations among the respondents. According to Anderson and Weitz (1992), the establishment of affective commitment in an institution-customer relationship brings about benevolence and honesty and therefore customers will not take any unexpected actions which will negatively influence the company and that more affectively committed customers intend to stay longer in the relationship with the institutions.

5.4.3 Employees' Perceptions on nature of Communication with Customers

The study sought to establish the role of communication as a marketing relationship factor on customer retention in the microfinance institutions. Communication refers to the formal and informal approaches of exchanging and sharing useful information in a timely manner (Sin et al., 2002). According to the authors, sharing communication in time fosters trust and assists in resolving disputes. Effective communication means that the information is received accurately in terms of content and meaning as intended by the sender.

Communication is believed to directly affect the building of long term relationships with the stakeholders of an organization. It is therefore, necessary to acknowledge the role of communication in building relationships between the various activities in the organization and between the organization and its stakeholders. To determine this, various statements depicting the different manifestations of communication were presented to respondents on a 5-point Likert scale and they were required to indicate the extent to which these statements applied to their institutions. The results are contained in Table 5.5.

Table 5.5: Employee Perceptions: Level of Communication to Customers

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Our institution offers accurate information to customers	48	4.7500	.43759	9.21
Our customers communicate to us their expectations for our performance	48	4.6875	.46842	9.99
We translate customer feedback to product/service improvement	48	4.6458	.52550	11.31
We respond to customer complaints in a coordinated manner	48	4.6458	.48332	10.40
We provide information to customers of new developments, products and services	48	4.6250	.53096	11.48
Our sales people regularly share information within our organization concerning customers	48	4.6042	.53553	11.63
Marketing personnel in our organization spend time discussing customers' future needs with other functional departments	48	4.5833	.61310	13.37
When one department finds out something important about customers, it is quick to alert other departments	48	4.5000	.61885	13.75
We seek customer views about our products and services	48	4.5000	.58346	12.96
We hold regular meetings/forums with our customers	48	4.4792	.65199	14.56
Top management regularly discusses customer requirements	48	4.4792	.54537	12.18
Our institution offers timely information to our customers	48	3.8958	1.01561	26.07
Overall Mean Score	48	4.532	0.584	13.07

Source: Primary Data

The findings in Table 5.5 reveal that the statement with the highest mean score was our institution offers accurate information to customers (Mean=4.75, SD=0.43759 and CV=9%) indicating strong agreement on this issue, while that with the lowest mean score was that our institution offers timely information to our customers (Mean=3.8958, SD=1.01561 and CV=26%). This finding is interesting since while on one hand MFIs seem to provide their customers with accurate information, but this is not done in such a timely manner.

The higher means (4.0 and above) imply that the factors concerning communication as a manifestation of relationship marketing are highly agreed upon by employees depicting that their institutions seem to engage in frequent communication with customers as an effort to strengthen relationships with them. According to Van Staden et al. (2002), no organization can function properly or reach its goals without a good system of communication and that frequent communication improves customer relationships, saves time and money, fosters more effective decision-making and enhances successful problem-solving.

5.4.4 Employee Perceptions on Keeping Promises to their Customers

The study determined the manifestations of keeping promises in microfinance institutions as a construct of relationship marketing. Gronroos (1990) suggests keeping promises by all parties in the exchange is the foundation of developing successful buyer-seller relationships. Institutions are expected to honour their promises in respect of time schedules and they need to be prompt in helping their customers. This needs to start from the beginning of the relationship. They must develop a proactive approach to relationship marketing because it leads to a better understanding of customers and improves their image. To measure the extent to which MFIs in Kenya keep their promises to customers, statements relating to this were developed and employees required to respond on them to express their level of agreement. The findings were as stipulated in Table 5.6.

Table 5.6: Employee Perceptions: Level at which Promises to Customers are Kept

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Our customers can be relied upon to keep their promises	48	4.4375	.82189	18.52
Our institution makes and fulfils its promises to customers	48	4.3750	.84110	19.22
We continuously review our products to ensure that they are in line with changing customer needs and preferences	48	4.2083	.87418	20.77
We respond fast to our customers' demands	48	3.8542	1.11068	28.82
If majority of our customers make a complain, we immediately implement a response strategy	48	3.2292	1.07663	33.34
Overall Mean Score	48	4.022	0.545	24.13

Source: Primary Data

The results in Table 5.6 indicate that the overall mean score was 4.022, standard deviation=0.545 and coefficient of variation of 24%. This is a strong agreement as far as keeping promises to the customers as perceived by employees in the microfinance institutions. The statement with the highest mean score was that our customers can be relied upon to keep their promises (Mean=4.4375, SD=0.82189 and CV=18%) depicting very strong agreement by the respondents. The statement with the lowest mean was that if majority of our customers make a complaint, we immediately implement a response strategy (Mean=3.2292, SD=1.0766 and CV=33%). This means that microfinance institutions have their own way of responding to complains that they deem most appropriate and are not influenced by customers. However, the mean was above average implying that majority of employees believed that customer's complaints to a certain extent influenced development of a response strategy. Coefficient of variation ranged between 19% and 33% which is low depicting low variations in the employees' responses concerning the manifestations of keeping promises in the microfinance institutions. According to Shaker and Basem (2010), making and keeping realistic promises to customers is central to the success of a business enterprise.

5.4.5 Relationship Bonds

Bonds are the exit barriers that tie the customer to the firm and maintain the relationship and they may be social, financial or structural. Relationship bonds have become central concepts in the study of customer relationships where authors such as Sin et al. (2002) suggest that where strong bonds exist between partners of an exchange, it implies the buyer and seller act in a unified manner towards a common goal. Strong bonds are said to exist if the exchange partners have social interactions, closeness, friendship, feelings of affection, sense of belonging and realize performance satisfaction. Different bonds will generate different states of mind from a customer towards a certain company and can influence loyalty towards a service provider. To determine the extent to which MFIs in Kenya have developed relationship bonds with their customers, statements relating to this issue were developed to determine employees' level of agreement on the manifestation describing the existence of relationship bonds in their institutions. The results were as indicated in Table 5.7.

Table 5.7: Employee Perceptions: Relationship Bonds developed with Customers

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Our employees are friendly to our customers	48	4.4583	.71335	16.00
Closeness with customers is highly encouraged by management	48	4.3750	.76144	17.40
Our employees continuously interact with customers	48	4.3333	.80776	18.64
Trained and motivated front-office team boosts relationship with customers	48	4.3125	.62420	14.47
Public relations skills are highly functional in our institution	48	4.2708	.67602	15.83
Our customers exhibit sense of belonging in our institution	48	4.2500	.66844	15.73
We create bonding sessions for employees and customers at least once a year (seminars, cocktails, parties)	48	3.9583	.79783	20.16
Our institution has invested in customer relationship management information systems	48	3.8958	.95069	24.40
Our institution offers price incentives to customers to secure their loyalty	47	3.7872	.95408	25.19
Our employees refer to customers by name during transactions	48	3.5833	.96389	26.89
Overall Mean Score	48	4.122	0.792	19.47

Source: Primary Data

The overall mean score as far as relationship bonds manifestations is concerned was 4.122, standard deviation=0.792 and coefficient of variation=19%. This depicts agreement to a large extent on the manifestations explaining the existence of relationship bonds as a factor of relationship marketing in the institutions surveyed. The statement that our employees are friendly to our customers had the highest mean (Mean=4.4583, SD=0.71335 and CV=16%) implying that employees agreed strongly on the statement as applied in their organizations. This was followed by the statement that closeness with customers is highly encouraged by management (Mean=4.375, SD=0.76144 and CV=17%). However, the statement that our employees refer to customers by name during transactions had the lowest mean though above average (Mean=3.5833, SD=0.96389 and CV=27%). The highly varied statement among respondents was that our employees refer to customers by name during transactions having the highest coefficient of variation of 27%.

5.4.6 Extent to which Employees believe they Share Common Values with Customers

The study further sought to establish if the institutions and their customers shared common values. According to Morgan and Hunt (1994) shared values refers to the extent to which partners in an exchange have common beliefs with respect to behaviour, goals, and polices. The authors argue that since marketing is about exchange of resources, then the parties of exchange need to share common values in order to build successful buyer-seller relationships. Shared value was thus determined from the employees' responses on how it is manifested in the institutions. To achieve this, various statements depicting the different manifestations of shared values were presented to respondents on a 5-point Likert scale and they were required to indicate the extent to which these statements applied to their institutions. The results are depicted in Table 5.8.

Table 5.8: Employee Perception: Shared values with Customers

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Customers' commitment to our institution has improved due to strong shared values	48	4.6875	1.22312	26.09
The shared values have led to successful relationships with our customers	48	4.5417	.58194	12.81
Our policies and guidelines are well understood by employees	48	4.5208	.77156	17.07
Our policies are friendly to customers	47	4.4681	.65445	14.65
We share common goals with our customers	48	4.4583	.68287	15.32
Our policies and guidelines are well understood by customers	48	4.0000	1.09155	27.28
Overall Mean Score	48	4.446	0.834	18.87

Source: Primary Data

The results in Table 5.8 show that shared value aspects had an overall mean of 4.446, standard deviation of 0.834 and coefficient of variation of 19% showing strong agreement by employees that they share common values with their customers. All the attributes measuring shared value had a mean above 4.0 with the statement, the statement that customers' commitment to our institution has improved due to strong shared values having the highest mean (Mean = 4.6875, SD=1.22312 and CV=26%), followed closely by the statement the shared values have led to successful relationships with our customers (Mean=4.5417, SD=0.58194 and CV=13%). This finding suggests employees of MFIs strongly believe they share common values with their customers, a key ingredient in building successful long term buyer-seller relationships. The statement with highest coefficient of variation was that our policies and guidelines are well understood by customers (27%) depicting high variation among employees' responses.

5.4.7 Overall Summary of Relationship Marketing Attributes according to Employees

The study further provided a summary of the descriptive statistics on the relationship marketing according to the responses from employees concerning the attributes as manifested in various microfinance institutions. These were the summaries on trust, commitment, communication, keeping promises, relationship bonds and shared values. The findings were as indicated in Table 5.9.

Table 5.9: Overall Summary of Relationship Marketing attributes (employees)

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Trust	47	4.062	0.744	18.91
Commitment	48	4.356	0.697	16.36
Communication	48	4.532	0.584	13.07
Keeping promises	48	4.022	0.545	24.13
Relationship bonds	48	4.122	0.792	19.47
Shared values	48	4.446	0.834	18.87
Grand Mean	47	4.257	0.699	18.47

Source: Primary Data

The summary shows that communication had the highest overall mean score of 4.532, standard deviation of 0.584 and CV of 13%. This was followed by shared values (Mean=4.446, SD=0.834 and CV=19%). Further commitment had an overall mean of 4.356, standard deviation of 0.697 and coefficient of variation of 16%, keeping promises (mean=4.022, standard deviation=0.545 and CV=24%), relationship bonds (Mean=4.122, standard deviation=0.792 and CV=19%) and lastly trust (Mean=4.062, SD=0.744 and CV=19%). These results seem to illustrate that communication is the most essential factor in relationship marketing according to employees. Shared values and commitment were also found to be strongly manifested by employees of microfinance institutions suggesting that MFIs take great effort to meet customers' needs and pursue goals which customers value as well. Trust had the lowest overall mean score of 4.062, standard deviation of 0.7444 and CV of 19% which portrays a situation where the institutions' level of trust in their customers is lower in comparison to the other relationship marketing factors.

5.5 Relationship Marketing according to Customers

Customers were also required to indicate the level of their agreement on the aspects of relationship marketing. This was crucial since customers interact directly with microfinance institutions, have experienced the services offered by these institutions, and therefore hold opinions on the nature of relationship marketing efforts by them. Customers' opinions were thus sought on the manifestation of various relationship marketing dimensions. It was important to obtain the views of customers on how they perceive their relationship with their microfinance providers because according to the theory of social exchange where two or more parties are involved in an exchange, the actions of one party in the exchange are contingent on the actions of another party (Cropanzano & Mitchell, 2005). This implies that if one party is not satisfied, then that relationship is likely to be unsuccessful. Interactions between parties of exchange are successful if they generate trust, strong bonds, open communication and interdependence. To determine the perceptions of customers towards the relationship they have with their microfinance providers therefore, statements relating to each relationship factor – trust, communication, commitment, keeping promises, relationship bonds and shared values were developed. The results were as presented in the subsections herein.

5.5.1 Customers' Level of Trust in their MFI

Trust, as a construct of relationship marketing, was determined by the study on what extent customers agreed on different attributes that are deemed to measure its manifestations in the surveyed microfinance institutions in Kenya. To achieve this, certain statements concerning trust were developed and the respondents were required to indicate their level of agreement on a Likert scale. The findings were as presented in Table 5.10.

Table 5.10: Customer Perceptions: Level of Trust in their Institution

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
My institution's employees are competent in their work	492	4.2459	.74325	17.51
My institution can be relied upon to fulfil its obligations to customers	491	4.0998	1.97748	48.23
My institution is consistent in their dealings with me	492	4.0346	2.04153	50.60
My institution is honest and responsible - integrity	492	4.0244	.83667	20.79
I am willing to rely on my institution for financial needs	492	3.9289	.86398	21.99
My institution is open and always keeps me informed of any changes in products/services features	492	3.8963	.84395	21.66
My institution is concerned about my welfare as a customer	492	3.8882	.93675	24.09
I have confidence in my institutions products and services	492	3.8882	.83806	21.55
I highly trust my institution's products/services	492	3.8232	.95906	25.08
As a customer I have full confidence in my institution's services	492	3.8171	.81924	21.46
Overall Mean Score	492	3.965	1.086	27.29

Source: Primary Data

The study revealed modest agreement on the trust attribute according to customers with an overall mean score of 3.965, standard deviation of 1.086 and coefficient of variation of 27%. This was lower in comparison to employees' level of agreement on the same attribute which recorded an overall mean of 4.062, standard deviation of 0.744 and coefficient of variation of 19%. This can be interpreted to mean that while employees seem to agree to a large extent that they trust their customers, customers on the other hand, manifest less trust for their institutions pointing to the need for more integrated engagements between employees and customers to generate more trust between both parties for customer retention. The statement with highest agreement was that my institution's employees are competent in their work (mean=4.2459, SD=0.74325 and CV=18%). Other statements with mean above 4.0 were; my institution's is honest and responsible they have high integrity (mean=4.0244, SD=0.83667 and CV=21%), my institution can be relied upon to fulfill its obligations to customers (4.0998, SD=1.97748 and CV=48%), my institution is consistent in their dealings with me (4.0346, SD=2.04153 and CV=51%).

The statement that recorded lowest mean score was that I highly trust my institution's products/services (Mean=3.8232, SD=0.95906 and CV=25%). The study further reveals that the statement my institution's employees are competent in their work had lowest coefficient of variation of 18% depicting low variation among the respondents. This implies that most customers seemed to agree that employees were competent in their work. On the other hand, the statement that my institution is consistent in their dealings with me registered the highest coefficient of variation, implying that customers seemed to highly vary in their opinion on whether their institutions were consistent in how they deal with customers. The study findings suggest that microfinance institutions need to put in place additional measures to enhance the trust level by customers as part of relationship marketing programmes in order to enhance customer retention.

5.5.2 Customers' Level of Commitment to their MFI

The level of commitment in the institutions was also determined based on customers' level of perception. This was achieved through developing statements deemed to measure commitment as a relationship marketing construct and results tabulated in Table 5.11.

Table 5.11: Customer Perceptions: Level of Commitment to their Institution

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
The relationship I have with my institution deserves my maximum effort to maintain	492	3.8496	.96673	25.11
I am aware my institution carries out market research at least once a year	491	3.6497	2.07598	56.88
My institution is very dedicated to the relationship we have	492	3.4492	1.02288	29.65
My institution seems willing to invest money and time in our relationship	492	3.3516	.90278	26.94
My institution collects customer complaints daily	492	3.2663	1.06425	32.58
My institution has in the past offered me a personalized service to meet my needs	492	3.2439	1.82689	56.32
I intend to maintain the relationship I have with my institution indefinitely	492	3.2093	1.73583	54.08
I interact regularly with employees from my institution	492	3.1931	1.14939	35.99
I intend to remain with this institution even though I know there are others	492	3.0183	1.76918	58.62
Overall Mean Score	492	3.359	1.390	41.79

Source: Primary Data

Table 5.11 shows that the overall mean score of commitment attribute as perceived by customers was 3.359, standard deviation=1.390 and coefficient of variation=42%. This was modest agreement depicting moderate perception of customers on their level of commitment towards their institutions. This result contrasts with that for employees who portrayed stronger agreement on this factor (overall mean score =4.356, standard deviation=0.697, coefficient of variation =16%). This suggests that whereas employees agree to a large extent that they are committed to their customers, customers' commitment to their institution is to a moderate extent only.

The statement that recorded the highest mean was that the relationship I have with my institution deserves my maximum effort to maintain (mean=3.8496, SD=0.96673 and CV=25%) whereas the statement with lowest mean was that I intend to remain with this institution even though I know there are other similar institutions (Mean=3.0183, SD=1.76918 and CV=59%), implying that customers may opt to terminate the services with their current institutions depending on the attractiveness of the products and services offered by other microfinance institutions. There were also high variations in the responses on the statement that I intend to remain with this institution even though I know there are other similar institution as depicted by its higher coefficient of variation (59%). There was less variation in the statement that the relationship I have with my institution deserves my maximum effort to maintain (CV=25%). The coefficient of variation ranged between 25% and 59% which is high implying that respondents varied highly among the attributes of commitment. The results on the commitment factor therefore suggest that further efforts must be put in place by MFIs to get customers to be more committed to their institutions.

5.5.3 Customers' Perceptions on nature of Communication with MFI

The study also sought to establish the manifestation of communication in the microfinance institutions according to customers. It was necessary to determine customers' perception towards the nature of communication between themselves and their institutions. To achieve this therefore, various statements depicting the different manifestations of communication were developed and presented to respondents on a 5-point Likert scale. Customers were required to indicate the extent to which these statements applied to their institutions. The results are presented in Table 5.12.

Table 5.12: Customer Perceptions: Level of Communication by their Institution

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
I often provide my views about the products and services they offer	492	3.7967	.82437	21.71
When a dispute arises my institution is open to resolve it quickly	492	3.7663	.86587	22.99
My institution responds to my complaints in a fast and coordinated manner	491	3.6721	.88319	24.05
My institution offers me accurate information	492	3.5163	.96883	27.55
I receive regular invitations to meetings/forums with my institution to attend meetings/forums which enhance my personal skills	492	3.1972	1.07922	33.75
My institution requests me to communicate my expectations of its performance	492	3.0955	1.25919	40.67
My institution offers regular timely information to me eg. bank statements loan balance, new products or services	492	2.9024	1.20869	41.64
Overall Mean Score	492	3.421	1.013	30.33

Source: Primary Data

The results in Table 5.12 reveal a moderate overall mean score on the aspects of communication in the microfinance institutions according to customers (Mean=3.421, SD=1.013 and CV=31%). This result highly contrasts with that by employees who expressed stronger agreement on aspects of communication with customers (Mean=4.532, SD=0.584 and CV=13%). The interpretation here is that while employees seem satisfied with communication efforts in place with customers, this feeling is not replicated by customers. Customers seem to be less than happy with their institutions' communication efforts. The statement that I often provide my views about the products and services they offer had the highest mean score of 3.7967, standard deviation of 0.82437 and coefficient of variation of 22% and the statement that my institution offers regular timely information to me e.g. bank statements loan balance, new products or services registered the lowest mean score of 2.9024, standard deviation of 1.20869 and coefficient of variation of 42%. The coefficient of variation ranged between 22% and 42% implying that customers varied highly in responses concerning communication as a relationship marketing construct across the institutions surveyed.

5.5.4 Customer Perceptions on Keeping Promises by their MFI

Keeping promises to customers may lead to trust and satisfaction. The study sought to determine how keeping promises is manifested in the microfinance institutions surveyed according to customer perceptions. The results were analysed and tabulated in Table 5.13.

Table 5.13: Customer Perceptions: Keeping Promises by their Institution

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
My institution makes and keeps promises to me	492	3.8740	1.95790	50.54
My institution responds fast enough to our demands as customers	492	3.8049	.81392	21.39
My institution can be relied upon and is easy to collaborate with	492	3.7276	.89750	24.08
Overall Mean Score	492	3.802	1.223	32.00

Source: Primary Data

The results in Table 5.13 indicate that customers agreed to a moderate extent that their microfinance institutions keep promises. This is as indicated by a mean score of 3.802, standard deviation of 1.223 and coefficient of variation of 32%. In contrast, employees presented stronger agreement that they do keep their promises to customers (Mean=4.22, SD=0.545 and CV=24%), suggesting once again that whereas employees believe they are doing great at keeping their promises to customers, their customers do not think so.

All the statements on whether MFIs keep their promises to customers had a mean above 3.0; my institution makes and keeps promises to me (Mean=3.874, SD=1.9579 and CV=51%), my institution responds fast enough to our demands as customers (Mean=3.8049, SD=0.81392 and CV=21%) and my institution can be relied upon and is easy to collaborate with (Mean=3.7276, SD=0.8975 and CV=24%). The coefficient of variation ranged between 21% and 51% an indication that the responses varied highly across the microfinance institutions customers. This finding suggests that customers of microfinance institutions seem to generally believe their institutions keep the promises they make.

5.5.5 Relationship Bonds

The study further evaluated how relationship bonds attributes are manifested in the institutions as a construct of relationship marketing. The customers' responses were crucial in order to gauge their perception on the existence and strength of relationship bonds with their institutions. These views were sought by formulating statements to which customers were required to respond on a rating scale, analysed and tabulated in Table 5.14.

Table 5.14: Customer Perceptions: Relationship Bonds with their Institution

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
The employees of my institution are friendly always	492	3.9858	1.64019	41.15
The employees refer to me by name during transactions	490	3.9449	.96303	24.41
My institution creates bonding sessions between employees and customers at least once a year (seminars, cocktails, parties)	492	3.5854	.94816	26.44
I have a sense of belonging to my institution	492	3.4654	1.12770	32.54
My institution offers me price incentives so I will remain loyal	492	3.2256	2.19421	68.02
I am a aware that my institution uses technology in its operation	492	3.2053	1.09085	34.03
I do attend the social interaction sessions whenever I am invited	492	3.0650	1.18366	38.62
my institution employees are willing to listen and help a customer with a problem	492	3.0061	1.17941	39.23
I will remain a customer of this institution because it offers me more than just financial services	492	2.8740	1.17526	40.89
Overall Mean Score	492	3.373	1.278	38.37

Source: Primary Data

The results in Table 5.14 show a relatively moderate overall mean score (Mean=3.373, SD=1.278 and CV=38%). This is indication that according to customers, the relationship bonds between themselves and their institutions exist but to a moderate extent only. When compared to the opinions of employees, whose overall means score stands at 4.122, standard deviation of 0.792 and coefficient of variation 19%, this suggests that employees instead believe they have forged relatively strong relationship bonds with their customers.

The statement that the employees of my institution are friendly always had the highest mean score of 3.9858, standard deviation of 1.64019 and coefficient of variation of 41% with the statement that I will remain a customer of this institution because it offers me more than just financial services registering the lowest mean score of 2.8740, standard deviation of 1.17526 and coefficient of variation of 41%. Other statements had mean above 3.0 depicting moderate agreement as far as customers are concerned. The statement that attracted high debate leading to high variation was that my institution offers me price incentives so I will remain loyal with a high coefficient of variation of 68%. Customers across all the microfinance institutions therefore believe that the relationship bonds with their institutions are developed to a moderate extent only.

5.5.6 Extent to which Customers believe they share Common Values with their MFI

Shared values was also a construct measured to determine the existence of common goals as far as customers are concerned. The statements were formulated, responded to and results were as tabulated in Table 5.15.

Table 5.15: Customer Perceptions: Shared Values with their institution

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
I understand well the policies and guidelines of my institution's products and services	492	3.7947	1.11120	29.28
We share common goals with my institution	492	3.7419	2.03143	54.28
My commitment to my institution has improved due to the strong shared values	492	3.4472	.95481	27.69
My institution's policies are friendly to customers	490	3.4286	1.60393	46.78
I believe the shared values I have with my institution has led to the successful relationship I have with them	492	3.4187	1.03871	30.38
Overall Mean Score	492	3.567	1.348	37.79

Source: Primary Data

The overall mean score of shared value attributes was 3.567, standard deviation of 1.348 and coefficient of variation of 37%, showing moderate opinion by customers in respect to whether they share common values with their institution. While employees agreed to a large extent that they share common values with their customers (overall means score=4.446, standard deviation=0.834 and coefficient of variation of 19%), customers seem to agree but to a moderate extent only, and even then the coefficient of variation for customers was high at 37% implying high variation among customers' responses on this attribute. However, all the customers' statements had a mean above 3.0; that is; I understand well the policies and guidelines of my institution's products and services (Mean=3.7947, SD=1.1112 and CV=29%), we share common goals with my institution (Mean=3.7419, standard deviation=2.03143 and CV=54%), my institution's policies are friendly to customers (Mean=3.4286, SD=1.60393 and CV=47%), I believe the shared values I have with my institution has led to the successful relationship I have with them (mean=3.4187, SD=1.03871 and CV=30% and finally the statement that my commitment to my institution has improved due to the strong shared values (mean=3.4472, SD=0.95481 and CV=28%).

5.5.7 Overall Summary of Relationship Marketing Attributes according to Customers

The overall summary of the attributed of relationship marketing according to customers were evaluated and tabulated. These were; trust, commitment, communication, keeping promises, relationship bonds and shared values. This was to determine the attributes that highly manifest themselves and those that are rarely manifested. The results were tabulated in Table 5.16.

Table 5.16: Overall Summary of Relationship Marketing according to Customers

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Trust	492	3.965	1.086	27.29
Commitment	492	3.359	1.390	41.79
Communication	492	3.421	1.013	30.33
Keeping promises	492	3.802	1.223	32.00
Relationship bonds	492	3.373	1.278	38.37
Shared values	492	3.567	1.348	37.79
Grand mean	492	3.581	1.221	34.59

Source: Primary Data

The results in Table 5.16 show that the mean scores of customers are lower than those of employees. In the case of customers, trust is the most manifested attribute according to customers in the microfinance institutions (Mean=3.965, SD=1.086 and CV=27%). This was followed by keeping promises (Mean=3.802, SD=1.223 and CV=32%), shared values (Mean=3.567, SD=1.348 and CV=37%), communication (mean=3.421, SD=1.013 and CV=42%), relationship bonds (mean=3.373, SD=1.278 and CV=38%) and lastly commitment (mean=3.359, SD=1.390 and CV=31%). In general, customers of microfinance institutions perceive to a moderate extent the existence of relationship marketing factors with trust between the institutions and customers having a higher agreement, implying that customers moderately trust their microfinance institutions' products and services.

5.6 Firm Demographic Profiles

The study further sought information on the demographic profile of the institutions in order to gain an understanding of the basic characteristics of the surveyed institutions. Information was acquired on how long the firm had been in operation as a microfinance institution, number of branches that offered microfinance services, type of MFI and ownership structure of the institution (formal or semi-formal). The results were analyzed and presented in Tables 5.17 and 5.18.

Table 5.17: Firm Demographics

Number of years operating as a MFI	Frequency	Percentage
1-10 years	20	41.67
11-20 years	12	25.0
21-30years	9	18.75
Over 30 years	5	10.42
Total	46	100.0
Number of branches offering MF services		
1-20	30	90.9
21-40	4	9.3
41-60	2	4.7
61-80	2	4.7
81-100	2	4.7
Over 100	3	6.9
Total	43	100.0
Number of employees		
1-20	17	36.17
21-40	5	10.6
41-60	7	14.9
61-80	9	19.1
81-100	4	8.5
Over 100	5	10.6
Total	47	100.0
Category of MFI		
Commercial bank offering microfinance services	5	10.6
Microfinance bank	2	4.3
Wholesale microfinance lender	3	6.4
Deposit taking micro-finance (DTM) institution	14	29.8
Retail microfinance lender	6	12.0
Non-bank Financial Institution	2	4.3
Credit only MFI	7	14.9
SACCO	8	17.0
Total	47	100.0

Source: Primary Data

The results in Table 5.17 indicate that most of the microfinance institutions surveyed (41.67%) had been operating as microfinance institutions for the period between 1-10 years followed by 10-20 years (25%). As far as number of branches offering microfinance services, majority (90.9%) ranged between 1-20 branches with very few 4.7% ranging between 41-60 branches, 61-80 branches and 81-100 branches respectively. Microfinance institutions target low-income communities, and most provide loan facilities without requiring collateral or are far more flexible than most mainstream commercial banks about the kinds of collateral required to secure loans. They are micro not because of their institutional scale but because of the scale of typical transactions with customers. They are therefore expected to have fewer branches as compared to commercial banks and other large financial institutions. The study further indicates that majority 29.8% were deposit taking micro-finance (DTM) institution, 14.9% were Credit only MFI and 12.0% were retail microfinance lender. This implies that deposit taking micro-finance (DTM) institutions are dominant in the market possibly due to variety of products designed for low income groups especially offering small credit to customers seeking less financing. These types of customers hardly get support from commercial banks despite some offering microfinance services.

5.6.1 Ownership Structure

The study also determined the ownership structure of MFIs on the basis of whether they were investor based institutions (shareholders own the institution; customers walk in to open accounts), member-based (customers own shares in the institution before they can access the services e.g., SACCOs), NGO based-Donor funded or Government owned and categorized as formal institutions or semi-formal institutions. The results were as indicated on Table 5.18.

Table 5.18: Ownership Structure of Institutions Surveyed

Ownership structure	**Formal institution**		**Semi-formal institution**	
	Frequency	Percentage	Frequency	Percentage
Investor based (shareholders own the institution; customers walk in to open accounts	30	62.5	3	6.3
Member-based (customers own shares in the institution before they can access the services e.g., SACCOs)	4	8.3	3	6.3
NGO based-Donor funded	6	12.5	0	0.00
Government owned	2	4.2	0	0.00
Total	42	87.4	6	12.6

Source: Primary Data

The results reveal that the formal institutions accounted for 87.4% with the highest (62.5%) being the investor based (shareholders own the institution; customers walk in to open accounts), followed by NGO based institutions though accounting for only 12.6% of the microfinance institutions surveyed. Under the category of member based (customers own shares in the institution before they can access the services e.g., SACCOs) had only 8.3% representation. This implies that most of the microfinance institutions surveyed were investor based formal institutions (shareholders own the institution; customers walk in to open accounts which are formally registered.

5.7 Firm IT Characteristics

In order to better assess the contribution of information technology in retaining customers, this study sought information on the extent to which microfinance institutions in Kenya adopted technology platforms and extent of engagement with this technology while interacting with customers. According to Lang and Colgate (2003), the enhancement of customer relationships requires the adoption and use of technology such as the internet facilities, mobile phones, data warehouses, database mining, electronic data interchange, automatic teller machines, telemarketing and interactive voice response facilities. Chen and Popovich (2003) also argued that such relationship technology allows companies to not only hold large sets of data about their customers, but also, to re-establish better connection with them consequently offer improved services thereby satisfy their needs.

The study thus sought to establish the extent of use of information technology platforms and customer relationship management actions among microfinance institutions in Kenya by obtaining views from employees of these institutions on the manifestation of these aspects in their organizations. Sections 5.71 and 5.72 present the findings.

5.7.1 Information Technology Platforms

The information technology platforms involve all aspects of gathering, storing, tracking, retrieving and using information within a business or organization. The information system in microfinance institutions helps relationship management officers and loan officers track their clients' service usage patterns, repayment schedules and balances. It helps management to assess the level of customers' transactions in a given period of time as well as quality of the loan portfolio. Such a system can help the entire institution monitor progress toward operational objectives including customer management. The extent of use of information technology platforms was evaluated on a scale of 1-5 (where 1=not all, 5=very large extent) and results summarized in Table 5.19.

Table 5.19: Extent of Adoption of Information Technology Platforms

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Website	48	3.9583	.92157	23.28
Mobile phone banking services – sending and receiving money	48	3.9167	1.00707	25.71
Social media	47	3.7872	1.06191	28.04
Short messages (SMS) to communicate	48	3.7292	.96182	25.79
Non-automated Call centres	48	3.3125	1.20559	36.39
Automated Contact centres	48	3.2500	1.13924	35.05
Digital screens	48	2.8333	1.22619	43.28
Internet banking	48	2.8125	1.34728	47.90
Electronic fund transfers	48	2.6458	1.45119	54.85
ATMs	48	2.3750	1.48216	62.41
Overall Mean Score	48	3.262	1.180	36.17

Source: Primary Data

The results reveal that the overall mean score for the use of information technology platforms was 3.262, standard deviation of 1.180 and coefficient of variation of 36%. This depicts moderate use of information technology platforms in microfinance institutions. Use of website had the highest mean score (Mean=3.9583, SD=0.92157 and CV=23%). This was followed by mobile phone banking services–sending and receiving money (mean=3.9167, SD=1.007 and CV=26% and short messages (SMS) to communicate (mean=3.7292, SD=0.96182 and CV=26%). Use of ATMs registered the lowest mean (mean=2.375, SD=1.48216 and CV=62%). This depicts that microfinance institutions have to a moderate extent adopted information technology platforms with the use of website being the most applied and ATMs not well adopted which may be associated with the high costs involved in installing and maintaining them.

5.7.2 Customer Relationship Management Actions

The study further determined the manifestation of customer relationship management actions in the microfinance institutions. This was to evaluate the extent to which these institutions engage in customer relationship management and hence respondents were asked to indicate the extent to which certain CRM actions were manifested in their institutions (1=not at all, 5=very large extent). Results are as indicated in Table 5.20.

Table 5.20: Extent of Customer Relationship Management Practice

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Our institution has an analytical customer relationship management system which analyses customer data collected from any transactions we have with them	48	4.7292	0.84094	17.78
Our institution has categorized customers into profitability tiers	47	4.4255	.54152	12.24
Our institution has a customer relationship management system which at a glance provides information about our customers and the current or past interactions with them (e.g., past sales, previous marketing efforts to them etc.)	48	4.1250	.48925	11.86
Our institution has a system which records, stores and tracks customer information	48	4.1042	.55504	13.52
Our institution uses customer demographic data like gender, age, income and education to connect it with their purchasing behaviour	48	4.0000	.46127	11.53
Sending out promotional messages, updates, or reminders to customers' mobile phones	48	3.8542	.82487	21.40
Sending out Short messages (SMS) to communicate with customers	48	3.7917	.77070	20.33
Sending out automated marketing emails to customers	48	3.7292	.76463	20.50
Posting marketing information on social media.	48	3.8333	.69446	18.12
Using the telephone to promote new products and services	48	3.7708	.75059	19.91
Overall Mean Score	48	4.036	0.669	16.57

Source: Primary Data

Table 5.20 shows that the overall mean score for customer relationship management actions was 4.036, standard deviation of 0.669 and CV=17%. This is a strong agreement depicting that microfinance institutions have adopted customer relationship management actions in their operations. The attribute that our institution has an analytical customer relationship management system which analyses customer data collected from any transactions we have with them had the highest mean score (Mean=4.7292, SD=0.84094 and CV=18%), with sending out automated marketing emails to customers having the lowest mean score (mean=3.7292, SD=0.76463 and CV=21%). The coefficient of variation ranged between 12% and 27% depicting low variations in the responses. This finding implies that microfinance institutions have to a large extent adopted customer relationship management actions with the use of a customer relationship management system being the most applied practice while sending out automated marketing emails being the least applied practice, possibly due to lack of employment of digital marketers by the institutions.

5.7.3 Overall Summary of Firm IT Characteristics attributes

The study summarized the firm IT characteristics attributes to determine which category is highly applied in the microfinance institutions. These were information technology platforms and customer relationship management actions. The results were summarized in Table 5.21.

Table 5.21: Summary of Firm IT Characteristics

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Information technology platforms	48	3.262	1.180	36.17
Customer relationship management actions	48	4.036	0.669	16.57
Grand Mean	48	3.649	0.925	26.37

Source: Primary Data

The results show that customer relationship management actions had a higher mean (mean=4.036, SD=1.169 and CV=17%) with information technology platforms having the lowest (mean=3.262, SD=1.18 and CV=36%. This implies that although microfinance institutions apply some customer relationship management actions in their operations, this practice may be hampered by the modest extent of adoption of information technology platforms. According to Ryals and Payne (2001) information technology can be effectively used to provide information about organizations and their services and if properly utilized, it is a valuable tool for monitoring the various activities of an institution.

5.8 Social Performance Management Practices according to Employees

Sinha (2006) defines social performance management (SPM) as a set of management practices consisting of processes, structures and strategies that get a microfinance institution (MFI) to act in a socially responsible manner for improvement in clients' welfare. The stakeholder approach to managing business operations suggests that organisations have a variety of stakeholders whose interests must be met (Donaldson & Preston, 1995; Freeman & McVea, 1984). This explains why some organisations engage in social responsibility practises and strive to measure their social performance. Scholars of stakeholder management argue that managers must understand the concerns of shareholders, employees, customers, suppliers, lenders and society in order to develop objectives and strategies supported by their stakeholders.

For this study, the researcher sought to establish the extent to which MFIs in Kenya applied social performance management practices and if they did, their influence on customer retention. This variable was operationalized on six constructs as developed by SPTF, (2012) and these included social mission statement, top management and employee commitment to social goals, client friendly products/services, responsible treatment of clients, responsible treatment of employees and balanced allocation of resources between financial and social goals. Responses on this aspect were sought from both employees and customers. The results for employees are discussed in the next subsection.

5.8.1 Social Mission Statement

Managers consider mission statement as one of the most important managerial tools. They are of the opinion that it gives focus and encourages strategy implementation, improves organizational climate, internal or external communication, and improves management and leadership in a company (Biloslavo & Lynn, 2007). The study determined how social mission statement is manifested in the institutions through certain attributes and was measured using a Likert type scale (1=strongly disagree, to 5=strongly agree). The results are presented in Table 5.22.

Table 5.22: Social Mission

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Our CEO always promotes a positive corporate image	48	4.7708	.42474	8.9
We strive to have our vision, mission and corporate mandate known to all our customers	48	4.6875	.51183	10.91
Our mission statement is geared towards social welfare	48	4.6875	.46842	9.99
Our customers hold us in high repute	48	4.6875	.46842	9.99
Our mission statement is customer oriented	48	4.6458	.56454	12.15
Our institution strives to fulfil the corporate mission	48	4.6458	.52550	11.31
Our mission statement is clear to our customers	48	4.4583	.58194	13.05
Overall Mean Score	48	4.655	0.506	10.90

Source: Primary Data

The overall mean score of social mission statement as a construct of social performance management practices was 4.655, standard deviation of 0.506 and coefficient of variation of 11%. This depicts that managers of MFIs were in strong agreement that their institutions have mission statements which are social in nature. The statement with the highest mean score was that our CEO always promotes a positive corporate image (Mean=4.7708, standard deviation=0.42474 and coefficient of variation=9%). This depicts the role played by CEOs in promoting the social responsiveness of an institution. However, the statement that our mission statement is clear to our customers had slightly lower mean (mean=4.4583, SD=0.58194 and CV=13%). This can be interpreted that customers may not be aware of the importance of mission statement in their organizations unless awareness is created. All other statements too had a higher mean above 4.0 depicting strong agreement on the presence of a socially oriented mission statement within the organizations. The coefficient of variation ranged between 9% and 13% implying that the responses were least varied among the respondents on the statements regarding social mission statement.

5.8.2 Board Members, Management and Employees Commitment to Social Goals

The study further evaluated the commitment of board members, management and employees to social goals in microfinance institutions. This was to determine the value given to social goals by the stakeholders. The results are presented in Table 5.23.

Table 5.23: Top Management and Employee Commitment to Social Goals

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Employees are recruited, evaluated, and recognized based on financial performance criteria.	48	4.3333	.66311	15.52
Board oversees the institution's strategy, by taking into mainly the financial goals.	48	4.1667	.63021	15.13
Members of the Board are committed to the institution's social mission.	48	4.0417	.79783	20.56
Members of the Board hold the institution accountable to its social mission and social goals.	48	3.9792	.75764	19.23
Board periodically reviews Social Performance data	48	3.9792	.66811	17.56
CEO holds senior managers accountable for making progress toward social goals	48	3.9375	.72658	18.25
Senior management sets, and oversees implementation of, the institution's social strategy	48	3.8958	.66010	17.45
Employees are recruited, evaluated, and recognized based on social performance criteria.	48	3.7292	.79197	21.34
Board uses Social Performance criteria to evaluate CEO's performance.	48	3.6250	.73296	20.38
Overall Mean Score	48	3.965	0.714	18.01

Source: Primary Data

Table 5.23 shows that the overall mean score for Board members, management and employees commitment to social goals was 3.965, standard deviation=0.714 and coefficient of variation=18%. This depicts moderate agreement from the respondents. The statement with the highest mean score was that employees are recruited, evaluated, and recognized based on financial performance criteria (Mean=4.333, SD=0.66311 and CV=15%). This was followed by the statement that board oversees the institution's strategy, by taking into mainly the financial goals (Mean=4.1667, SD=0.63021 and CV=15%). This depicts that managers and employees of MFIs consider financial performance as a key factor as compared to social performance. This argument is supported by the statement that employees are recruited, evaluated, and recognized based on social performance criteria having the lower mean (Mean=3.7292, SD=0.79197 and CV=21%). The coefficient of variation showed that the variation among the responses was low on the statements ranging between 15% and 21%. This could be due to the fact that most microfinance institutions have low asset base and therefore may not commit much on pursuing social goals but rather financial goals.

5.8.3 Client Friendly Products/Services

Microfinance institutions are expected to design and offer client friendly products and services because this would result into increased clients' portfolio and customer retention. Such products lead to more satisfied customers and therefore are able to maintain a good relationship with the institution to keep enjoying the products. The extent to which MFIs' products were client friendly was evaluated through certain statements deemed necessary to measure its manifestations in the various institutions surveyed. The results are depicted in Table 5.24.

Table 5.24: Client Friendly Products and Services

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Our customers have trust in our services	48	4.5833	.53924	11.77
Our customers rate our products/services as superior	48	4.5625	.58003	12.71
Our customers rate our products/services as reliable	48	4.5833	.53924	11.76
Our customers perceive our products/services as affordable	48	4.5417	.33386	7.35
Our products meet all the needs of our customers	48	4.4375	.61562	13.87
Our customers find the quality of products/services we offer satisfactory	48	3.8958	.75059	19.26
Our customers perceive our products/services as readily available	48	4.1250	.95928	23.25
Overall Mean Score	48	4.389	0.617	14.06

Source: Primary Data

The overall mean score shows higher agreement on the statements (Mean=4.389, SD=0.617 and CV=14%). This higher mean depicts very strong agreement by employees on the statements regarding client friendly products. This implies that they believe their institutions have developed products that are attractive and have benefits to the customers. All the statements had a mean above 4.0 with only the statement that our customers find the quality of products/services we offer satisfactory registering a slightly lower mean below 4.0 (Mean=3.8958, SD=0.75059 and CV=19%). The statement with the highest mean was that our customers rate our products/services as reliable (Mean=4.5833, SD=0.53924 and CV=12%). The coefficient of variation range was 12% and 19% which is low depicting low variation in the responses concerning friendly products to the clients.

5.8.4 Responsible Treatment of Clients

Responsible treatment of clients as a social performance practice was also evaluated to determine how it manifests itself in the microfinance institutions. This was important since bad treatment of clients may lead to customer defections, thus hampering customer retention efforts. Respondents were asked to give their opinion on a range of statements which were measured using a Likert type scale (1=strongly disagree, to 5 = strongly agree). The findings were presented in Table 5.25.

Table 5.25: Responsible Treatment of Clients

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Our employees have public relations skills to the customers satisfaction	48	4.5417	.65097	14.89
Our customers are given priority during the trading process	48	4.5417	.50353	11.65
Customers’ feedback is submitted by employees weekly	48	4.5417	.50353	11.32
Our customers are fully aware of the terms and conditions of the services we offer them	48	4.4583	.71335	16.23
Our front-office team handles customers professionally when they default in payments	48	4.4792	.65199	15.12
Our employees have the ability to thoroughly understand customer needs and wants	48	4.4167	.73899	17.34
Our customers are satisfied with the manner in which our employees treat them	48	4.2292	.90482	21.32
Our customers’ complaints are handled in time	48	4.0208	1.02084	25.32
Customers’ feedback is taken into consideration during management decision making	48	3.8125	1.02431	27.89
Overall Mean Score	48	4.338	0.746	17.20

Source: Primary Data

The overall mean for responsible treatment of clients was 4.338, standard deviation of 0.746 and coefficient of variation of 17%. This is a relatively strong agreement on the aspect of responsible treatment of clients by the microfinance institutions according the employees' perception. The statements with the highest mean were our employees have public relations skills to the customers satisfaction, our customers are given priority during the trading process and customers' feedback is submitted by employees weekly (Mean=4.5417, SD=0.65097 and CV=14%), (Mean=4.5417, SD=0.50353 and CV=11%) and (Mean=4.5417, SD=50353 and CV=11%) respectively with the statement customers' feedback is taken into consideration during management decision making having the lowest mean (Mean=3.8125, SD=1.02431 and CV=27%). The low coefficients of variation (11% to 25%) depicts that respondents were less varied among the attributes of responsible treatment of clients.

5.8.5 Responsible Treatment of Employees

Employees are important in any organization since they are important resources with different knowledge and skills required to foster organizational operations. Therefore, responsible treatment of employees may result into better performance in meeting customers' needs and consequently customer retention in microfinance institutions. The results of the manifestations of responsible treatment of employees in the surveyed microfinance institutions are presented in Table 5.26.

Table 5.26: Responsible Treatment of Employees

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Our employees are satisfied with employment terms and conditions	48	4.3542	.88701	20.37
Employees are given the required work leave and offs when needed	47	4.1915	.74128	17.68
Our employees are frequently trained in customer relationship management	48	4.1667	.72445	17.38
There is constant communication between employees and the management	48	4.0833	.70961	17.37
Our employees are highly motivated	48	4.0625	.78296	19.27
Our employees are satisfied with the institution’s remunerations	48	3.8333	.80776	21.07
Our employees’ complaints are handled in real time	48	3.8125	.76231	19.99
There is a good relationship among employees and management	48	3.7292	.73628	19.74
Employees views are considered in decision making	48	3.7083	.82406	22.22
Our employees are satisfied with the working environment	48	3.4792	.89893	25.84
Overall Mean Score	48	3.942	0.787	19.96

Source: Primary Data

Responsible treatment of employees gave an overall mean score of 3.942, standard deviation of 0.787 and coefficient of variation of 20%. This is a moderate agreement by the respondents as far as the attributes are concerned. The statement that our employees are satisfied with employment terms and conditions had the highest mean score 4.3542, SD=0.88701 and CV=20% with the statement that our employees are satisfied with the working environment having the lowest mean score of 3.4792, SD=0.8889 and CV=26%). The high variation in the responses was depicted in the statement that our employees are satisfied with the working environment (CV=26%) and the lowest varied statement being that our employees are frequently trained in customer relationship management (CV=17%).

5.8.6 Balanced Allocation of Resources between Financial and Social Goals

Financial and social goals being important in any organization prompted the determination of how they manifest in microfinance institutions. Employees were presented with statements regarding both social and financial on a Likert scale. The findings are presented in Table 5.27.

Table 5.27: Balanced allocation of Resources between Financial and Social Goals

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Financial goals are given priority during resource allocation	48	4.4375	.82272	19.34
Social goals are given priority during resource allocation	48	4.1875	.78973	19.46
Members of the Board hold the institution accountable to its financial goals more than the social goals.	48	4.0208	.69923	17.34
The Board of directors oversees the achievement of financial goals.	48	4.0000	.94531	24.91
Social Performance criteria is used when evaluating the performance of the management.	48	3.9583	.82406	21.43
Our management emphasize more on social goals than on financial goals	48	3.9375	.88501	22.23
Senior management sets, and oversees implementation of, the institution's strategy for achieving its social goals.	48	3.8958	.92804	24.56
Employee recognition is based more on social performance criteria than on financial performance criteria.	48	3.7708	.62704	17.67
Members of the Board hold the institution accountable to its social goals more than financial goals	48	3.7083	.89819	24.89
Employee recognition is based more on financial performance criteria than on the social criteria	48	3.5000	1.09155	31.67
Members of the Board hold the institution accountable to its financial and social goals in equal measure.	48	3.4583	.94437	27.45
The Board of directors oversees the achievement of social goals.	48	3.0625	.97645	32.24
Overall Mean Score	48	3.828	0.869	22.70

Source: Primary Data

The overall mean was 3.828 depicting a moderate agreement on the statements relating to balanced allocation of resources between financial and social goals. The statement that financial goals are given priority during resource allocation had the highest mean score (Mean=4.4375, SD=0.82272 and CV=19%) with the statement that the Board of directors oversees the achievement of social goals having the lowest mean (Mean=3.0625, SD=0.97645 and CV=32%). The results show that financial goals are given more priority in microfinance institutions than social goals. This result seems to confirm the widely held view that MFIs are on a mission drift where they focus more on achieving financial goals and neglect the pursuit of social goals. This drift could be attributed to the increasing drive by MFIs to make profits in order to remain sustainable since donor and government funds to these institutions has over time become scarce.

5.8.7 Overall Summary of Social Performance Management Attributes according to Employees

The study summarized the social performance management practices attributes according to employees in order to evaluate the level of their manifestations in the microfinance institutions. The summaries are indicated in Table 5.28.

Table 5.28: Overall Summary of Social Performance Management Practices

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Social mission statement	48	4.655	0.506	10.90
Board members, management and employees commitment to social goals	48	3.965	0.714	18.01
Client friendly products/services	48	4.389	0.617	14.06
Responsible treatment of clients	48	4.338	0.746	17.20
Responsible treatment of employees	48	3.942	0.787	19.96
Balanced allocation of resources between financial and social goals	48	3.828	0.869	22.70
Grand Mean	48	4.186	0.707	16.88

Source: Primary Data

The summary shows that social mission statement had the highest mean (Mean=4.655, SD=0.506 and CV=11%) followed by client friendly products/services (Mean=4.533, SD=0.617 and CV=14%), responsible treatment of clients (Mean=4.338, SD=0.746 and CV=17%), Board members, management and employees commitment to social goals (Mean=3.965, SD=0.714 and CV=18%, Responsible treatment of employees (Mean=3.942, SD=0.787 and CV=20%) and finally balanced allocation of resources between financial and social goals (Mean=3.828, SD=0.869 and CV=23%). This supports the above findings that financial goals are given an upper hand in resource allocation as compared to social goals.

5.9 Social Practices Performance Management according to Customers

Since customers are part of social performance management practices and they are directly influenced by institutional products and services, it was important for the study to determine if the institutions offer them friendly products and if they are well treated by the institution. The findings were as discussed herein.

5.9.1 Client Friendly Products and Services

The study determined from the customers' perception if microfinance institutions offer client friendly products and services. This was to compare the perception of employees and customers and evaluate if social performance practices are upheld in the institutions. This was achieved through statements developed regarding the manifestation of client friendly products and services as indicated in Table 5.29. Respondents were asked to state the extent to which they agreed with certain statements on a 5 point Likert scale (1=strongly disagree, to 5 = strongly agree).

Table 5.29: Client friendly Products and Services

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
My institution offers financial products like loans and saving	491	4.3809	2.07304	47.32
My institutions/service features are consistent so i am able to plan for my financial goals	489	4.2699	1.40318	32.86
My institutions products/services are readily available	489	3.9632	2.44335	61.65
My institutions products have helped me achieve my financial goals	489	3.8078	.89159	23.41
My institution offers training programs in business skills	491	3.7841	1.12224	29.65
My institution offers training programs eg. nutrition and health management and social empowerment	490	3.7796	1.01743	26.92
I trust that my institutions products/services are aimed at my well being	490	3.7571	1.31072	34.88
My institutions products/services are affordable	489	3.3047	1.16788	35.34
My institution offers insurance	491	2.6151	1.39697	53.42
My institution offers money transfer services	491	2.3931	1.29295	54.03
Overall Mean Score	490	3.606	1.412	39.16

Source: Primary Data

The overall mean score for client friendly products/services according to customers was 3.606, standard deviation of 1.412 and coefficient of variation of 39%. This finding seems to suggest that customers neither agree nor disagree with the availability of client friendly products, implying that possibly products may have been designed to favor the institutions more than the clients. The co-efficient of variation at 39% also implies that respondents had varied opinions on this issue. The statement that my institution offers financial products like loans and saving had the highest mean score (Mean=4.3809, SD=2.07304 and CV=47%). This was followed by the statement that my institutions/service features are consistent so I am able to plan for my financial goals (Mean=4.2699, SD=1.40318 and CV=33%). However the statements with the lowest mean score were my institution offers insurance (Mean=2.6151, SD=1.39697 and CV=53%), my institution offers money transfer services (Mean=2.3931, SD=1.29295 and CV=54%), my institutions products/services are affordable (Mean=3.3047, SD=1.16788 and CV=35%).

Availability of non-financial products like training programs in business skills and nutrition/health management also scored modest scores of Mean=3.7841, SD=1.12224, CV=30%, and Mean=3.7796, SD=1.01743 and CV=27% respectively. This implies most microfinance institutions do not offer a variety of products, like training, insurance and money transfer services, yet these are needed by clients. This could be explained by the fact most microfinance institutions focus on achieving financial goals, and hence develop products which are a direct source of revenue (loans; small savings made periodically) and neglect designing products whose primary aim is to socially empower the poor.

5.9.2 Responsible Treatment of Clients

Responsible treatment of clients was also important for the study as a social performance practice. It was thus necessary to evaluate from the customers' perspective if their microfinance institution treats them responsibly. To achieve this, various statements were developed and customers were required to rate them on a Likert type scale. The results were as presented in Table 5.30.

Table 5.30: Responsible Treatment of Clients

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Before accessing any service, my institution educates me on all the terms and conditions of the services	489	4.3027	1.45507	34.78
My institution's front-office team know their job	489	4.2209	.83977	20.32
I am satisfied with the way my institution's employees treat me	489	4.1166	1.94302	47.65
My institution's employees often understand my needs and wants	489	4.0757	.90784	22.21
I am informed by my institution of any changes that will affect me in good time	488	4.0226	.83155	21.43
I am satisfied with my institution's public relations activities (news reports)	489	3.9918	2.50572	63.56
My complaints are solved on time	489	3.8221	.97460	25.34
I am given good attention by my institution whenever I am transacting	488	3.3648	1.17911	35.34
My institution handles customers who default on their loans professionally	489	3.2352	.98134	30.34
I believe my feedback is considered during my institution's decision making	489	3.1431	1.04409	33.32
Overall Mean Score	488	3.829	1.266	33.06

Source: Primary Data

The overall mean score on responsible treatment of clients was 3.829, standard deviation of 1.266 and coefficient of variation of 33%. It thus means MFIs treat their clients responsibly but to a moderate extent. The statement that before accessing any service, my institution educates me on all the terms and conditions of the services had the highest mean score (Mean=4.3027, SD=1.45507 and CV=34%. This was followed by the statement that my institution's front-office team know their job (Mean=4.2209, SD=0.83977 and CV=20%). The statement that registered the lowest mean score was that I believe my feedback is considered during my institution's decision making (Mean=3.1431, SD=1.044 and CV=33%). This result is similar to the one by employees who also slightly agreed to the statement customers' feedback is taken into consideration, with a mean score of 3.8125, S.D=1.02431 and CV=27%. The coefficient of variation for customers' opinions on whether they are treated responsibly by their institutions ranged between 20% and 63% depicting higher variations on this attribute as far as customers are concerned.

5.9.3 Overall Summary of Social Performance Management Practices Attributes according to Customers

The study summarized the social performance management practices according to customers. These were client friendly products/services and responsible treatment of clients. The results were presented in Table 5.31.

Table 5.31: Overall Summary of Social Management Practices Performance by Customers

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Client friendly products/services	490	3.606	1.412	39.16
Responsible treatment of clients	488	3.829	1.266	33.06
Grand mean	489	3.718	1.339	36.11

Source: Primary Data

The results in Table 5.31 show that responsible treatment of clients had a mean of 3.829, standard deviation of 1.266 and coefficient of variation of 33% and client friendly products/services having a mean of 3.606, standard deviation of 1.412 and coefficient of variation of 39%. This is an indication that customers agreed more on the responsible treatment of clients attributes as compared to client friendly products/services. This was also supported by 39% of coefficient of variation as compared to 33% on the responsible treatment of clients depicting higher variation among the respondents on the attributes of client friendly products and services. Generally, the findings on this practice suggest that customers seem to have a wide range of opinions (both in agreement and disagreement) on the level of social responsiveness of their institutions implying that Kenyan MFIs are yet to be recognized strongly by their customers as socially responsible institutions.

5.10 Customer Retention according to Employees

Customer retention was the dependent variable for the study. According to Ryals and Payne (2001), customer retention is a key underpinning of relationship marketing programs. It refers to the repeated buying of a product from the same company over a period of time (Ibok, George & Acha, 2012). Customer retention is demonstrated through a customer's continuous maintenance of a business relationship with a firm which results from a set of antecedents namely customer satisfaction, customer delight, customer switching costs and customer relationship management. Table 5.32 captures data on the perception by employees on the manifestation of customer retention by their institutions.

Table 5.32: Customer Retention according to Employees/Management

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
We get most of our customers through referrals from existing customers	48	4.2708	.70679	16.55
Our customers are loyal to our organization	48	4.2292	.66010	15.61
Our customers are motivated to continue with our institution because of the variety of products that we offer them	48	4.1875	.70428	16.82
Our services are superior than competitors thus satisfaction of our customers	48	4.1667	.72445	17.39
Our customers are motivated to continue with our institution because of flexibility of loan repayment	47	4.0851	.92853	22.73
The time for applying, processing and obtaining a loan by our customers is satisfactory	48	4.0833	.53924	13.21
Our customers have always sought more credit after fully repaying their loans	48	4.0208	.63546	15.80
The time for applying, processing and obtaining a loan by our customers is satisfactory	48	3.9583	.77070	19.47
Loan interests in our institution are affordable to our customers.	48	3.8750	.89025	22.97
Even though fees are increased by our institution, our customers are not bothered	48	2.6042	1.04657	40.19
Most of our customers make timely repayments on their loans	48	3.2917	1.07106	32.54
Overall Mean Score	48	3.888	0.7889	20.29

Source: Primary Data

From the results in Table 5.32, customer retention attributes according to employees overall mean score was computed at 3.888, standard deviation of 0.7889 and coefficient of variation of 20%. This was a moderate mean score implying that majority of employees moderately agreed to the attributes measuring customer retention in microfinance institutions in Kenya. The statement that we get most of our customers through referrals from existing customers had the highest mean score (Mean=4.2708, SD=0.70679 and CV=17%). This was followed by the statement that our customers are loyal to our organization (Mean=4.2292, SD=0.66010 and CV=16%). However, the statement with the lowest mean score was that even though fees are increased by our institution, our customers are not bothered (Mean=2.6042, SD=1.04657 and CV=40%). This implies that interest rates and fees are very sensitive to customers and they can lead to termination of the relationship if increased.

5.11 Customer Retention according to Customers

The study also determined the perception of customers on the attributes of customer retention in the microfinance institutions in Kenya. The results are contained in Table 5.33.

Table 5.33: Customer Retention according to Customers

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
I sometimes receive requests from friends on how to join this institution	488	3.9037	.94453	24.19
I have in the past recommend this institution to my friends/relative	488	3.8627	.75798	19.62
The time for applying processing and obtaining a loan in my institution is my satisfactory	488	3.8422	.90043	23.44
My institutions products/services are satisfactory to me e.g. flexible loan repayments, variety of products	487	3.8419	2.85696	74.36
I am willing to recommend this institution to my associates	488	3.7582	.87805	23.36
The interest given on saving made with my institution are attractive	487	3.2320	1.00286	31.03
I am motivated to continue my relationship with this institution because of the variety of product offered to customers	488	3.2152	1.10106	34.25
I consider myself a loyal customer of this institution	488	3.2070	.96136	29.97
Apart from loans I intend to access more products from this institution in the near future (buy more saving options or insurance etc.)	488	3.1926	1.35329	42.38
The interest on loans from my institutions are affordable to me	488	3.1557	.97417	30.87
I will seek for more credit after fully repaying my current loan	488	3.1086	1.04050	33.47
I have not considered leaving this institution in the past 1 year	488	2.8320	1.02356	36.14
I hold this institution in high regard	488	2.6311	1.05458	40.08
I am not on the lookout for other institutions with better deals	488	2.4631	1.10193	44.74
Even though fees are increased by my institution, I am not bothered	488	2.3934	1.08003	45.13
Overall Mean Score	488	3.243	1.1834	36.49

Source: Primary Data

The overall mean score of customer retention according to customers' responses was 3.243, standard deviation of 1.1834 and coefficient of variation of 37%. This is a relatively lower mean on the moderate category implying that customers of MFIs moderately agreed with most statements on customer retention suggesting that the efforts of MFIs to retain their customers are yet to bare significant fruits. The findings further suggest that most customers feel that they might terminate the relationship with the microfinance institutions after 1 year as shown by the results on the statement I have not considered leaving this institution in the past 1 year, whose mean score was 2.8320, S.D= 1.02356, and CV=36%. Most respondents disagreed with this statement. Other statements with low mean scores included: I hold this institution in high regard (Mean=2.6311, SD=1.05458 and CV=40%), I am not on the lookout for other institutions with better deals (Mean=2.4631, SD=1.10193 and CV=45%), and even though fees are increased by my institution, I am not bothered (Mean=2.3934, SD=1.80033 and CV=45%) which had the lowest mean score. Such results suggest that customers of MFIs have a less than rosy image of their institutions, are on the lookout for other firms with more attractive products and are very sensitive to any changes in prices.

On the other hand, the attribute that I sometimes receive requests from friends on how to join this institution had the highest mean score of 3.9037, standard deviation of 0.94453 and coefficient of variation of 24%. Other statements with higher means were the time for applying processing and obtaining a loan in my institution is satisfactory (Mean=3.8422, SD=0.90043 and CV=23%), my institutions products/services are satisfactory to me e.g. flexible loan repayments, variety of products (Mean=3.8419, SD=2.8569 and CV=74%) and I have in the past recommended this institution to my friends/relatives (Mean=3.8627, SD=0.75798 and CV=20%). There was also a high range in the coefficient of variation (20% and 75%) depicting that customers varied highly on the statements regarding customer retention in their respective institutions. This issue thus elicits more debate and investigation.

5.12 Overall Summary of Customer Retention Attributes

The study summarized customer retention attributes according to employees and customers perception. The results were presented in Table 5.34.

Table 5.34: Overall Customer Retention according to Employees and Customers

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
Customer Retention according to employees	48	3.888	0.7889	20.29
Customer Retention according to customers	488	3.243	1.1834	36.49
Grand Mean	268	3.566	0.986	28.39

Source: Primary Data

The results reveal that customer retention according to employees obtained a mean score of 3.888, standard deviation of 0.7889 and coefficient of variation of 21% while customer retention according to customers recorded a mean score of 3.243, standard deviation of 1.1834 and coefficient of variation of 36%. This shows that while employees agreed to a large extent on the attributes of retaining customers in their institutions, customers agreed to a lesser extent. This implies there is a mismatch between what employees perceive of their customers and what customers expect of their institutions. This situation raises the potential for a widening in the service quality gap, which if left unattended to, may result into many dissatisfied customers who will defect from the institution.

5.13 Likelihood of Customers Terminating Relationship with the Firm according to Employees

The study further established form employees the likelihood of their customers terminating their relationship with the microfinance institution within six months, one year and two years. The results are presented in Table 5.35.

Table 5.35: Likelihood of Customers Terminating Relationship (employees)

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
To what extent are your customers likely to terminate their relationship with your firm in the next? two years	48	2.4792	.79866	32.21
To what extent are your customers likely to terminate their relationship with your firm in the next? one year	48	2.4375	.71179	29.20
To what extent are your customers likely to terminate their relationship with your firm in the next? six months	48	2.3958	.73628	30.73
Overall Mean Score	48	2.438	0.749	30.72

Source: Primary Data

Employees indicated that their customers are likely to terminate their relationship with the institution but to a small extent, with the highest mean score found at two years (Mean=2.4792, SD=0.79866 and CV=32%), followed by one year (Mean=2.4375, 0.71179 and CV=29%) and finally six months (Mean=2.3958, SD=0.73628 and CV=31%). The overall mean score was thus 2.438, standard deviation 0.749, and coefficient of variation of 31%, depicting that employees believe there is a low level of likelihood for their customers terminating the relationship they have with their microfinance institutions. From the open ended question which required the respondent to provide reasons for their response, the most cited reason why employees think their customers are highly unlikely to terminate the relationship was that customers are satisfied with the products and services offered by their institutions hence the employees saw no reason as to why they would terminate the relationship.

5.14 Likelihood of Customers Terminating Relationship with the Firm according to Customers

Customers were also required to indicate their likelihood of terminating their relationship with their respective microfinance institutions in six months, one year and two years. The results are presented in Table 5.36.

Table 5.36: Likelihood of Customers Terminating Relationship (customers)

Items	N	Mean score	Std. Deviation	Coefficient of Variation (%)
How likely are you to terminate your relationship with this institution? two years	486	2.3354	1.51850	65.02
How likely are you to terminate your relationship with this institution? one year	488	2.1803	1.31031	60.09
How likely are you to terminate your relationship with this institution? six months	489	1.9243	1.27250	66.13
Overall Mean Score	488	2.147	1.367	63.67

Source: Primary Data

The results in Table 5.36 show that customers are likely to terminate the relationship within two years (Mean=2.3354, standard deviation=1.5185 and CV=65% with less likelihood to terminate in six months (Mean=1.9243, SD=1.2725 and CV=66%). Using open ended questions too, respondents were asked to provide reasons for the less likelihood to terminate relationship within 6 months to 1 year and the most cited reason was customers were still servicing loan facilities and hence could not leave these institutions until the loans were fully repaid. However, the coefficient of variation, ranging between 60% and 66%, implies that there was high variation among the respondents on this issue. The results also show that customers perceived more the likelihood to terminate the relationship with their respective microfinance institutions as compared to employees.

5.15 Overall Summary of Study Variables

The study then obtained a summary of the variables under study according the two groups of respondents' perception as indicated in the results. These were relationship marketing attributes according to employees and customers conceptualized as trust, commitment, communication, keeping promises, relationship bonds and shared values. Firm characteristics conceptualized as information technology platforms and customer relationship management actions, Social performance management practices conceptualized as social mission statement, board members, management and employees commitment to social goals, client friendly products/services, responsible treatment of clients, responsible treatment of employees and balanced allocation of resources between financial and social goals and finally customer retention according to employees and customers respectively. The summaries were as indicated in Table 5.37.

Table 5.37: Summary of Study Variables

Relationship Marketing attributes according to employees		N	Mean score	Std. Deviation	Coefficient of Variation (%)
	Trust	47	4.062	0.744	18.91
	Commitment	48	4.356	0.697	16.36
	Communication	48	4.532	0.584	13.07
	Keeping promises	48	4.022	0.545	24.13
	Relationship bonds	48	4.122	0.792	19.47
	Shared values	48	4.446	0.834	18.87
	MEAN SCORE	47	4.257	0.699	18.47
Relationship Marketing attributes according to customers	Trust	492	3.965	1.086	27.29
	Commitment	492	3.359	1.390	41.79
	Communication	492	3.421	1.013	30.33
	Keeping promises	492	3.802	1.223	32.00
	Relationship bonds	492	3.373	1.278	38.37
	Shared values	492	3.567	1.348	37.79
	MEAN SCORE	492	3.581	1.221	34.59
Firm IT Characteristics attributes according to employees	Information technology platforms	48	3.262	1.180	36.17
	Customer relationship management actions	48	4.036	0.669	16.57
	MEAN SCORE	48	3.649	0.925	26.37
Social performance management practices attributes according to employees	Social mission statement	48	4.655	0.506	10.90
	Board members, management and employees commitment to social goals	48	3.965	0.714	18.01
	Client friendly products/services	48	4.389	0.617	14.06
	Responsible treatment of clients	48	4.338	0.746	17.20
	Responsible treatment of employees	48	3.942	0.787	19.96
	Balanced allocation of resources between financial and social goals	48	3.828	0.869	22.70

Table 5.37 contd…

	MEAN SCORE	48	4.186	0.707	16.88
Social performance management practices attributes according to customers	Client friendly products/services	490	3.606	1.412	39.16
	Responsible treatment of clients	488	3.829	1.266	33.06
	MEAN SCORE	489	3.718	1.339	36.11
Customer Retention attributes	Customer Retention according to employees	48	3.888	0.7889	20.29
	Customer Retention according to customers	488	3.243	1.1834	36.49
	MEAN SCORE	268	3.566	0.986	28.39
Likelihood of customers to terminate relationship with the firm	Likelihood of customers to terminate relationship with the firm according to employees	48	2.438	0.749	30.72
	Likelihood of customers to terminate relationship with the firm according to customers	488	2.147	1.367	63.67
	MEAN SCORE	268	2.293	1.058	47.19

Source: Primary Data

The results in Table 5.37 show that the overall mean score for relationship marketing according to employees was 4.26, standard deviation of 0.699 and coefficient of variation of 18% whereas that score according to customers was mean=3.581, SD=1.221 and CV=34%, implying that although employees perceived they had strong relationships with their customers, customers' perception was that the relationship was moderate. With regard to firm characteristics, although most firms had been in operation for between 1 and 10 years, were operating between 1-20 branches countrywide, and were owned by investors, they had adopted technology platforms and customer relationship management actions to a moderate extent as shown by the results - mean score of 3.649, SD=0.925 and CV=26%. Social performance management practices attributes according to employees had a mean of 4.18, standard deviation of 0.707 and CV=17% and according to customers had a mean=3.718, SD=1.339 and CV=36%, suggesting that while employees believed their institutions were socially responsive to customers and other stakeholders, customers on the other hand did not agree as much. Customer retention according to employees and customers registered a mean of 3.566, standard deviation of 0.986 and coefficient of variation of 28%. Further the mean score of likelihood of customers to terminate relationship with the firm according to employees and customers was 2.293, SD=1.058 and CV=47%. These results imply that in general there is a moderate likelihood of microfinance institutions retaining their customers in the short term. This is not that good a position to be in because the long term survival of any firm depends on the existence of a solid base of loyal customers who are willing to remain with the firm over a long term period.

5.16 Chapter Summary

This chapter provided findings on the characteristics of the respondents by presenting results of the descriptive analysis tests run on the collected data. In addition, mean scores, standard deviation and coefficient of variations of each of the study variable indicators were presented together with the overall scores of all the variables.

CHAPTER SIX

TESTS OF HYPOTHESES

6.1 Introduction

This chapter presents and discusses the results of the hypotheses as derived from the specific objectives of the study. The study was based on the premise that there is an association between relationship marketing and customer retention and that this association is moderated by firm IT characteristics and social performance management practices. The study further sought the joint effect of these variables on customer retention. To test the relationships, parametric statistical techniques were employed because the study aimed to test four hypotheses and the data met the statistical tests of pertinent assumptions. The parametric tests used were simple linear regression, multiple regression and stepwise regression techniques.

While the direct relationships between the variables of the study were tested through simple regression analysis, indirect relationships were tested for by multiple regression analysis and the moderation effects tested through stepwise regression analysis. Choice of which analytical tools to use was guided by the study objectives, type of data and the measurement scales. The hypotheses were tested at 95 percent confidence level (α=0.05); hence decision points to reject or fail to reject a hypothesis were based on the p-values. Where $p<0.05$, study failed to reject the hypotheses, and where $p>0.05$, study rejected the hypotheses. Interpretations of results and subsequent discussions also considered correlation coefficient (R), coefficient of determinations (R^2), F-Statistic values (F) and beta values (β). R^2 indicated the change in dependent variable explained by change in the independent variables combined. Further, the higher the F-Statistic, the more significant the model was.

The negative or positive effect of the independent variable on the dependent (either negative or positive) was explained by checking the beta (β) sign. The R-value shows the strength of the relationship between the variables, t-values represent the significance of individual variables. The findings are presented along study objectives and corresponding hypotheses.

6.2 Correlation Analysis

Prior to conducting regression analysis, it was necessary to first establish whether there were significant associations between the study variables - relationship marketing, firm IT characteristics, social performance management and customer retention. Pearson's product moment correlation (r) was used to measure this degree of association by assessing both the direction and strength. Pearson correlation coefficients range from -1 to +1, with negative values indicating negative association and positive values indicating positive correlation. Specifically, Pearson coefficient < 0.3 indicates weak correlation, Pearson coefficient >0.3<0.5 indicates moderate correlation, Pearson coefficient>0.5 indicates strong correlation, while Pearson coefficient =0 indicates that there is no relationship (Saunders, Lewis & Thornhill, 2016).

6.2.1 Correlation Analysis Results according to Employees

The study first determined the relationships among the study variables according to employees' perceptions. The association among relationship marketing, firm IT characteristics, social performance management practices and customer retention were determined through correlation coefficient determination. The relevant results are presented Table 6.1.

Table 6.1: Correlation Analysis Results according to Employees

Correlations

		Firm IT characteristics	Social performance management practices	Relationship marketing	Customer retention
Firm IT characteristics	Pearson Correlation	1	.092	.301**	.238**
	Sig. (2-tailed)		.254	.000	.003
	N	48	48	48	48
Social performance management practices	Pearson Correlation	.092	1	.707**	.448**
	Sig. (2-tailed)	.254		.000	.000
	N	48	48	48	48
Relationship marketing	Pearson Correlation	.301**	.707**	1	.584**
	Sig. (2-tailed)	.000	.000		.000
	N	48	48	48	48
Customer retention	Pearson Correlation	.238**	.448**	.584**	1
	Sig. (2-tailed)	.003	.000	.000	
	N	48	48	48	48

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

Source: Primary Data

The results in Table 6.1 show that relationship marketing is highly correlated with customer retention according to employees' responses (r =.584 and P<0.05). This is a positive and strong correlation coefficient implying that there exists a strong relationship between relationship marketing and customer retention. This was followed by social performance management practices (r =.448 and P<0.05) and finally firm IT characteristics (r=.238 and p-value<0.05). A moderate association was found between social performance management practices implying that these practices are moderately manifested in the microfinance institutions. However, a weak relationship was observed between firm IT characteristics and customer retention. This can be interpreted to mean that most of the microfinance institutions' IT aspects are weak and therefore do not play big role in retaining customers.

6.2.2 Correlation Analysis Results according to Customers

Customers were also required to respond to items on relationship marketing, social performance management practices and customer retention. The relationship between these variables were determined using correlation analysis. The results are as presented in Table 6.2.

Table 6.2: Correlation Analysis Results according to Customers

Correlations

		Relationship marketing	Social performance management practices	Customer retention
Relationship marketing	Pearson Correlation	1	.567**	.414**
	Sig. (2-tailed)		.000	.000
	N	492	492	492
Social performance management practices	Pearson Correlation	.567**	1	.383**
	Sig. (2-tailed)	.000		.000
	N	492	492	492
Customer retention	Pearson Correlation	.414**	.383**	1
	Sig. (2-tailed)	.000	.000	
	N	492	492	492

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

Source: Primary Data

The results in Table 6.2 show that according to customers, the association between relationship marketing and customer retention was moderate (r =.414 and P<0.05). However, the correlation coefficient showed a positive and significant t association implying that relationship marketing manifests moderately within the microfinance institutions in Kenya. Further, social performance management practices also showed moderate relationship with customer retention (r =.383 and P<0.05) though it is manifested at a lower level as compared to that between relationship marketing and customer retention. This in general means that even if relationship marketing and social performance management practices manifest in the surveyed institutions, they do so moderately.

6.2.3 Overall Correlation Analysis

The study further determined the nature of association between the study variables based on the combined perceptions of customers and employees. This was determined by averaging the items on each variable (Relationship Marketing, Firm IT Characteristics, Social Performance Management Practices and Customer Retention) for both managers and customers' responses. The results are contained in Table 6.3.

Table 6.3: Overall Correlation Analysis Results

Correlations

Variables		Relationship Marketing	Firm IT Characteristics	Social Performance Management Practices	Customer Retention
Relationship Marketing	Pearson Correlation	1	-.177	.761**	.585**
	Sig. (2-tailed)		.229	.000	.000
	N	492	48	492	492
Firm IT Characteristics	Pearson Correlation	-.177	1	-.042	.212
	Sig. (2-tailed)	.229		.776	.936
	N	48	48	48	48
Social Performance Management Practices	Pearson Correlation	.761**	-.042	1	.446**
	Sig. (2-tailed)	.000	.776		.000
	N	492	48	492	492
Customer Retention	Pearson Correlation	.585**	.212	.446**	1
	Sig. (2-tailed)	.000	.936	.000	
	N	492	48	492	492

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

Source: Primary Data

The results in Table 6.3 show that relationship marketing has the strongest positive influence on customer retention (r =.585 and P<0.05) and the relationship is statistically significant. In addition, social performance management practices is positively correlated to customer retention (r =.446 and P<0.05) with the association being statistically significant too though moderate. However, the relationship between firm IT characteristics and customer retention is weak and statistically insignificant (r =.212 and P>0.05) implying that firm IT characteristics alone will not influence the ability of a firm to retain customers. The results in the correlation matrix imply that the relationship marketing variable is a very crucial determinant of customer retention, followed by social performance management practices and lastly firm IT characteristics though the relationship between firm IT characteristics and customer retention is weak. Since the correlations between the predictor variables and customer retention were not very high (that is, r<0.07), the variables were suitable for further analysis using simple and multiple regression (Osborne and Waters, 2002).

6.3 Regression Analysis and Hypotheses Testing

This section presents the results of the tests of hypotheses. The hypotheses are a manifestation of the relationship between the study variables as conceptualized and presented in the conceptual model. There were four research objectives and four corresponding hypotheses which were tested using simple and multiple regression to establish the statistical significance of these hypotheses. The study hypothesized that there is an association between relationship marketing (independent variable) and customer retention (dependent variable), but this relationship is moderated by firm IT characteristics and social performance management practices. In addition, the study hypothesized that the joint effect of the variables relationship marketing, firm IT characteristics and social performance management practices is greater that the individual effect of relationship marketing on customer retention. These hypotheses were tested for using the overall (combined) responses of employee and customer respondents.

However, prior to performing these hypotheses tests, regression analysis (simple and multiple) was performed on the data for each group of respondents - employees and customers – in order to understand which among the independent variables are related to the dependent variable, based on each groups’ responses. From this analysis, the forms of these relationships were established and prediction models derived in each case.

A composite index for each of the study variables was computed through the sum of responses divided by the total number of measurement items. Relationship marketing was measured as a composite index of trust, commitment, communication, keeping promises, relationship bonds and shared values. Firm IT characteristics were measured as a composite index of technology platforms adopted and customer relationship management actions. Social performance management practices were measured as a composite index of social mission, board and management commitment, client friendly products, responsible treatment of employees and customers and balanced allocation of resources. Finally, customer retention was computed as composite index of customer retention attributes-customers' length of stay with firm, repeat purchases, products purchased by customer, word of mouth communication, customer care costs and extent of customer loyalty. The subsections below present the findings on the regression analysis conducted.

6.3.1 Relationship Marketing and Customer Retention

This subsection presents the results of the tests for the first hypothesis of the study which was formulated from the first research objective. The objective sought to establish the influence of relationship marketing on customer retention by microfinance institutions in Kenya. The hypothesis was **H_1: There is a statistically significant association between relationship marketing and customer retention by MFIs in Kenya.** Relationship marketing and customer retention required employee and customer respondents to rate the extent to which given statements matched their perception in the specified areas using a Likert type scale of 1 to 5, with 1 representing 'not at all'/ 'strongly disagree' and 5 representing 'to a very large extent'/ 'strongly agree'. The overall regression analysis to test for the first hypothesis of this study was thus based on the combined perceptions of employees and customers. This hypothesis was tested for through two sub-hypotheses. **H_{1a}: There is a statistically significant association between individual relationship marketing dimensions and customer retention;** and **H_{1b}: There is a statistically significant association between relationship marketing and customer retention.** The relevant results are presented in section 6.3.1.3.

However, prior to performing this overall regression analysis on Hypothesis **H_1**, a separate regression analysis was performed on the data from each group of the respondents. The aim was to establish the nature of relationship between the predictor variable (relationship marketing) and explanatory variable (customer retention) with regard to employees' perceptions on their own and the same with respect to customers' perceptions thereby establish if there are any significant differences in the nature of relationships. The regression results on employees are presented in section 6.3.1.1 while for customers are in section 6.3.1.2.

6.3.1.1 Relationship Marketing and Customer Retention according to Employees

The study determined independently the relationship marketing and customer retention according to employees' responses. This was determined by getting the composite index of relationship marketing and customer retention constructs and applied simple linear regression analysis to determine their significance levels. The results were as depicted in Table 6.4.

Table 6.4: Relationship Marketing and Customer retention according to Employees

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Relationship marketing	.614[a]	.378	.376	.44724

b) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
Relationship marketing	Regression	59.451	1	59.451	297.220	.000[b]
	Residual	98.011	47	.200		
	Total	157.462	48			

c) Combined coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.031	.127		8.116	.000
Relationship marketing	.606	.035	.614	17.240	.000

a. Dependent Variable: Customer retention

a. Predictors: (Constant), Relationship marketing

Source: Primary Data

The results shows that (R= .614) and Coefficient of determination (R^2 =.378). This depicts that relationship marketing according to employees explains 37.8% variation in customer retention with other factors not considered in this model explaining 62.2%. The F-value was 297.220 and p=0.000 which is less than 0.05 threshold implying that there is a significant relationship between relationship marketing and customer retention according to employees. Results of the coefficients show that a unit increase in relationship will lead to a .606 increase in customer retention. According to the employees' responses this finding implies that as a firm uses more relationship marketing programs, its ability to retain customers increases by .606 units.

From these results therefore, the regression model for the influence of relationship marketing on customer retention according to employees perceptions can thus be written as follows:

Y = 1.031+.606RM, Where Y = Customer Retention, RM= Relationship marketing.

6.3.1.2 Relationship Marketing and Customer Retention according to Customers

A significant test between relationship marketing and customer retention according to customers was also undertaken. This analysis considered only the constructs as responded to by the customers after their composite index were determined. The results are presented in Table 6.5.

Table 6.5: Relationship Marketing and Customer Retention according to Customers

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Relationship marketing	.453[a]	.205	.200	.54617

b) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
Relationship marketing	Regression	12.701	1	12.701	42.578	.000[b]
	Residual	49.220	490	.298		
	Total	61.921	491			

c) Combined coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.147	.143		22.025	.000
Relationship marketing	.266	.041	.453	6.525	.000

a. Dependent Variable: Customer retention

a. Predictors: (Constant), Relationship marketing

Source: Primary Data

The simple liner regression results according to customers indicate a significant relationship exists between relationship marketing and customer retention (R=.453 and R^2 =.205), though this association is lower as compared to employees views on the same relationship (R= .614 and R^2 =.378). The customers' results show that relationship marketing explains only 20.5% of the variation in customer retention, a lower value in comparison to that of employees whose variation in customer retention was 37.8%. The value of R indicates moderate relationship between relationship marketing and customer retention according to customers. The results further shows that p-value=0.000 which is less that 0.05 thus depicting significant association. Results of the coefficients reveal that a unit increase in relationship will lead to a .266 increase in customer retention, a lower change than that observed for employees' perceptions although both models are significant.

From these results, the regression model for the influence of relationship marketing on customer retention according to customers views can thus be written as follows;

Y = 3.147+.266RM

Where Y = Customer Retention, RM= Relationship marketing.

6.3.1.3 Overall Relationship Marketing and Customer Retention

In order to test for the first hypothesis of the study **H_1**: **Relationship marketing has a statistically significant effect on customer retention**, the composite index for both the aspects of customers' responses and managers' responses was determined. The hypothesis was then tested at two levels **H_{1a}** and **H_{1b}**.

Hypothesis **H_{1a}: There is a statistically significant association between individual relationship marketing dimensions and customer retention** was tested through simple linear regression analysis. The individual relationship marketing dimensions were trust, commitment, communication, keeping promises, relationship bonds and shared values. The results were as presented in Table 6.6.

Table 6.6: Individual Effect of Relationship Marketing Dimensions on Customer Retention

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Relationship marketing constructs	.471[a]	.222	.238	.60421

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
Relationship marketing constructs	Regression	.312	1	.312	.855	.023[b]
	Residual	1.095	490	.365		
	Total	1.407	491			

Coefficient						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
Relationship marketing constructs	(Constant)	1.854	.375		4.947	.000
	Trust	.223	.097	.227	2.618	.041
	Commitment	.337	.123	.339	1.300	.015
	Communication	.373	.081	.368	2.152	.001
	Keeping promises	.275	.098	.272	1.778	.030
	Relationship bonds	.248	.125	-.223	-1.508	.037
	Shared values	.398	.067	.346	3.214	.001

a. Dependent Variable: Customer retention

b. Predictors: (Constant), trust, commitment, communication, keeping promises, relationship bonds and shared values

Source: Primary Data

The effects of relationship marketing dimensions' analysis on customer retention are shown in Table 6.6. The study found a relatively moderate association between the relationship marketing constructs and customer retention (R= .471). Coefficient of determination (R^2 =.222) indicates that relationship marketing dimensions explain 22.2 % of variation in customer retention with the remaining 77.8 % explained by other variables implemented by the firms as far as customer retention is concerned. The F value for the model was 0.855 at p - value less than 0.05, implying that relationship marketing had statistically significant effects on customer retention. The results are statistically significant for all the relationship marketing constructs since their corresponding p-value< 0.05. The most significant were communication and shared values (p-value=0.001), these were followed by commitment, keeping promises, relationship bonds and trust respectively. The first sub-hypothesis that there is a statistically significant association between individual relationship marketing dimensions and customer retention was thus supported.

The regression equation thus can be written as follows;

$Y = 1.854+.223T+.337CT+.373CC+.275KP+.248RB+.398SV$

Where Y = Customer Retention, T= Trust, CT= Commitment, CC= Communication, KP= Keeping promises, RB= Relationship bonds, SV= Shared values.

These results mean that for each unit increase in trust, customer retention changes by 22.3%, whereas commitment leads to an increase by 33.7%, communication by 37.3%, keeping promises by 27.5%, relationship bonds by 24.8% and shared values by 39.8%. Of these, shared values had the highest effect on customer retention followed by communication.

The second **sub hypothesis H_{1b}: There is a statistically significant association between relationship marketing and customer retention** was tested for using simple linear regression analysis too. The aim was to determine the overall influence of relationship marketing on customer retention based on combined views from customers and employees. Being the dependent variable, customer retention was regressed on the overall relationship marketing (computed composite index). The results of the regression analysis are presented in Table 6.7.

Table 6.7: Regression Results of Effect of Overall Relationship Marketing on Customer Retention

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Relationship marketing	.585[a]	.342	.340	.38402

a) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
Relationship marketing	Regression	37.526	1	37.526	254.469	.000[a]
	Residual	72.260	490	.147		
	Total	109.786	491			

b) Combined coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.335	.108		12.333	.000
Relationship Marketing	.473	.030	.585	15.952	.000

a. Dependent Variable: Customer Retention

b. Predictors: (Constant), Relationship Marketing

Source: Primary Data

The results in Table 6.7 indicate that there is a relatively strong association between relationship marketing and customer retention (R=.585). The coefficient of determination R^2 =.342 implies that relationship marketing explains 34.2% of the variation in customer retention. The other variables not included in this study explain the remaining 65.8%. This result shows a strong influence of relationship marketing on customer retention. The overall model was statistically significant ($F = 254.469$, P-value < 0.05). The results of the beta coefficient showed that a unit increase in relationship marketing will cause a .473 increase in customer retention ($B=.473$, $t=15.952$, $p<0.05$) suggesting that the influence of relationship marketing on customer retention was statistically significant. This implies, overall, relationship marketing is a good predictor of customer retention. The findings thus were sufficient to support the first hypothesis that the influence of relationship marketing on customer retention is statistically significant. Therefore hypothesis ($H_{1)}$ was supported.

The regression equation on the overall influence of relationship marketing on customer retention can be written as follows:

$Y = 1.335 + .473RM$

Where Y = Customer Retention, RM= Relationship Marketing

6.3.2 Relationship Marketing, Firm IT Characteristics and Customer Retention

The second hypothesis of this study was **H_2: Firm-IT characteristics have a statistically significant moderating effect on the association between relationship marketing and customer retention by MFIs**. This hypothesis was tested using the combined (overall) perceptions of employees and customers, and the hypothesis was broken down into two: the first part (**H_{2a}**) sought to test whether firm IT characteristics have a statistically significant effect on customer retention, while the second part (**H_{2b}**) assessed if firm IT characteristics have a statistically significant moderating effect on the association between relationship marketing and customer retention. The results are depicted in sections 6.3.2.3 and 6.3.2.4 respectively.

Prior to performing this overall regression analysis on hypothesis **H_2**, regression analysis was performed on the data from employee respondents first. The aim was to establish the nature of relationship between the predictor variable (firm IT characteristics) and explanatory variable (customer retention) with regard to employees' perceptions. The results are presented in the next two sections (6.3.2.1 and 6.3.2.2).

6.3.2.1 Firm IT Characteristics and Customer Retention according to Employees

The study sought to establish the influence of firm IT characteristics on customer retention according to employees' views. A composite index was computed for firm IT characteristics attributes and customer retention according to employees' questionnaire. These results were as presented in Table 6.8.

Table 6.8: Regression Results of Firm IT Characteristics and Customer Retention according to Employees

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Firm IT Characteristics	.369[a]	.136	.128	.80694

b) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
Firm IT Characteristics	Regression	10.078	1	10.078	15.478	.000[b]
	Residual	63.812	47	.651		
	Total	73.891	48			

c) Combined coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.019	.194		10.408	.000
Firm IT Characteristics	.324	.082	.369	3.934	.000

a. Dependent Variable: Customer Retention
b. Predictors: (Constant), Firm IT Characteristics

Source: Primary Data

The results in Table 6.8 show R= .369 and a beta co-efficient of .324 implying that there exists a positive and moderate relationship between firm IT characteristics and customer retention according to employees. Coefficient of determination R^2=.136 indicates that firm IT characteristics influence customer retention by 13.6% with the rest 86.4% being explained by other factors not considered in this model. The relationship between firm IT characteristics and customer retention is statistically significant since p-value<0.05 (P=.000) at 95% confidence level. The F value is 15.478 which is higher than the p-value depicting significant model. Results of the coefficients show that a unit increase in firm IT characteristics will lead to a .324 increase in customer retention.

This implies that as the firm invests more in technology platforms and customer relationship management practices, its ability to retain customers increases according to the managers' responses. Firm IT characteristics therefore should therefore be taken as important by managers in facilitating customer retention because they seem to increase efficiency and effectiveness in the transactions performed between a firm and customers thus improving customer interactions. From these findings, the regression model for the influence of firm IT characteristics on customer retention according to employees' perceptions can thus be written as follows:

$Y = 2.019 + .324FC$

Where Y = Customer Retention, FC= Firm IT characteristics.

6.3.2.2 Moderation Effect of Firm IT Characteristics on Relationship Marketing and Customer retention according to Employees

The study next determined the moderating effect of firm IT characteristics on the association between relationship marketing and customer retention according to employees' perceptions. It involved testing the effect of the independent variable (relationship marketing) and the moderator variable (firm IT characteristics) on the dependent variable (customer retention), and the interaction between relationship marketing and firm IT characteristics.

Step one involved testing the influence of relationship marketing on customer retention by regressing relationship marketing on customer retention. The second step involved testing the effect of the predictor variables (relationship marketing and firm IT characteristics) on the criterion variable (customer retention). In step three, the interaction term between relationship marketing and firm IT characteristics (calculated by obtaining the product of standardized values of relationship marketing and firm IT characteristics) was introduced and tested for its significance on overall customer retention. Moderation effect is confirmed when the effect of the interaction term is statistically significant. The results were as presented in Table 6.9.

Table 6.9: Moderation Results of the Effect of Firm IT Characteristics on Relationship Marketing and Customer Retention according to Managers

a) Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
1	Relationship marketing	.439[a]	.192	.190	.61573	.104	1.856	3	45	.150
2	Relationship marketing, firm IT characteristics	.523[a]	.274	.272	.58386	.281	4.634	2	46	.150
3	Relationship, firm IT characteristics interaction	.761[a]	.579	.578	.39456	.385	6.490	5	43	.000

b)ANOVA

Model			Sum of Squares	df	Mean Square	F	Sig.
1	Relationship marketing	Regression	3.048	1	1.016	1.856	.030
		Residual	26.277	47	.547		
		Total	29.325	48			
2	Relationship marketing, firm IT characteristics	Regression	14.961	2	4.980	8.823	.000
		Residual	22.007	46	.446		
		Total	28.967	48			
3	Relationship, firm IT characteristics interaction	Regression	14.349	5	1.794	6.490	.000
		Residual	14.975	43	.348		
		Total	29.325	48			

c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.803	.314		2.559	.013		
	Relationship marketing	.360	. 086	.426	4.192*	. 000	.966	1.035
	Customer Retention	.290	.106	.278	2.740*	.008	.966	1.035
2	(constant)	.740	.319		2.321*	.023		
	Relationship marketing	.357	.086	.421	4.148*	.000	.964	1.037
	Firm IT characteristics	.314	.108	.301	2.905*	.005	.925	1.081
3	Relationship marketing and firm IT characteristics interaction	.675	.068	-.354	-3.957*	.026	.958	1.044

a. Predictors: (Constant), Firm IT characteristics, Relationship marketing

b. Predictors: (Constant), Firm IT characteristics, Relationship marketing, Interaction term between Firm IT characteristics, Relationship marketing

c. Dependent Variable: Customer Retention

Source: Primary Data

Results in Table 6.9 show that the regression results for model three involving the moderation effect was robust and thus fit for analytical task for which it was intended ($F=6.490$, $P<0.05$). Both R, R^2 and beta coefficient are significant ($R=.761^a$ $R^2=.579$, $P<0.05$) suggesting that relationship marketing and firm IT characteristics interaction according to employees explains 57.9% of variance in customer retention. The study further shows that the results in step one and two were also significant. This depicts that according to employees of MFIs in Kenya, relationship marketing when interacted with firm IT characteristics gives better results as far as customer retention is concerned.

From these findings, the regression model for the moderating influence of firm IT characteristics on relationship marketing and customer retention according to employees' perceptions can thus be written as follows:

$Y = .803 + .360X_1$

$Y = .740 + .360X_1 + .357Z$

$Y = .803 + .360X_1 + .357\,Z + .675X.Z$

Where: Y = Customer retention; X= Relationship marketing; Z=firm IT characteristics; X.Z= relationship marketing and firm IT characteristics interaction

6.3.2.3 Overall Firm IT Characteristics and Customer Retention

In order to test for the second hypothesis of this study **H_2: Firm-IT characteristics have a statistically significant moderating effect on the association between relationship marketing and customer retention,** the composite index for both the aspects of customers' responses and managers' responses was determined. This was to see on overall, using responses of employees and customers, to what significance level do firm IT characteristics and customer retention exhibit within the microfinance institutions in Kenya. This hypothesis was tested at two levels **H_{2a}** and **H_{2b}**.

Hypothesis **H_{2a}: There is a statistically significant relationship between firm IT characteristics and customer retention,** was tested through simple linear regression analysis. The results were as presented in Table 6.10.

Table 6.10: Overall Regression Results of Firm IT Characteristics and Customer Retention

d) Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Firm IT Characteristics	.209[a]	.044	-.022	.28703

e) ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
Firm IT Characteristics	Regression	.001	1	.001	.007	.936[a]
	Residual	3.790	490	.082		
	Total	3.790	491			

f) Combined coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.426	.238		14.379	.000
Firm IT Characteristics	-.005	.064	-.012	-.081	.936

a. Dependent Variable: Customer Retention
b. Predictors: (Constant), Firm IT Characteristics

Source: Primary Data

The results in Table 6.10 show R= .209 and a beta co-efficient of -.005 implying that there existed a weak and inverse relationship between firm IT characteristics and customer retention. Firm IT characteristics have a weak influence on customer retention shown by the coefficient of determination R^2=.044 which indicates that firm IT characteristics influence customer retention by only 4.4% with other factors not considered in the model influencing 95.6%. Further, the relationship between firm IT characteristics and customer retention is statistically insignificant since p-value>0.05 (P=.936) at 95% confidence level. The F value is 0.007 and p=0.936>0.05 depicting an insignificant model. Results of the coefficients show that a unit increase in firm IT characteristics leads to a -.005 decrease in customer retention.

This implies that as a firm invests more in technology platforms and customer relationship management practices, its ability to retain customers reduces, suggesting that firm IT characteristics alone are not a good predictor of customer retention if customers' perspectives are not included when developing technology solutions. Firm IT resources therefore seem to depend on other factors such as well documented and instituted processes, trained personnel, customers' adaptability with the technology, combined with appropriate relationship marketing programs and social performance management practices to influence customer retention. Consequently, the findings were not sufficient to support the hypothesis that firm IT characteristics have an influence on customer retention, thus the sub-hypothesis (H_{2a}) was rejected. The regression equation for the overall influence of firm IT characteristics on relationship marketing and customer retention can be written as follows:

$Y = 3.426 - .005FC$

Where Y = Customer Retention, FC= Firm IT characteristics

6.3.2.4 Overall Moderation Effect of Firm IT Characteristics on Relationship Marketing and Customer retention

The study then sought to determine the overall moderating influence of firm IT characteristics on the association between relationship marketing and customer retention through sub hypothesis **H_{2b}: Firm IT characteristics have a statistically significant moderating effect on the association between relationship marketing factors and customer retention for MFIs.** This was done by assessing how the effect of relationship marketing (independent variable) on customer retention (dependent variable) changes when firm IT characteristics (moderating variable) are introduced. Stepwise regression analysis, a three step procedure proposed by Baron and Kenny (1986), was used. The composite index was computed for relationship marketing, firm IT characteristics and customer retention.

Step one involved testing the influence of relationship marketing on customer retention by regressing relationship marketing on customer retention. The second step involved testing the effect of the predictor variables (relationship marketing and firm IT characteristics) on the criterion variable (customer retention). In step three, the interaction term between relationship marketing and firm IT characteristics (calculated by obtaining the product of standardized values of relationship marketing and firm IT characteristics) was introduced and tested for its significance on overall customer retention. The moderation effect is confirmed when the effect of the interaction term is statistically significant. The results were as presented in Table 6.11.

Table 6.11: Overall Moderation Results of the Effect of Firm IT Characteristics on Relationship Marketing and Customer Retention

a) Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
1	Relationship marketing	.585[a]	.342	.340	.38402	.083	4.181	3	486	.047
2	Relationship marketing, firm IT characteristics	.177[a]	.031	.010	.64747	.083	4.462	2	488	.040
3	Relationship, firm IT characteristics interaction	.447	.200	.149	.348308	.034	1.883	5	483	.177

b)ANOVA

Model			Sum of Squares	df	Mean Square	F	Sig.
1	Relationship marketing	Regression	.556	1	.556	4.181	.047
		Residual	6.118	490	.133		
		Total	6.675	491			
2	Relationship marketing, firm IT characteristics	Regression	1.108	2	.554	4.479	.017
		Residual	5.566	487	.124		
		Total	6.675	489			
3	Relationship, firm IT characteristics interaction	Regression	1.337	5	.446	3.672	.019
		Residual	5.338	485	.121		
		Total	6.675	490			

c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.120	.314		7.782	.013		
	Relationship marketing	.202	. 086	.289	2.045*	. 000	1.00	1.000
	Customer Retention	1.570	.106	.332	4.244*	.047	.977	1.023
2	(constant)	.233	.319		2.414*	.023		
	Relationship marketing	.157	.086	.291	2.112*	.000	.977	1.023
	Firm IT characteristics	.131	.108	.380	4.218*	.003	.977	1.090
3	Relationship marketing and firm IT characteristics interaction	-.078	.068	.199	1.372*	.040	.958	1.044

a. Predictors: (Constant), Firm IT characteristics, Relationship marketing

b. Predictors: (Constant), Firm IT characteristics, Relationship marketing, Interaction term between Firm IT characteristics, Relationship marketing

c. Dependent Variable: Customer Retention

Source: Primary Data

Table 6.11 shows that the regression results for model one was robust and thus fit for analytical task for which it was intended ($F=4.181$, $P<0.05$). Both R, R^2 and beta coefficient are statistically significant ($R=.585^a$ $R^2=.342$, $P<0.05$) suggesting that relationship marketing explains 34.2% of variance in customer retention while the rest (65.8%) is explained by other factors not considered in this study. Further, it is evident in model one that for every unit change in relationship marketing, there is a corresponding .202 change in customer retention ($\beta=0.202$, $t = 2.045$, $P<0.05$). The results in step one were thus statistically significant.

In step two, when the moderator firm IT characteristics was introduced, the influence of relationship marketing on customer retention drops to 3.1%, suggesting that relationship marketing and firm IT characteristics explain only 3.1% of the variance in customer retention. The overall model however was statistically significant ($F=4.181$, $P<0.05$), and further, the beta coefficient too was statistically significant ($\beta=0.157$, $t=2.112$, $P<0.05$), implying that a unit change in relationship marketing is associated with a .157 change in customer retention, while the variance in customer retention is .131 in respect to firm IT characteristics ($\beta=0.131$, $t=4.218$, $P<0.05$).

In step three the variables relationship marketing and firm IT characteristics, as well as the interaction term, were entered in the model. The findings from the test of moderating effect of firm IT characteristics on the relationship marketing - customer retention association suggest that firm IT characteristics negatively affect this association ($\beta= -.078$, $t=1.372$, $P<0.05$). This is supported in model one where $R^2=0.342$ yet in model three, after firm IT characteristics are considered by introducing the interaction term (RM *FC), R^2 reduces to 0.200, which is a 14.2% reduction. This result implies that though the relationship is statistically significant (p-value=.040 at $P<0.05$), firm IT characteristics have an inverse effect on the association between relationship marketing and customer retention.

The findings imply that firm IT characteristics with respect to technology platforms and customer relationship management actions may not necessarily help in retaining customers as far as relationship marketing is concerned. This could be attributed to the fact that other factors such as employees' unwillingness to change behaviour in the context of too many technological choices may lead to ineffective use of the technology (Payne & Frow 2006). Authors like Chen & Popovich, 2003; Lang &Colgate, 2003; Payne and Frow, 2006 already argued that benefits of relationship enhancement through information technology may not automatically be realized simply by purchasing technologies. Further, the inverse effect of firm IT characteristics on the association between relationship marketing and customer retention result could also be attributed to the fact that as firms grow larger in size and become older and more experienced, the tendency to become bureaucratic and inflexible increases, as argued by Cadogan and Diamantopoulos (1995), cited in Njeru, (2013) hence negatively affecting its ability to meet customers' needs even though relationship marketing practices are in place.

The study findings, however, were statistically significant and hence the hypothesis that firm IT characteristics moderate the association between relationship marketing and customer retention was supported. The regression equations for the overall moderating influence of firm IT characteristics on relationship marketing and customer retention can thus be written as:

$Y = 2.120 + .202X_1$

$Y = .233 + .157X_1 + .131Z$

$Y = 2.120 + .202X_1 + .131Z + -.078\ X.Z$

Where: Y = Customer retention; X= Relationship marketing; Z=firm IT characteristics; X.Z= relationship marketing and firm IT characteristics interaction

6.3.3 Relationship Marketing, Social Performance Management Practices and Customer Retention

The next analysis was performed on the third hypothesis of the study - **H_3: Social performance management practices have a statistically significant moderating effect on the association between relationship marketing and customer retention by MFIs.** In this case, the researcher sought to determine if moderating influence of social performance management practices on the relationship between relationship marketing and customer retention is statistically significant. This moderating effect was determined by testing the effect of social performance management on customer retention before introducing an interaction term using the stepwise regression procedure. The combined (overall) perceptions of employees and customers were used for this analysis with the hypothesis broken down into two: the first part (**H_{3a}**) sought to establish if social performance management has a statistically significant effect on customer retention according to both managers' and customers' views, while the second part (**H_{3b}**) sought to determine if the moderating effect of social performance management on the association between relationship marketing and customer retention is statistically significant. The results of this overall influence (direct and indirect) are presented in sections 6.3.3.5 and 6.3.3.6 respectively.

Prior to performing this overall regression analysis on hypothesis **H_3**, it was important to determine the nature of relationship (direct and indirect) between the variables (relationship marketing, social performance management and customer retention) with respect to employees' perceptions, and with respect to customers' perceptions too. The results are presented in the next four sections (6.3.3.1 to 6.3.3.4)

6.3.3.1: Social Performance Management Practices and Customer Retention according to Employees

The significant effect of social performance management practices on customer retention according employees' views was determined and tabulated. This effect was established through simple linear regression using the composite indices computed for both social performance management and customer retention. The aim was to determine the extent to which the influence of social performance management practices on customer retention is statistically significant. The results were as presented in Table 6.12.

Table 6.12: Results of the Effect of Social performance management practices and Customer retention according to Employees

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Social Performance Management Practices	.588[a]	.345	.341	.49563

b) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
Social Performance Management Practices	Regression	21.389	1	21.389	87.069	.000[b]
	Residual	40.533	47	.246		
	Total	61.921	48			

c) Combined coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.046	.113		26.978	.000
Social Performance Management Practices	.333	.036	.588	9.331	.000

a. Dependent Variable: Customer retention

a. Predictors: (Constant), Social performance management practices

Source: Primary Data

The results displayed in Table 6.12 reveal that social performance management practices and customer retention relate (R=.588[a] R^2=.345, P<0.05). This is indication of a strong, positive and statistically significant relationship. Coefficient of determination R^2=.345 suggests that social performance management explains customer retention by 34.5% with other factors not considered in the model explaining the other 65.5%. The relationship between social performance management and customer retention is thus statistically significant since p-value<0.05 (P=.000) at 95% confidence level. The results of the coefficients show that a unit increase in social performance management will bring about a .333 increase in customer retention. These results suggest that according to employees, social performance management practices significantly influences customer retention. This therefore depicts that employees hold the view that the social performance activities undertaken by their institutions are enough to retain their customers.

From these findings, the regression model for the influence of social performance management on customer retention according to employees can thus be written as follows: Y = 3.046+ .333SPM where Y = Customer Retention, SPM= Social performance management.

6.3.3.2 Social Performance Management Practices and Customer Retention according to Customers

The effect of social performance management practices on customer retention according to customers' responses was also established through simple linear regression using the composite indices computed for both social performance management practices and customer retention. The results were as presented in Table 6.13.

Table 6.13: Regression Results of Social Performance Management Practices and Customer Retention according to Customers

d) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Social Performance Management Practices	.383[a]	.147	.145	.52367

e) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
Social Performance Management Practices	Regression	23.088	1	23.088	84.189	.000[b]
	Residual	134.374	490	.274		
	Total	157.462	491			

f) Combined coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.149	.116		18.497	.000
Social Performance Management Practices	.281	.031	.383	9.175	.000

a. Dependent Variable: Customer retention
a. Predictors: (Constant), Social performance management practices

Source: Primary Data

The results in the model summary of Table 6.13 show that R=.383 suggesting that there exists a moderate relationship between social performance management practices and customer retention according to customers' views. Coefficient of determination R^2=.147 implies that social performance management practices influence customer retention by 14.7% with other factors not considered in the model influencing 85.3%. This relationship is significant since p-value<0.05 at 95% confidence level. The F value is 84.189 and p=0.00<0.05 depicting a significant model. Results of the coefficients show that a unit increase in social performance management practices will cause .281 increase in customer retention, which is a lower effect than that observed for employees (β = .333). This implies that from the customers' perspective, social performance management practices moderately (R=.383) predicts customer retention, unlike the stronger prediction shown by the results for employees in the previous section where R = .588. It means customers of Kenyan MFIs do not seem to agree to larger extent that social performance aspects are exhibited by their institutions. The findings, however, were statistically significant and hence the simple linear regression equation for the influence of social performance management on customer retention according to customers can thus be written as follows;

Y = 2.149+ .281SPMP where Y = Customer retention, SPM= Social Performance Management.

6.3.3.3 Moderation effect of Social Performance Management Practices on the Relationship Marketing and Customer Retention according to Customers

The study next determined the moderation effect of social performance management practices on the relationship between relationship marketing and customer retention according customer perceptions. The results were as presented in Table 6.1.

Table 6.14: Moderation Results of the Effect of Social Performance Management Practices on Relationship Marketing and Customer Retention according to customers

a) Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
1	Relationship marketing and customer retention	.614[a]	.378	.376	.44724	.378	297.220	1	490	.000
2	Relationship marketing and Social performance management practices	.567[a]	.321	.320	.63723	.321	231.681	1	490	.000
3	Relationship marketing, Social performance management practices interaction on customer retention	.383[a]	.147	.145	.52367	.383[a]	.147	.145	.52367	.383[a]

b) ANOVA

Model			Sum of Squares	df	Mean Square	F	Sig.
1	Relationship marketing and customer retention	Regression	59.451	1	59.451	297.220	.000[b]
		Residual	98.011	490	.200		
		Total	157.462	491			
2	Relationship marketing and Social performance management practices	Regression	94.076	1	94.076	231.681	.000[b]
		Residual	198.968	490	.406		
		Total	293.044	491			
3	Relationship marketing, Social performance management practices interaction on customer retention	Regression	23.088	1	23.088	84.189	.230[b]
		Residual	134.374	490	.274		
		Total	157.462	491			

c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.031	.127		8.116	.000		
	Relationship marketing and customer retention	.606	.035	.614	17.240	.000	1.000	1.000
	(constant)	.999	.181		5.521	.000		
2	Relationship marketing and social performance management practices	.762	.050	.567	15.221	.000	1.000	1.000
3	Relationship marketing and social performance management practices interaction	.038	.032	.051	1.184	.237	.679	1.473

a. Predictors: (Constant), Relationship marketing, social performance management practices

b. Predictors: (Constant), Relationship marketing, Interaction term between relationship marketing and social performance management practices

c. Dependent Variable: Customer retention

Source: Primary Data

The results in Table 6.14 on the moderating effect of social performance management practices on the association between relationship marketing and customer retention were computed using three steps. In model one, the result shows that the association between relationship marketing and customer retention was significant (R= .614[a,] R^2=0.378, P-value<0.05). In model two (R= .567[a,] R^2=321, P-value<0.05) and in model three (R= .383[a,] R^2=.147, P-value>0.05), suggesting that there was a decrease in the value of the coefficient of variation in each step thus portraying that there is no influence of social performance management practices. Coefficient of determination R^2=0.147 implies that social performance management practices influence the association between relationship marketing and customer retention by 14.7%, but the value of interaction term (RM * SPMP) having (β= .038, P=0.237 which is >0.05), suggests that moderating influence of social performance management practices on the association between relationship marketing and customer retention is statistically insignificant.

The moderating equations for relationship marketing, social performance management practices and customer retention according to customer views can thus be written as:

$Y = 1.031 + .606X_1$

$Y = .999 + .606X_1 + .762Z$

$Y = 1.031 + .606X_1 + .038X.Z$

Where: $Y_{=}$ Performance; X= Relationship marketing ; Z= social performance management practices; X.Z= Relationship marketing and social performance management practices interaction.

6.3.3.4 Moderation effect of Social Performance Management Practices on the Relationship Marketing and Customer Retention according to Employees

The study also determined the moderation effect of social performance management practices on the relationship between relationship marketing and customer retention according employee perceptions. The results were as presented in Table 6.15.

Table 6.15: Moderation Results of the Effect of Social Performance Management Practices on Relationship Marketing and Customer Retention according to Employees

d) Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
1	Relationship marketing and customer retention	.588[a]	.345	.341	.49563	.345	87.069	1	47	.000
2	Relationship marketing and Social performance management practices	.704[a]	.496	.493	.74155	.496	162.294	1	47	.000
3	Relationship marketing, Social performance management practices interaction on customer retention	.590[a]	.348	.340	.49599	.348	43.852	2	46	.000

e) ANOVA

Model			Sum of Squares	df	Mean Square	F	Sig.
1	Relationship marketing and customer retention	Regression	21.389	1	21.389	87.069	.000[b]
		Residual	40.533	47	.246		
		Total	61.921	48			
2	Relationship marketing and Social performance management practices	Regression	89.245	1	89.245	162.29	.000[b]
		Residual	90.733	47	.550		
		Total	179.978	48			
3	Relationship marketing, Social performance management practices interaction on customer retention	Regression	21.576	2	10.788	43.852	.000[b]
		Residual	40.345	46	.246		
		Total	61.921	48			

f) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.046	.113		26.978	.000	3.046	.113
	Relationship marketing and customer retention	.333	.036	.588	9.331	.000	.333	.036
2	(constant)	1.328	.169		7.861	.000		
	Relationship marketing and social performance management practices	.679	.053	.704	12.739	.000	1.000	1.000
3	Relationship marketing and social performance management practices interaction	.302	.050	.533	6.006	.000	.504	1.984

a. Predictors: (Constant), Relationship marketing, social performance management practices
b. Predictors: (Constant), Relationship marketing, Interaction term between relationship marketing and social performance management practices
c. Dependent Variable: Customer retention

Source: Primary Data

The results in Table 6.15 on the moderating effect of social performance management practices on the association between relationship marketing and customer retention according to employees were computed using three steps. In model one, the result shows that the association between relationship marketing and customer retention was significant (R= .588[a,] R^2=0.345, P-value<0.05). In model two (R= .704[a,] R^2=496, P-value<0.05) and in model three (R= .590[a,] R^2=0.348, P-value<0.05), suggesting that there was a progressive increase in the value of the coefficient of variation in each step thus portraying that there is influence of social performance management practices. Coefficient of determination R^2=.0.345 implies that social performance management practices influence the association between relationship marketing and customer retention by 34.5% and the value of interaction term (RM * SPMP) having (β= .302, P value=0.000 which is <0.05), suggests that moderating influence of social performance management practices on the association between relationship marketing and customer retention is statistically significant.

The moderating equations for relationship marketing, social performance management practices and customer retention according to employee perceptions can thus be written as:

$Y = 3.046 + .333X_1$

$Y = 1.328 + .333X_1 + .679Z$

$Y = 3.046 + .333X_1 + .302X.Z$

Where: $Y_=$ Performance; X= Relationship marketing ; Z= social performance management practices; X.Z= Relationship marketing and social performance management practices interaction.

6.3.3.5 Overall Social Performance Management Practices and Customer Retention

The third hypothesis of the study was tested at this point by determining the composite index for both the aspects of customers' responses and managers' responses. Hypothesis **H_3: Social performance management practices have a statistically significant moderating effect on the association between relationship marketing and customer retention,** was tested at two sub levels:

H_{3a}: Social performance management practices have a statistically significant effect on customer retention and **H_{3b}:** Social Performance Management Practices have a statistically significant moderating effect on the association between relationship marketing and customer retention. The results on **H_{3a}** are presented in Table 6.16 while those on **H_{3b}** are presented in table 6.17.

Table 6.16: Overall Regression Results of Social Performance and Customer Retention

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Performance Management Practices	.446[a]	.199	.197	.42373

b) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
Performance Management Practices	Regression	21.809	1	21.809	121.466	.000[a]
	Residual	87.978	490	.180		
	Total	109.786	491			

c) Combined coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.748	.119		14.721	.000
Social Performance Management Practices	.347	.031	.446	11.021	.000

a. Dependent Variable: Customer Retention

a. Predictors: (Constant), Social Performance Management Practices

Source: Primary Data

The results in the model summary show R=.446, suggesting that there exists a moderate relationship between social performance management practices and customer retention on overall. Coefficient of determination R^2=.199 implies that social performance management practices influence customer retention by 19.9% with other factors not considered in the model influencing 80.1%. This relationship is statistically significant since p-value<0.05 at 95% confidence level. The F value is 121.466 and p=0.00<0.05 depicting a statistically significant model. Results of the coefficients show that a unit increase in social performance management practices will cause .347 increase in customer retention, implying that social performance management is a good predictor of customer retention. The findings supported the influence of social performance management practices on customer retention, thus sub hypothesis **H_{3a}** was supported.

The regression model depicting this relationship can thus be written as follows;

Y = 1.748+ .347SPM where Y = Customer Retention, SPM= Social Performance Management Practices.

6.3.3.6 Overall Moderation effect of Social Performance Management Practices on the Relationship Marketing and Customer Retention

After establishing the direct effect of social performance management practices on customer retention based on the combined views of employees and customers, the study next sought to test for hypothesis **H_{3b}: Social Performance Management Practice**s **have a statistically significant moderating effect on the association between relationship marketing and customer retention.** The composite index was computed for both relationship marketing, social performance management practices and customer retention and the hypothesis tested through hierarchical regression analysis. In step one, relationship marketing was regressed on customer retention. In step two, relationship marketing was regressed on social performance management practices. In step three, the interaction term between relationship marketing and social performance management practices was introduced. Moderation effect is confirmed when the effect of interaction term is statistically significant. The results were as presented in Table 6.17.

Table 6.17: Overall Moderation Results of the Effect of Social Performance Management on Relationship Marketing and Customer Retention

g) Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
1	Relationship marketing	.585[a]	.342	.340	.38402	.104	1.856	3	485	.150
2	Relationship marketing, social performance management practices	.700	.489	.394	.59014	.281	4.634	2	5	.150
3	Relationship marketing, social performance management practices interaction	.761[a]	.579	.578	.39456	.385	6.490	5	490	.000

h) ANOVA

Model			Sum of Squares	df	Mean Square	F	Sig.
1	Relationship marketing	Regression	3.048	1	1.016	1.856	.030
		Residual	26.277	490	.547		
		Total	29.325	491			
2	Relationship marketing, social performance management practices	Regression	14.961	2	4.980	8.823	.000
		Residual	22.007	487	.446		
		Total	28.967	489			
3	Relationship marketing, social performance management practices interaction	Regression	14.349	5	1.794	6.490	.000
		Residual	14.975	485	.348		
		Total	29.325	490			

i) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.803	.314		2.559	.013		
	Relationship marketing	.360	. 086	.426	4.192*	. 000	.966	1.035
	Customer Retention	.290	.106	.278	2.740*	.008	.966	1.035
2	(constant)	.740	.319		2.321*	.023		
	Relationship marketing	.357	.086	.421	4.148*	.000	.964	1.037
	Social performance management practices	.314	.108	.301	2.905*	.005	.925	1.081
3	Relationship marketing and social performance management practices interaction	.675	.068	-.354	-3.957*	.026	.958	1.044

a. Predictors: (Constant), social performance management practices, Relationship marketing
b. Predictors: (Constant), social performance management practices, Relationship marketing, Interaction term between social performance management practices, Relationship marketing
c. Dependent Variable: Customer Retention

Source: Primary Data

The results in Table 6.17 on the moderating effect of social performance management practices on the association between relationship marketing and customer retention was computed using three steps. In model one, the results show that the association between relationship marketing and customer retention was significant (R= .585[a], R^2=0.342, P-value<0.05). In model two (R= .700[a], R^2=0.489, P-value<0.05) and in model three (R= .761[a], R^2=0.579, P-value<0.05), suggesting that there was a progressive increase in the value of the coefficient of variation in each step thus portraying an influence of social performance management practices. Coefficient of determination R^2=.0.579 implies that social performance management practices influence the association between relationship marketing and customer retention by 57.9%, suggesting a positive and strong moderating influence. The value of the interaction term (RM * SPM) had a significant influence (β= .675, P<0.05) thus confirming that overall, there is a moderation effect of social performance management practices on the association between relationship marketing and customer retention.

It may be pointed out here that while in the case for customers, the moderation effect was found to be statistically insignificant (P=0.237 which is >0.05), in the case for employees, this effect was significant (P value=0.000 which is <0.05). When the overall moderation effect was tested for based on the combined views of customers and employees, the moderation effect too was significant. The reasoning attributed to such results is that social performance management seems to manifest itself at a very low level among customers of microfinance institutions in Kenya, as compared to employees. However, when the views of both parties are combined, the employees’ significance index on social performance management outweighs customers’ index. The implication here is that employees strongly agree that their institutions undertake social performance activities whereas customers seem to disagree on this issue.

Based on the results in Table 6.17 therefore, the study therefore accepts the third hypothesis that social performance management practices moderate the effect of relationship marketing on customer retention. The moderating equations for the overall relationship between relationship marketing, social performance management practices and customer retention can thus be written as:

$Y = .803 + .360X_1$

$Y = .740 + .357X_1 + .314Z$

$Y = .803 + .360X_1 + .314Z + .675X.Z$

Where : Y = Customer retention; X= Relationship marketing ; Z= Social performance management practices; X.Z= relationship marketing and Social performance management practices interaction.

6.3.4 The Joint Effect of Relationship Marketing, Social Performance Management Practises, Firm IT Characteristics on Customer Retention

The fourth study objective was to determine the joint effect of relationship marketing, firm IT characteristics and social performance management practices on customer retention. Arising from this objective, Hypothesis **H_4**: was formulated and tested **: Relationship marketing, firm IT characteristics and social performance management practices have a statistically significant joint effect on customer retention which is greater than the individual effect of relationship marketing on customer retention**.

This hypothesis was tested using both simple and multiple regression analysis. Simple regression was used to test for individual independent effects while multiple regression analysis was used to test for joint effects. In the regression model, customer retention was the dependent variable, while relationship marketing, firm IT characteristics, and social performance management were predictor variables. The joint effect was then established by regressing relationship marketing, firm IT characteristics, and social performance management on customer retention. The results are depicted in Table 6.18.

Table 6.18: Regression Results of the Individual Effect of Relationship Marketing and the Joint Effect of Relationship Marketing, Firm IT Characteristics and Social Performance Management Practices on Overall Customer Retention

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
1	Relationship marketing	.585[a]	.342	.340	.38402
2	Joint-Relationship marketing, Firm IT characteristics, social performance management practices	.830	.688	.668	.39410

(a) ANOVA

Model			Sum of Squares	df	Mean Square	F	Sig.
1	Relationship marketing	Regression	37.526	1	37.526	254.469	.000[a]
		Residual	72.260	490	.147		
		Total	109.786	491			
2	Joint-Relationship marketing, Firm IT characteristics, social performance management practices	Regression	116.116	3	5.372	34.586	.000
		Residual	107.300	487	.155		
		Total	223.416	490			

Model		Unstandardized Coefficients		Standardized Coefficients			t	Sig.
		B	Std. Error	Beta				
(Constant) 1	(Constant)	1.335	.108				12.333	.000
	Relationship Marketing	.473	.030			.585	15.952	.000
2	(Constant)	1.656	.596		-2.778	.008		
	Relationship marketing	.741	.188	.383	3.933	.000	.700	1.429
	Firm IT characteristics	.188	.125	.174	7.100	.000	.558	1.791
	Social performance management practices	.820	.145	.803	.830	.001	.430	2.326

a. Dependent Variable: Customer Retention

b. Predictors: (Constant), Relationship marketing, Firm IT characteristics, Social performance management practices

Source: Primary Data

The regression results presented in Table 6.18 show that the influence of relationship marketing on customer retention was significant (R^2=0.342, F=254.46, P<0.05) implying that relationship marketing explains 34.2% of variation in customer retention while the other 65.8% is explained by other factors not considered in this study. The regression of relationship marketing on customer retention is statistically significant with P < 0.05 and F ratio=254.46. The co-efficient β is also statistically significant (β = 0.473, t = 15.952, P < 0.05) suggesting that when relationship marketing changes by one unit, it leads to a .473 change in customer retention.

The test for joint effects was performed to establish the combined influence of relationship marketing, firm IT characteristics and social performance management on customer retention. The regression results in Table 6.18 show that the joint influence of relationship marketing, firm IT characteristics and social performance management on customer retention was statistically significant (R^2 =0.688, F= 34.586, P< 0.05). The results suggest that jointly, relationship marketing, firm IT characteristics and social performance management explain 68.8% of variation in customer retention, while the remaining 31.2% is explained by other factors not considered in the current study. The F ratio shows that the regression of relationship marketing, firm IT characteristics and social performance management on customer retention is statistically significant at P < 0.05. It is clear from the value of R^2 =.668 and F ratio that the regression model was fit for use in the analysis.

The joint effect was thus higher and statistically significant (R^2 =0.688, F= 34.586, P< 0.05) compared to the individual effects of relationship marketing on customer retention (R^2=0.342, F=254.46, P<0.05). The results therefore suggest jointly, relationship marketing, firm IT characteristics and social performance management have a greater effect on customer retention than the individual effect of relationship marketing when regressed on customer retention hence these variables can jointly be used to predict customer retention.

In view of this finding, the fourth study hypothesis that the combined effect of relationship marketing, firm IT characteristics and social performance management practices on customer retention is greater than the individual effect of relationship marketing on customer retention was supported. Based on the results, the regression model for hypothesis four can be fitted as follows:

The original model: $Y_0 = \beta_0 + \beta_1\ RM + \beta_2\ FC + \beta_3\ SPM + \varepsilon$

The new model: $Y = 1.656 + 0.741RM + 0.188FC + 0.820SPM$

Where:

$Y =$ Customer Retention

RM= Relationship marketing

FC= Firm IT characteristics

SPM= Social performance management practices

Ɛ = error term

This model suggests that even in the absence of all three activities - relationship marketing activities, firm IT characteristics and social performance management practices - microfinance institutions will retain customers by 1.656 units. However, for a unit increase in relationship marketing activities, firm IT characteristics and social performance management practices, firms will retain customers by 0.741 units, 0.188 units and 0.820 units respectively, when all other factors are held constant. From this regression model, it is thus evident that customer retention is influenced to a high degree by the combination of the predictor variables (relationship marketing, firm IT characteristics and social performance management) whose beta coefficients were all positive and statistically significant. A summary of the above analyses with respect to the study objectives and hypotheses is presented in Table 6.19.

Table 6.19: Summary of Research Objectives, Hypotheses, Analytical Models and Conclusions

Objective	**Hypothesis**	**R**	**R^2**	**Levels of Significance (p-value)**	**Conclusion**
1. Determine the influence of relationship marketing (RM) on customer retention (CR) by MFIs	H_1: There is a statistically significant association between Relationship Marketing and customer retention by MFIs.	.585	.342	.000	Relationship marketing is a strong statistical predictor of customer retention **H_1 was supported**
2. Establish the influence of firm IT characteristics (FC) on customer retention (CR)	H_{2a}: There is a statistically significant relationship between firm IT characteristics and customer retention	.209	.044	.936	Firm IT characteristics is not a predictor of customer retention **H_{2a} was not supported**
3. Verify the influence of social performance management (SPM) on customer retention (CR)	H_{3a}: There is a statistically significant relationship between social performance management practises and customer retention	.446	.199	.000	Social performance management is a good statistical predictor of customer retention **H_{3a} was supported**
4. Determine the extent to which firm IT characteristics (FC) moderate the relationship between relationship marketing (RM) and customer retention (CR).	H_{2b}: Firm IT characteristics have a statistically significant moderating effect on the association between relationship marketing and customer retention by MFIs.	.447	.200	.040	Firm IT characteristics have a moderate statistical influence on the association between relationship marketing and customer retention, though this influence is negative. **H_{2b} was supported**
5. Assess the degree to which social performance management practices (SPM) moderates the association between relationship marketing (RM) and customer retention (CR).	H_{3b}: Social performance management practices have a statistically significant moderating effect on the association between relationship marketing and customer retention by MFIs.	.761	.579	.000	There is a strong statistical moderating influence of social performance management on the association between relationship marketing and customer retention **H_{3b} was supported**

Table 6.19 Contd…

Objective	Hypothesis	R	R^2	Levels of Significance (p-value)	Conclusion
6. Determine the degree to which the joint effect of relationship marketing (RM), firm IT characteristics (FC) and social performance management practices (SPM) on customer retention (CR) is different from the individual effect	H_4: The combined effect of relationship marketing, social performance management practises and firm IT characteristics on customer retention is different from the individual effect of relationship marketing on customer retention.	.830	.688	.000	The joint effect of the variables on customer retention is greater than the individual effect of relationship marketing on customer **H_4 was supported**

Source: Primary Data

From the results in Table 6.9, there is a statistically significant and positive association between relationship marketing and customer retention (R=.585, R^2 =.342, P=.000), as well as between social performance management and customer retention (r=.446, R^2 =.199, P=.000. The results also showed there is a statistically insignificant, weak and negative relationship between firm IT characteristics and customer retention (R=.209, R^2 =.044, P=.936, β= -0.005). Furthermore, the results revealed that although firm IT characteristics moderate the association between relationship marketing and customer retention, this effect is negative (R=.447, R^2 =.200, P=.040, β= -0.078). Social performance management practices, however, were found to moderate the association between relationship marketing and customer retention (R=.761, R^2 =.579, P=.000). Regarding the joint effects of relationship marketing, firm IT characteristics and social performance management on customer retention, the results reveal that this effect is significantly greater than the individual effects of relationship marketing on customer retention (R=.830, R^2 =.688, P=.000). Therefore, all four study hypotheses were supported.

6.4 Chapter Summary

This chapter presented the results of the hypotheses formulated from the specific objectives of the study. Simple regression analysis was employed to test for direct relationships between the study variables, indirect relationships were tested for by multiple regression analysis, while moderation effects were tested for through stepwise regression analysis. The study hypotheses were all supported.

CHAPTER SEVEN
DISCUSSION OF RESULTS

7.1 Introduction

In the previous chapter the study's major empirical findings were presented. The current chapter presents a critical discussion of these findings in line with the research objectives and the hypotheses formulated from which theoretical and practical implications of the study are derived. The primary objective of the study was to determine the influence of relationship marketing, social performance management and firm IT characteristics on customer retention by microfinance institutions in Kenya. The research objectives and the hypotheses were formulated based on existing conceptual and empirical literature and led to the development of the conceptual model which outlined the relationships between the variables. This chapter discusses the results and explains the reasons the findings are the way they are and the extent to which they are consistent or not consistent with previous empirical studies or theoretical arguments.

To test the hypotheses, regression analysis was used after conducting tests for statistical assumptions. The results showed that there is a statistically significant relationship between relationship marketing and customer retention. While social performance management had a statistically significant strong moderating effect, firm IT characteristics had a negative moderating effect whereas the joint effect of relationship marketing, firm IT characteristics and social performance management on customer retention was greater than individual effect of relationship marketing on customer retention. A detailed discussion of these findings is provided in the next sections.

7.2 Relationship Marketing and Customer Retention

A strong association between relationship marketing and customer retention has been reported in the extant literature to the extent that relationship marketing is considered to be a key strategy for retaining customers. The first objective of this study was to establish the association between relationship marketing and customer retention. This was done by establishing the individual influence of relationship marketing dimensions - trust, commitment, communication, bonds, shared values, keeping promises- on customer retention, and then determining the overall influence of relationship marketing on customer retention. The descriptive summary showed that of the relationship marketing dimensions communication had the highest overall mean score of 4.532 and S.D= 0.584, which was followed by shared values (Mean=4.446, SD=0.834) while the inferential results revealed a statistical significance for all the relationship marketing constructs (R^2 =.222, F = 1.855, p < 0.05,) though the most significant were communication and shared values (with p-value=0.001).

These findings therefore suggest that communication and shared values play the greatest role in retaining customers implying that when there is good communication between the institutions and their customers, as well as common beliefs held, this boosts customer retention. Although the finding on shared values being one of the most significant has not previously been described, the result on communication is supported by previous research. For instance, John and Kijboonchoo (2017) sought the link between relationship marketing (trust, commitment, bonding, communication, competence and conflict handling dimensions) and customer retention among bank customers in Thailand and found the relationship positive and significant with communication as the most significant attribute. Henning-Thurau et al. (2002) too found that word of mouth communication is a key relationship outcome factor. Others with similar findings are Ibok and Udofot (2012) who studied this relationship among Nigerian microfinance banks, Rootman, Tait, and Sharp (2012) among South African banks and Magasi (2016) investigated this relationship among bank customers in Tanzania.

These results differ from some published studies where other dimensions of relationship marketing were found to be the most significant. For instance, Mazhari et al. (2012) found trust and commitment were the most significant dimensions influencing customer loyalty among banks in Sri Lanka, while Morgan and Hunt (1994) found commitment and trust were important in successful relationship building among tire dealers in the United States, though communication had an inverse impact on the retailer-supplier relationship; Similar findings are seen by Oly-Ndubisi (2007) as well as by Abtin and Pouramiri (2016). From the theoretical perspective, this finding also challenges the conceptualization by Aka, Kehinde and Ogunnaike (2016) who posit that relationship marketing dimensions - trust, commitment and communication- in that order, are necessary for building customer retention.

The current study in particular sought views from both customers and employees regarding the extent of trust between customers and the institutions, each party's level of commitment to the relationship, nature of communication, strength of the relationship bond and if they shared common values. The results revealed that while majority of employee respondents agreed to a large extent that their customers were trustworthy (M=4.06; S.D= 0.744) and kept their promises (M=4.044; S.D=0.545), customers on the other hand seemed to agree to a much lesser extent that their microfinance institutions were trustworthy (M=3.96; S.D= 1.08) and kept their promises (M=3.80; S.D=1.22). Among the relationship marketing constructs according to employees, communication had the highest overall mean score mean (M=4.53, S.D=0.584) suggesting that employees agreed to a large extent that communication with their customers was efficient and this was followed by shared values (Mean=4.446, SD=0.834). These results imply that employees believed they engage in appropriate communication with their customers and in addition share common values with them. However, on the part of customers with respect to the same attributes, the findings revealed lower agreement with communication mean score at 3.421, SD=1.013 while shared values at also a lower mean=3.567 and SD=1.348 once again pointing to a substantial difference in opinions on the nature of relationship between the two parties of exchange. This may not be a surprising situation since managers of companies are often known to portray quite positively the outlook of their companies.

In regard to customer retention and the likelihood to terminate the relationship between the institution and customers, perceptions from both employees and customers revealed interesting results. From employees' perspective, customer retention had an overall moderate mean score=3.888; S.D= 0.7889 suggesting that majority of employees moderately agreed that they were likely to retain their customers for long. On the other hand, customers overall mean score on customer retention was moderately lower at 3.243, S.D=1.1834, however with a strong overall agreement by customers that they were likely to terminate the relationship with their institution after one year. An implication of these results is that there seems to be high likelihood microfinance institutions could be facing challenges in retaining their customers and therefore all efforts are necessary to embrace relationship building strategies that yield better customer retention levels.

A possible explanation for these results is that in relationship management whereas one party may conceive that they are performing well, this may actually not be the case. These findings agree with the theory of social exchange which emphasises that where there are interactions between parties of exchange, these interactions must be interdependent in such a manner that the actions of one party are contingent on the actions of another party (Cropanzano & Mitchell, 2005). In the theory, it is argued that sellers and buyers enter into a relationship with the expectation that doing so will be rewarding and therefore if one party feels the relationship is not rewarding the propensity to exit rises (Blau, 1968 cited in Lambe, et al., 2001). These findings are also in line with the theory of relational market behavior which posits that successful firm-customer relationships depend on willingness and ability for all parties in the exchange to engage in such a manner that each party is able to trust the other, the parties share common values and with a disposition to cooperate in order to attain mutual benefits (Morgan & Hunt, 1994). Furthermore, the results affirm the recommendation by Biong, Parvatiyar, and Wathne (1996) who asserted that in exchange relationships, each party's relationship satisfaction must be measured to establish the propensity with which a particular party may remain or exist the relationship.

In order to determine the overall influence of relationship marketing on customer retention, the current study hypothesized that relationship marketing is positively related to customer retention. Literature on relationship marketing and customer retention suggests that the ability of a firm to retain customers depends on its efforts to develop meaningful relationships. According to Alrubaiee and Al-Nazer (2010), developing customer loyalty is considered the single most important driver of a firm's long term financial performance because the benefits of retaining customers have a direct impact on the firm's bottom line, in terms of increased sales and customer share, lower customer attraction and care costs and higher prices. The results of this study indicate a positive and significant association between relationship marketing and customer retention. The current study found a relatively strong association between relationship marketing and customer retention (R=.585; R^2 =.342) implying that relationship marketing explains 34.2% of the variation in customer retention with the other variables not included in this study explaining the remaining 65.8%. The present results thus corroborate the findings of several previous researchers in this field who found that relationship marketing has a strong influence on customer retention

(Alrubaiee & Al Nazer, 2010; Oly-Ndubisi, 2007; Ranaweera & Prabhu, 2003). Alrubaiee and Al Nazer (2010) investigated the impact of relationship marketing orientation (RMO) on customer loyalty, using a convenience sample of 450 customers. Results showed that the RMO is significant in explaining the variation in customer loyalty. This study is similar to the current study which used a convenience sample of 489 customers, and also found a positive and significant relationship between relationship marketing and customer retention. Their study however used five constructs of relationship marketing (bonding, trust, communication, satisfaction and commitment) while the current study used six (trust, commitment, communication, keeping promises and shared values). Oly-Ndubisi (2007) too undertook to establish the impact of relationship marketing variables – trust, commitment, communication and conflict handling- on customer loyalty and found that the variables had a significant effect on customer loyalty, and in addition the variables were significantly related to one another, a finding similar to the current study results. In contrast though, their study focused on the banking sector while the current study targeted the microfinance sector.

Ranaweera and Prabhu (2003) undertook to establish the combined effects of satisfaction, trust and switching barriers on customer retention and found that though customer satisfaction and trust have strong positive effects on customer retention, the effect of trust on retention was weaker than that of satisfaction, implying that if a firm builds both customer satisfaction and trust, it is a more rewarding approach than to a focus on satisfaction alone. Their study however used a mail survey of randomly selected customers of telecommunication service providers, while the current study used a face-to-face survey of employees and customers in the microfinance sector selected by judgmental and convenience sampling respectively. On their part, Sin et al. (2002) investigated the effect of trust, bonding, communication, shared values, empathy, and reciprocity (relationship marketing dimensions) on customer retention, among 1000 service firms in Hong Kong and found the relationship positive and significant. Their study however relied only on employees' opinions and was based in a developed market whereas in the current study, both customers' and employees' opinions were sought moreover in a developing country context.

The current study thus supports the assertion that relationship marketing is associated with customer retention, suggesting that those microfinance institutions who invest in relationship building efforts and practices will be in a better position to realize business-customer relationships characterized by trust, commitment, communication, keeping promises and shared values, hence retain their customers better than firms which do not bother with relationship marketing practices. If microfinance institutions are to achieve better levels of customer retention, and consequently improved revenue, they thus need to embrace relationship marketing practices.

7.3 The Moderating Effect of Firm IT Characteristics on the Relationship between Relationship Marketing and Customer Retention

The second objective of the study was to establish the extent to which firm IT characteristics moderate the association between relationship marketing and customer retention. It was hypothesized that firm IT characteristics (information technology platforms customer relationship management actions) amplify a firm's ability to improve customer retention when relationship marketing programs are employed. This hypothesis was tested in two parts – where $\mathbf{H_{2a}}$ sought to test if firm IT characteristics have a statistically significant effect on customer retention, and $\mathbf{H_{2b}}$ assessed if firm IT characteristics have a statistically significant moderating effect on the association between relationship marketing and customer retention.

The results on $\mathbf{H_{2a}}$ were somewhat surprising because they indicate firm IT characteristics have a weak influence on customer retention (R= .209), with a coefficient of determination R^2=.044 suggesting that firm IT characteristics only explain 4.4 % of the variation in customer retention. Further, it was found that firm IT characteristics affect customer retention in an inverse direction (beta co-efficient = -.005), and the relationship was statistically insignificant ($p>0.05$ at P=.936). Hence the results did not provide evidence to support the hypothesis that firm IT characteristics have a statistically significant effect on customer retention. The implication of such results is that, contrary to expectations, a unit increase in firm IT characteristics causes a .5% decrease in customer retention implying that when a microfinance institution increases its information technology platforms or invests in more customer relationship management systems, its ability to retain customers will not necessarily increase.

Additionally, though the finding was unexpected, it denotes that on their own firm IT characteristics are not good predictors of customer retention, instead, they seem to depend on other factors to influence customer retention. This view is supported by Pearce (1997), cited in Ryals & Payne (2001) who reasoned that customer retention strategies cannot be effective without the support of a suitable data infrastructure combined with well trained personnel who are capable of interacting with the platforms and therefore this may explain this result with the implication that technology platforms and customer interactions need to be combined with other initiatives in order to be effective. Ryals & Payne (2001) on their part argued that failure is eminent for an organization which views technology solutions in isolation of business processes and people management actions.

Authors like Payne and Frow (2006) and Lang and Colgate 2003 further pointed out that if the benefits of embracing relationship technologies are to be realized, a more integrated approach in which both IT and non- IT (human interactions) are employed is a better approach towards relationship development. Chen and Popovich (2003) also advanced that it is critical for firms to have a balanced and integrated approach to relationship technology adoption in which technology is combined appropriate processes to guide its use, and employ competent people so as to realize successful results from technology investments. It therefore seems that benefits of relationship enhancement through information technology may not automatically be realized by simply purchasing technologies (Chen & Popovich, 2003; Lang &Colgate, 2003; Payne and Frow, 2006).

The study further obtained results on the second sub-hypothesis (**H_{2b})** that firm IT characteristics have a statistically significant moderating effect on the association between relationship marketing and customer retention. Previous studies concentrated more on investigating the effect of firm related characteristics on various firm performance variables, largely neglecting to determine the moderating influence of information technology characteristics on customer retention in particular. Scholars like Oly-Ndubisi (2007), Ranaweera and Prabhu (2003) and Sin et al., (2002) infact recommended research into the possible influences of firm specific factors on the association between relationship marketing initiatives and customer loyalty. The current study thus went beyond just seeking for the direct effect and sought the moderating influence of firm IT characteristics. Results in the current study found the relationship was statistically significant (p-value=.040 at P<0.05). However, firm IT characteristics were found to moderate the relationship between relationship marketing and customer retention in an inverse direction implying that introduction of the technology component negatively affects the influence of relationship marketing on customer retention. The results however provided evidence to support the moderation of firm IT characteristics on the relationship marketing and customer retention association.

Although these results corroborate the findings of several previous studies investigating the moderating effect of marketing related factors, in which the moderating effect was also found to be statistically significant, one unanticipated finding from the current study was the direction of the moderating effect, which was negative/inverse. In most prior studies, this moderating effect was instead positive. Balaji (2015) investigated the moderating role of relational characteristics (age, density, and dependence) on the association between relationship investments, satisfaction, commitment and customer retention and found that these characteristics moderated the relationships positively. Li (2015) sought the direct and indirect influences of switching barriers on the relationship between recovery satisfaction and customer retention and found that switching costs and inertia positively moderated the relationship. Alrubaiee and Al Nazer (2010) instead found sex and income were positive and significant on the association between relationship marketing and customer loyalty suggesting that the gender or level of income of a customer has an effect on the relationship marketing – customer retention link. Furthermore, Ranaweera and Prabhu (2003) found switching barriers have both a significant positive effect on customer retention as well as a moderating effect on the relationship between satisfaction and customer retention implying that a firm is better off using a combined strategy of employing switching barriers as well as create customer satisfaction. On the other hand, Homburg and Giering (2001) sought to determine the moderating effect of personal characteristics on the customer satisfaction and retention and found the relationship strongly influenced by customer characteristics while Kinoti, (2012) instead established that firm characteristics had a positive and moderating effect on corporate image and performance.

It is evident that most prior studies tested market related factors as moderating factors, with few existing which tested firm IT characteristics as a moderator, hence this study attempted to fill this knowledge gap. A noteworthy distinction though between prior studies and the current one is that while most prior studies found the moderating effect significant and positive, in the current study the moderating effect of firm IT characteristics was significant and negative, implying that when a firm either increases its customer relationship management actions or adopts more technology, its ability to retain customers through relationship marketing efforts reduces. There are several possible explanations for this finding. One of them is that as firms grow older and increase in size, they become less interested in resolving customers' complaints quickly, bureaucratic tendencies rise and generally cause more customer dissatisfaction than satisfaction (Majumdar, 1997). Secondly, as a firm invests in more technological platforms most operations become automated thus reducing the human element in relationship management as such customers may experience dissatisfaction with the institutions' services due to technological failures that do not get to be resolved in time. If this situation is not resolved such customers may defect from the firm. Furthermore, as asserted by Njeru (2013), as firms grow older they tend to become more complacent, less enthusiastic about adopting innovative practices, less flexible, more bureaucratic and slow at decision making thus allowing smaller firms to benefit from this challenge. Cadogan, Diamantopoulos and Siguaw (2002) cited in Njeru (2013) also affirm that as firms grow older and more experienced, the tendency to become more rigid and obstinate increases.

The findings of this study are in line with the resource based view theory which suggests that there are different characteristics of a firm which affect how they operate ranging from the level of formalization of operations, extent of decentralized decision making, complexity of organizational structure, resource availability, and extent of innovativeness (Kauser & Shaw, 2004). A firm therefore has to build heavily on its internal competences in order to cope with the challenging phenomenon of retaining customers. Although relationship marketing is one of the key strategies for bringing about customer retention, faced with a dynamic environment in which technology, competition and societal needs are ever changing, a firm needs to embrace a combination of strategies to cope with such forces.

In view of the above, the implications of the study findings are that as MFIs strive to grow and improve their technological infrastructure, they should proactively keep an eye on fulfilling their customers' needs by not just investing in more effective information technology platforms, or customer relationship management activities but also recruit and train employees in customer service, as a way to complement the relationship marketing efforts already in place, thereby boost customer retention. In the absence of these mechanisms, such firms may be susceptible to inertia, bureaucratic tendencies, inflexibility and slow response to customers' needs hence lose customers to younger and more aggressive institutions (Majumdar, 1997). The improvement in firm features like the adoption of newer technology platforms cannot therefore be ignored and as emphasized by Ryals and Payne (2001), technology is an important element in customer relationship management because the use of information enables a firm to determine the economics of customer acquisition, customer retention and lifetime value, a view shared by Zineldin (2000) who posits that relationship marketing is not complete without the effective use of firm resources such as technology. Information technology should therefore not be viewed as a separate supportive element in developing relationships but rather as a core element relationship management and used in combination with the other relationship management strategies.

7.4 The Moderating Effect of Social Performance Management on the Relationship between Relationship Marketing and Customer Retention

The third objective of the study sought to establish the moderating influence of social performance management practices on the association between relationship marketing and customer retention. It was hypothesized that social performance had a statistically significant effect on the relationship marketing – customer retention association. This hypothesis too was tested in two parts – where $\mathbf{H_{3a}}$ sought to test if social performance management has a statistically significant effect on customer retention, and $\mathbf{H_{3b}}$ assessed if social performance management has a statistically significant moderating effect on the association between relationship marketing and customer retention.

Descriptive summary findings demonstrated the extent to which social performance management practices were manifested within the surveyed institutions. Results revealed that majority of microfinance institutions' employees agreed to the presence of social mission statement and goals, which attribute scored the highest mean (Mean=4.655, SD=0.506) followed by agreement that the institutions' had client friendly products/services (Mean=4.389, SD=0.617), the least agreed upon social performance management practice was balanced allocation of resources between financial and social goals (Mean=3.828, SD=0.869). This finding means that more resources by MFIs are directed towards achieving financial goals than social goals. This is not a surprising result given that MFIs are frequently accused of neglecting their fundamental mission of poverty alleviation. Such results seem to affirm the claim that MFI's are increasingly migrating away from their original mission of serving the poor and low-income clients and instead focusing on serving higher income clients (Frank, 2008).

In regard to whether MFIs offer client friendly products and whether they treat customers in a socially responsible manner, the study reveals interesting findings. On the part of customers, the results show that responsible treatment of clients had a moderately lower mean score (M=3.829, S.D=1.266) and client friendly products also had a relatively lower mean score (M=3.606, S.D=1.412), while from employees, responsible treatment of clients had higher scores (Mean=4.338, SD=0.746), and client friendly products/services too (Mean=4.389, SD=0.617). This implies that whereas employees strongly believed their products were client-friendly and that they treated their customers responsibly, customers on the other hand believed these practices were realized to a much lesser extent. These findings are consistent with existing literature on social performance management where it is argued that organisations must engage in social responsibility practises and strive to measure their social performance because this informs the business how well it is meeting the interests of stakeholders. Through corporate social performance practices, an organisation is able to put in place processes and actions that get a firm to act in a socially responsible manner for improvement in the welfare of stakeholders (Sinha, 2006). The study results therefore provide Kenyan microfinance institutions with an opportunity to understand the extent to which their social performance practices meet customers' expectations.

This study further sought to test **H_{3a}** to determine if social performance management matters for customer retention. Results showed that there is a moderately strong association between social performance and customer retention (R=.446) and with R^2=.199 implying that social performance management practices explain customer retention by 19.9%. In addition, the results were significant since p-value<0.05 with a beta coefficient of .347. Social performance management was thus found to a good predictor of customer retention. Such findings indicate that when an institution embraces socially responsive practices and strives to measure its performance, this makes employees work better and in the best interest of customers thereby improving customers' satisfaction, consequently improving customer retention levels.

It is notable that this finding has hardly been described before, instead majority of previous studies on social performance management sought to establish its association with financial performance. Studies by Wood and Jones (1995), Hoepner et al. (2012) and Waddock and Graves (1990) found the link between corporate social performance and financial performance to be statistically significant. The results of this study therefore are consistent with prior research in as far as establishing the importance of managing social performance.

The present study also established the moderating effect of social performance management through sub-hypothesis **H_{3b}** with results showing that this moderating effect was strong, positive and statistically significant, suggesting that social performance matters for customer retention (R= .761[a,] R^2=0.579, P-value<0.05). Social performance management practices were found to explain 57.9% of the association between relationship marketing and customer retention thus pointing to a positive and strong moderating influence. This finding is considered important because corporate social performance has been under-examined empirically (Short, et al., 2015). Previous studies such as Wood and Jones (1995); Hoepner, Liu, Moauro, Perez-Rocha, and Spaggiari (2012), have not sought to establish this moderating effect and instead focused on establishing the direct link between social performance and financial performance.

In view of the fact that Kenyan MFIs seem reluctant to embrace social performance management practices going by the low number of institutions that report social performance data to the Microfinance Information Exchange (MIX), these findings may provide the much needed justification for investing resources in developing social performance management programs and implementing them. The findings further emphasize that social performance management boosts customer retention when combined with relationship marketing. The current findings not only confirm that social performance management influences the ability of a firm to retain customers, but also that social performance enhances an institution's ability to retain customers when relationship marketing is employed.

The findings of this study are in line with the theory of corporate social performance by Caroll (1979) who explains that it is important for businesses to embrace a three stage process for embracing social performance. These include deciding the social responsibility a business will attend to (economic, legal, ethical, discretionary); determining the social issues to which these responsibilities will be tied (either product safety, occupational safety, health safety, business ethics, environment, consumerism, or employee discrimination) and identifying and implementing the social responsiveness the business will adopt (that is develop processes, policies, structure, procedures that will be used to respond to the social responsibility and social issues). Whereas many businesses may claim to embrace social responsibility on specific social issues, many fail to demonstrate this claim practically. This level of social responsiveness according to Caroll (1979) tends to range on a continuum from no response (do nothing) to a proactive response (do much), and may explain why even microfinance institutions in Kenya have varying levels of adoption of social performance management. The study findings are also in line with the Integrative theories of stakeholder management which advocate for businesses to address the interests of all stakeholders if they are to be assured of long term existence, continuity and growth. To earn legitimacy of their existence, that such businesses should incorporate society demands when carrying out their operations so as to meet social values.

Microfinance institutions by their nature are expected to pursue both financial and social goals and be efficient at both (Gutiérrez-Nieto et al., 2009). In view of the findings of the current study therefore, which showed that social performance management is important in influencing customer retention, microfinance institutions should aggressively pursue social performance management practices because through such practices, an MFI will achieve its social goals, key among them is the development of client friendly products; products which meet the basic needs of the poor for instance, access to better health care services, develop programs which support enhanced food-security, adoption of better nutrition habits, education access, women empowerment, better housing access, and social cohesion. According to World Bank (2016), microfinance clients have unique characteristics whereby apart from being low income earners, they lack access to education, proper health care services, possess poor nutrition habits, live in poor housing conditions and generally have low self-esteem. It is with this in mind that the traditional aim of an MFI is viewed as to socially and economically empower poor people. Achieving this mandate then requires that MFIs adopt social performance management practices because they focus on bringing about improvement in the welfare of these institutions' clients, consequently would lead to better customer retention levels.

7.5 The Joint Effect of Relationship Marketing, Firm IT Characteristics and Social Performance Management on Customer Retention

The fourth objective of this study sought to establish the difference between the joint effect of relationship marketing, firm IT characteristics and social performance management practices on customer retention and the individual effect of relationship marketing on customer retention. This was important to establish because the nature of interactive effect when all variables are employed viz-a-viz how the independent variable alone impacts on customer retention would shed more light on the strength of these variables. The study thus hypothesized (**H_4**) that the joint effect of relationship marketing, firm IT characteristics and social performance management practices on customer retention is greater than the individual effect of relationship marketing on customer retention. These results showed that the joint effect of relationship marketing, firm IT characteristics and social performance management practices when regressed on customer retention was greater than the individual effect of relationship marketing when regressed on customer retention. This joint effect was higher and significant (R^2 =0.688, F= 34.586, P< 0.05) compared to the individual effect of relationship marketing on customer retention (R^2=0.342, F=254.46, P<0.05).

The results imply that jointly, relationship marketing, firm IT characteristics and social performance management explain 68.8% of variation in customer retention, while the remaining 31.2% is explained by other factors, however individually, relationship marketing explains only 34.2% of the variation in customer retention. Results also show that in terms of contribution to customer retention, social performance management had the largest contribution (β=0.820, t=8.30, P<0.05), followed by relationship marketing, (β=0.741, t=3.933, P<0.05) while firm IT characteristics had the lowest contribution to customer retention (β=0.188, t=7.100, P<0.05). This denotes that social performance management and relationship marketing are both strong predictors of customer retention, implying that firms must embrace relationship marketing activities and combine these with social performance practices in order to retain customers. Such findings thus support the conceptual premise that a combination of relationship marketing activities, with social performance management practices and firm IT characteristics yields better customer retention outcomes than if relationship marketing is used individually.

The current study thus makes an important revelation that customer retention is a function of how well relationship marketing efforts are managed, how well technological solutions are deployed and how well an institution addresses the interests of stakeholders. Although relationship marketing programs are the key underpinnings of customer retention (Ryals & Payne 2001), it has been argued by scholars like Durukan and Bozaci (2011), Oly-Ndubisi (2007) and Sin et al. (2002) that the relationship marketing-customer retention association may be contingent on additional intermediary factors. This study's findings therefore affirm their argument. It implies that if microfinance institutions are to realize a competitive advantage over others, they may need to embrace a combination of strategies to give them this edge thereby achieve superior customer retention results. They need to outperform competitors by developing customer-firm relationships characterized by mutual trust, commitment, shared values, strong bonds, open communication, ensure they address the needs and interests of their stakeholders through providing customer friendly products, treat employees and customers in a social responsible manner, allocate sufficient resources to the achievement of social goals and also adopt innovative technology driven platforms. A combination of these strategies can put the firms at higher levels of customer retention performance.

Findings from this study are consistent with arguments raised previously by authors like Payne et al. (2005) and Sheth (2002) who posited that the future of relationship marketing depends on developing relations which create value for all stakeholders. The findings are also consistent with Payne, Ballantyne and Christopher (2005) who advanced that marketers need to embrace a stakeholder approach to relationship marketing by shifting the relationship marketing focus from creating value in exchanges to creating value for stakeholders. However, on the empirical front, the current study differs significantly from previous ones in a similar area, majority of which investigated direct effects between relationship marketing and customer retention association, with few testing for moderating effects, while none is known which tested for joint effects. In contrast, this study went beyond testing for direct effects, and investigated also the joint effects of the study variables. Previous studies by Morgan and Hunt (1994), Bowen and Chen (2001), Ang and Buttle (2006), Henning-Thurau et al. (2002), Wetzels et al., (1998) focused on establishing the direct link in the study variables without establishing the joint effects. Those which sought the joint effect are few for instance Mbugua (2015) who established that the joint effect of market orientation, firm characteristics and dynamic capabilities on performance was positive but statistically insignificant while Njeru (2013) found the joint effect of market orientation, marketing practices, firm characteristics, external environmental factors on firm performance was greater than that of the individual variables. However, the main similarity that these studies have with current study is that they used firm specific factors as a moderating variable.

The current study findings are in line with social exchange theory which explains that mutually rewarding exchange relationships depend on trust, strong bonds, open communication and interdependence among the parties of exchange to bring about improvements in relational exchanges an issue supported by the results of the current study where a statistically significant relationship was found between relationship marketing and customer retention. It is also affirmed by social exchange theory that long term relationships emerge from mutual commitments by the parties involved as long as the parties abide by certain rules of exchange such as reciprocity (repayment in kind) and negotiated rules of exchange (Gouldner, 1960; Cook & Emerson, 1978; Cook, Emerson, & Gillmore, 1983; Cropanzano & Mitchell, 2005). Study findings are additionally consistent with stakeholder management theory which advances that to gain the support of all stakeholders, an organisation needs to understand the concerns of stakeholders like employees, customers and suppliers, then develop organisational objectives and business strategies that address their interests, arguing that the long term success of a business depends on gaining this support.

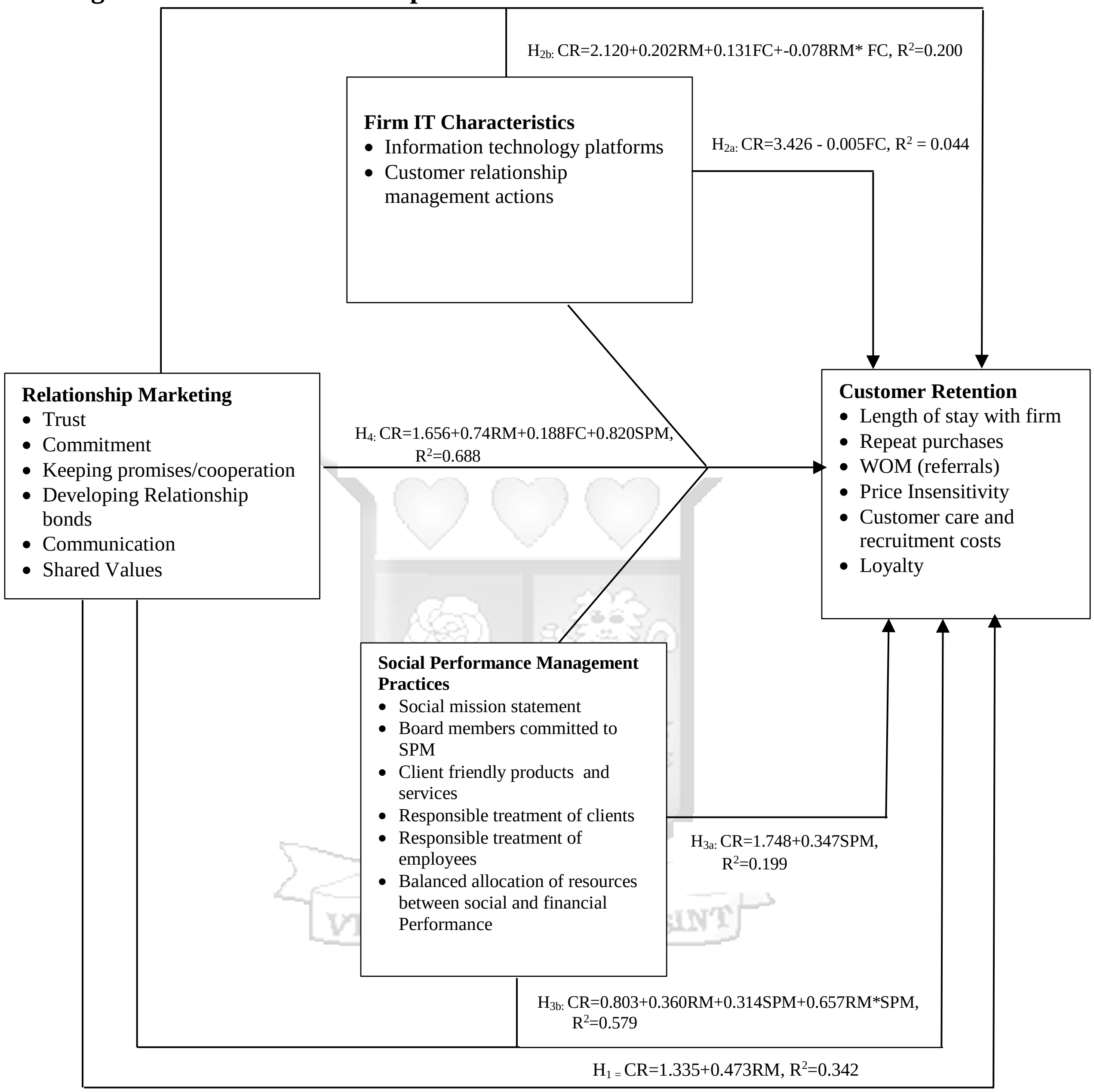
It is noteworthy that the current business environment is dominated by numerous social issues of concern including improper treatment of customers and employees, deceptive promotional practices, faulty products, polluting the environment, manipulating books of accounts, evading taxes, price manipulations among others. This explains the call for businesses to engage in practices which do not offend the interests of various stakeholders (Harrison & Freeman, 1999). The heightened ethical sensitivity coupled with increasing competition and a hyperactive media ready to report on any misbehaviour by businesses has created a very difficult management situation where a balance must be sought between achieving revenue targets and meet social responsibility interests of all stakeholders. This study thus sheds light on the potential advantage derived from embracing an integrated approach to customer retention by combining relationship marketing and social performance management strategies coupled with adoption of technology for efficient operations for this would significantly influence customer retention.

7.6 The Modified Empirical Model

The conceptual model in Figure 3.1 hypothesized that there is a statistically significant relationship between relationship marketing and customer retention, however, that this relationship is moderated by firm IT characteristics and social performance management practices. In addition, it was hypothesized that the joint effect of relationship marketing, firm IT characteristics and social performance management practices is greater than the individual effect of relationship marketing on customer retention.

Regression analysis was employed and from this, the study established that relationship marketing significantly influences customer retention. It was also established that this relationship is moderated by social performance management. The findings further identified an inverse moderation by firm IT characteristics on the association between relationship marketing and customer retention. The results showed that the joint effect of all the variables on customer retention was positive and statistically significant. Based on these results, a modified empirical model is derived and presented in Figure 7.1.

Figure 7.1: The Modified Empirical Model



Source: Researcher, 2017

7.7 Chapter Summary

This chapter presented and discussed the findings of the study following analytical tests carried out to validate the research objectives and hypotheses formulated. Regression analysis was used to test for the hypotheses using 0.05 significance level. A total of six hypotheses were tested however of these, four were the major ones, while two were sub-hypotheses. Direct relationships were tested for using three hypotheses, while two hypotheses were for testing moderating effects and one was for joint effects. The results fully supported all four major hypotheses, whereas of the two sub-hypotheses, one was not supported. The results revealed statistical significance between relationship marketing and customer retention, as well as between social performance management and customer retention. However, statistical insignificance was found between firm IT characteristics and customer retention.

The moderating influence of firm IT characteristics on relationship marketing and customer retention was found to be statistically significant though in the inverse direction, whereas the moderating influence of social performance management on the association between relationship marketing and customer retention was positive and statistically significant. The joint effect of relationship marketing, firm IT characteristics and social performance management practices on customer retention was greater than the individual effect of relationship marketing on customer retention. The chapter ended by discussing the study findings in relation to existing theoretical and empirical studies, in which it was established that majority of the findings in the current study were consistent with findings in previous studies. The next chapter presents a summary of the findings, conclusion, research implications, limitations of the study and suggested areas for further research.

CHAPTER EIGHT

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

8.1 Introduction

The purpose of this study was to examine the influence of relationship marketing, firm IT characteristics and social performance management practices on customer retention by microfinance institutions in Kenya. In this chapter, a summary of the major findings of the study are presented first, followed by conclusions, theoretical and practical implications of this study and recommendations are suggested. The chapter further discloses limitations faced during this study and winds up with the proposed areas for future research.

The study sought to achieve four objectives namely, to establish the influence of relationship marketing on customer retention, to determine the extent to which firm IT characteristics influence the association between relationship marketing and customer retention, assess the degree to which social performance management practices influence the association between relationship marketing and customer retention and finally to determine the extent to which relationship marketing, firm IT characteristics and social performance management practices jointly influence customer retention by microfinance institutions in Kenya. From each of these objectives, hypotheses were formulated and tested. A summary of the findings on each of these is presented in the next section.

8.2 Summary

The study targeted Kenyan microfinance institutions that were members of the Association of Microfinance Institutions (AMFI) as at January 2016. Primary sources were used to obtain data by administering semi-structured questionnaires to employees of MFIs and their customers. The targeted employees were either the Chief Executive Officers, or Relationship Marketing Managers or Social Performance Management Managers or their equivalents, while existing customers of the institutions were also targeted. Data collected was first cleaned and edited, coded, entered in SPSS program, then processed and analyzed using descriptive and inferential statistics.

The descriptive statistics revealed that majority (62.5%) of the microfinance institutions surveyed were investor-based MFIs, although of these, only 29.8% were deposit taking institutions. Non-governmental organization based institutions comprised 12.5% of the surveyed MFIs, followed by retail microfinance lenders at 12%. In addition, 66.7% of the MFIs were in operation for less than twenty years and with the majority (90%) having between 1 and 20 branches spread throughout the country. This suggests that many MFIs seem to have transitioned from NGO status, which was the dominant form of MFI in the 199Os, to either retail or deposit-taking status, a sign of the transformation taking place in this sector. The findings also signal that the distribution network of MFIs in Kenya is still low although this could be attributed to the fact that the industry is still in its growth stage. A high penetration level for MFIs is necessary because these institutions are considered vital businesses due to their contribution to poverty eradication through the positive impact they have on the economic and social situation of clients, their households and their businesses. As such, the higher the penetration levels of microfinance services, the more the poor may be in a position to access these services.

In addition, descriptive statistics on the nature of relationship between MFIs and their customers revealed that employee perceptions had higher mean scores in comparison to customers', suggesting that while employees thought they had a relatively good relationship with their customers, customers thought this relationship was less than satisfactory. This points to a mismatch between what employees think and what customers perceive of their relationship, a situation which presents the potential to create dissatisfaction among customers. Due to the unique characteristics of services, microfinance institutions should ensure they frequently measure the quality of services rendered to customers to identify service-quality gaps which then must be addressed to meet customers' expectations.

The results further showed that most MFIs had adopted technology platforms and customer relationship management actions to a moderate extent only. This suggests average usage of technology driven platforms, an indicator that more needs to be done by Kenyan MFIs to automate their relationship management operations because if a firm aims to build a base of loyal customers, it must invest heavily in information systems which allow for fast interactions to deliver promises on a consistent basis. Regarding social performance management practices, the study findings revealed that while employees believed their institutions were socially responsive, customers on the other hand, did not agree as much. Furthermore, the descriptive statistics revealed that MFIs were likely to lose their customers in the short term. MFIs should thus develop a relationship marketing program which incorporate robust socially responsible practices in a bid to retain their customers longer.

The researcher also sought to establish if the study variables were related by investigating their direct and indirect relationship through performing inferential statistical analyses. The study had one independent variable (relationship marketing), two moderating variables (firm IT characteristics and social performance practices), and one dependent variable (customer retention). A direct association was sought between relationship marketing and customer retention; firm IT characteristics and customer retention; and social performance management and customer retention. An indirect association was sought between firm IT characteristics and its effect on relationship marketing and customer retention; social performance management and its effect on relationship marketing and customer retention; as well as on the joint effect of relationship marketing, firm IT characteristics and social performance management on customer retention. The findings showed there were significant relationships among the study variables.

Relationship marketing, measured in terms of trust, commitment, communication, keeping promises, bonding and shared values, was positively and significantly correlated with customer retention, implying that institutions should strive to develop firm-customer relationships characterized by trust, commitment, communication, keeping promises, bonding and shared values, in order to improve customer retention levels. Customer retention is potentially an effective tool which firms can use to gain competitive advantage and therefore microfinance institutions in Kenya would do well to embrace strategies that promote customer retention, like relationship marketing so as to gain strategic advantage and survive in the intensely competitive microfinance sector. Furthermore, the study found that there was a significant relationship between social performance management practices and customer retention suggesting that microfinance institutions need to aggressively implement SPM practices if they are to realize better customer retention. Regarding firm IT characteristics and customer retention, the study established a weak, negative and statistically insignificant association, demonstrating that firm IT characteristics on their own will not influence customer retention much, instead this facet needs to be combined with other initiatives such as relationship marketing activities, establishing appropriate processes which guide employees on how to interact with the technology, employing competent employees and training the frequently on how to use the technology platforms for optimal gain and engaging in socially responsible practices, to boost customer retention.

With respect to the role that firm IT characteristics and social performance management practices play in influencing the association between relationship marketing and customer retention, the study found that social performance management practices play a strong complementary role in influencing the association between relationship marketing and customer retention, while firm IT characteristics play a weak role on the same. Although results on the moderating effect of both variables were significant, social performance management practices revealed a strong and positive moderating effect on the relationship marketing - customer retention association, implying that when these SPM practices are introduced, they reinforce the original association (RM and CR); firm IT characteristics, on the other hand, revealed a weak and negative moderating effect suggesting that when these characteristics are factored in, their effect on the original relationship (RM and CR) though minor, is in the negative direction.

In this study therefore, relationship marketing and social performance management were found to be significant predictors of customer retention but firm IT characteristics was a partial predictor of customer retention. Consequently, if microfinance institutions operate in conditions where, apart from deploying relationship marketing programs, in existence are socially driven mission statements, client friendly products, socially responsible actions employed towards customers and employees, monitoring and measuring both social and financial performance in equal measure, such institutions will realize better results from their customer relationship building efforts. The need for MFIs to embrace social performance management practices therefore becomes a key consideration as it provides the means for them to improve upon their customer retention efforts. Customers in turn will pass on positive word of mouth communication thus attract other buyers to the institution. This will lead to attainment of a competitive advantage over similar firms and consequently superior firm performance.

A further relationship that this study sought to establish was the joint effect of the independent variable and moderating variables on customer retention. The study findings revealed that the combined effect of these variables was stronger than the individual effect of relationship marketing on customer retention. Social performance management practices had the highest contribution on customer retention, followed by relationship marketing while the lowest contribution was by firm IT characteristics. The results demonstrated that MFIs are better off if they embrace a combination of strategies - relationship marketing, social performance management and technology adoption - as this will influence customer retention better than if each if these strategies were used in isolation. It therefore means microfinance institutions must strive to develop relationships with customers characterized by trust, commitment, communication, keeping of promises, sharing common values. In combination with these efforts, they should embrace socially responsible actions which include design of socially driven mission statements to guide operations, develop client friendly products, treat customers and employees responsibly, allocate resources to achieve both financial and social goals. As the institutions grow and gain experience, investment in relevant technology platforms would enhance their ability to gather and store relevant information about customers, allow for prompt interactions with them thereby consistently satisfying customers who eventually become loyal.

8.3 Conclusion

This study sought to address the issue of the role of third factors in influencing the association between relationship marketing and customer retention. This issue was empirically investigated by establishing if moderating factors - firm IT characteristics and social performance management - have a statistically significant effect on relationship marketing and customer retention and whether the joint effect of relationship marketing, firm IT characteristics and social performance management on customer retention was different from the individual effect.

In view of the findings, the study concluded that relationship marketing and social performance management have a significant influence on customer retention within Kenyan microfinance institutions. The results suggest that relationship marketing and social performance management are important strategies for microfinance institutions and hence MFIs should develop relationship management programs combined with social performance practices to retain their customers. The study, however, revealed that Kenyan MFIs seem to be facing a customer defection problem in the short term because majority of customers indicated they do not intend to stay with their MFI for long. The findings showed that between employees and customers, the latter were more dissatisfied with the relationship they had with their institution. The lower perception by customers towards the relationship with their financial services provider could be attributed to lack of frequent research by the institutions into how satisfied their clients are, yet this kind of research would reveal service quality gaps which if addressed would increase customer satisfaction and consequently customer retention.

MFIs should thus adopt a more relationship management oriented approach to retaining customers by developing programs aimed at creating relationships characterized by trust and commitment; free communication and strive to keep promises made to customers. Emphasis should also be put on identifying and upholding ideals valued by customers and adopting socially responsible practices which cater for the welfare of customers and employees. These principles should be embraced by all employees in the institution.

The study examined the moderating effects of firm IT characteristics and social performance management on the association between relationship marketing and customer retention. The study concluded that positive and strong moderation exists when social performance management practices are introduced in the RM-CR association, however firm IT characteristics have a weak and negative effect on this relationship. Although the influence of each of these variables on customer retention was significant, the contribution to customer retention by social performance management was found to be higher. The moderating influence of social performance management thus suggests that MFIs need to develop and deploy socially responsible practices so as to boost the success of their relationship marketing programs for customer retention. Regarding the weak and negative moderating influence of firm IT characteristics, it means that technology solutions on their own will not influence customer retention, and in addition, the more a firm grows older and increases in size, the more it may become complacent towards meeting customers' needs hence negatively affect its ability to retain customers. However, to confirm further this moderating effect by firm IT characteristics, additional investigations could be carried out in other contexts.

The study also concluded that the joint effect of relationship marketing, firm IT characteristics and social performance management on the customer retention was positive and statistically significant, suggesting that the influence of these variables on customer retention is stronger than the individual effect of relationship marketing on customer retention. Consequently, relationship marketing and social performance management are good predictors of customer retention, whereas firm IT characteristics need to be combined with other initiatives to boost customer retention. For microfinance institutions to succeed in an increasingly competitive financial services sector therefore, they must become more responsive to their clients' needs. This calls for them to be relationship-focused, socially responsible and employ innovative technological platforms to manage their customer retention levels.

8.4 Contribution of the Study

The current research sought to determine the association between relationship marketing, firm IT characteristics, social performance management and customer retention. In particular, the study sought to establish the influence of relationship marketing on customer retention and the moderating role of firm IT characteristics and social performance management on the relationship marketing – customer retention association. It also sought to examine if the joint effect of these variables on customer retention was greater than the individual effect. The study results present theoretical, practical and policy implications as discussed in the next section.

8.4.1 Contribution to Theory

This study sought to contribute to the theoretical foundation on relationship marketing by conceptualizing and obtaining empirical evidence on the direct, moderating and joint effect of the study variables - relationship marketing, firm IT characteristics, social performance management - on customer retention. Conceptually, existing literature on relationship marketing suggests relationship marketing has a direct influence on customer retention, however, the current study extends this theoretical argument by proposing that this original relationship marketing-customer retention association may be contingent on third forces, and provides a conceptual model in which the role of moderating factors was hypothesized to affect the strength of the relationship marketing-customer retention association.

Aside from the aforementioned conceptual contribution, the current study makes an empirical contribution by providing evidence on the nature of direct, moderating and joint influence existing between the study variables (relationship marketing, firm IT characteristics, social performance management and customer retention). Most previous empirical studies either investigated these variables individually, or focused on establishing a direct relationship between relationship marketing and customer retention (Morgan & Hunt, 1994; Bowen & Chen, 2001; Ang & Buttle, 2006; Henning-Thurau et al., 2002, Wetzels et al., 1998). They, however, did not conclusively establish the moderating role of firm IT characteristics and social performance management in the relationship marketing-customer retention association. Although Oly-Ndubisi (2007) and Sin et al. (2002) proposed that there are other factors likely to influence the ability of a firm to retain customers using relationship marketing strategies, empirical evidence on the moderating effect of these variables was lacking. This study therefore fills this research gap by providing empirical evidence on: first, relationship marketing as a predictor of customer retention; second on social performance management as a predictor of customer retention; third on the moderating effect of social performance management and firm IT characteristics on the relationship marketing-customer retention association; and finally, empirical evidence on the joint effect of these variables.

The positive and significant findings on the influence of relationship marketing on customer retention are consistent with existing studies hence affirming the importance of this strategy in improving business performance (Storbacka, Strandvik & Grönroos, 1994; Churchill & Halpern 2001; Ang & Buttle, 2006; Li, 2014; Hettiarachchy & Samarasinghe, 2016). The results of this study support the hypothesized direct relationship between relationship marketing and customer retention, thus are similar with previous findings and theoretical assertions on the influence of relationship marketing on customer retention. Furthermore, the current findings enhance our understanding of the nature of relationships microfinance institutions in Kenya should build with their customers and the need to measure relationship satisfaction from all parties involved in the exchange process an issue consistent with the relational behavior theory.

The current study went beyond testing for direct effects and tested for the moderating effect of both social performance management and firm IT characteristics on the relationship between relationship marketing and customer retention. In view of the fact that there exists a scarcity of studies testing the moderating effect of social performance management yet existing literature is abound with theoretical claims that embracing social performance management is crucial for better overall performance, the current study addresses this knowledge gap by providing empirical evidence on the moderating effect of social performance management on the relationship marketing-customer retention link which was found to be significant. Although this study did not obtain results which support the influence of firm IT characteristics on customer retention, it did demonstrate the moderating effect of these characteristics on the relationship marketing-customer retention association. In so doing, the study adds substantially to our understanding of the role of firm IT characteristics in relationship management.

The study further considered social performance practices while drawing from the corporate social performance theory and stakeholder theory. The present study makes noteworthy contribution to these two theories by providing empirical evidence on the moderating role played by social performance management in a marketing context which role was found to be strong, positive and statistically significant. This kind of evidence was particularly scarce from existing literature in this field. The study further showed that the joint influence of relationship marketing, social performance management, firm IT characteristics on customer retention was statistically significant. This finding breaks new ground in the theoretical framework of the relationship marketing-customer retention association because it provides evidence which shows that taking on a combination of strategies in relationship management is far superior to adopting an individualized approach. This study has thus significantly enhanced our understanding of the power of adopting an integrated approach to retaining customers by providing additional evidence with respect to the role of third forces and joint effects in the relationship marketing- customer retention association. Taken together, these findings suggest that the moderating role of social performance management on the relationship marketing-customer retention association and the joint role of relationship marketing, social performance management and firm IT characteristics on customer retention cannot be taken for granted.

The findings also showed that social performance management practices have a statistically positive and strong moderating effect on the RM-CR association, however, firm IT characteristics moderate this association though negatively. This study thus contributes to the body of literature on relationship marketing, firm IT characteristics and corporate social performance by revealing the complementary role of social performance management practices and firm IT characteristics in the relationship marketing - customer retention association thus demonstrating their importance in business operations. The findings provide new evidence and insights into the capacity of using socially responsible practices to improve firm performance in areas such as retaining customers. Additionally, the study contributes to the growing body of literature on the stakeholder approach to relationship marketing by showing the role of social performance management in influencing customer retention.

Furthermore, a noteworthy contribution of this study can also be reported on the methodology used, in particular regarding category of respondents from whom data was sought. Unlike previous studies where researchers collected data either from employees or from customers, in this study, views were sought from both customers and employees of microfinance institutions regarding their perceptions towards the various study variables. This allowed the researcher to generate data from both perspectives, cross check responses of employees with those of customers thus verify the extent of convergence or divergence in opinions relating to relationship management. It was necessary to do so because although managers are often known to portray the outlook of their companies in an overly positive manner thus introducing bias, however, this approach is recommended by the relational behaviour theory which advocates for measuring relationships by incorporating the views of all parties in the exchange (Morgan & Hunt, 1994).

Additionally, existing studies on relationship marketing – customer retention concentrated on investigating this relationship among developed markets, with few studies found on developing markets like Kenya; moreover, most of these studies are focused on sectors other than the microfinance sector (Alrubaiee & Al-Nazer, 2010**;** Oly-Ndubisi, 2007; Thuo, 2010**;** Ryals & Payne, 2001; Kim, Yong-Ki Lee, & Yoo, 2006, Ang & Buttle, 2006 Sin et al., 2002). The current study therefore contributes to this contextual gap by providing a new understanding of the relationship marketing-customer retention association as well as the moderating role of social performance management and firm IT characteristics on this association, with respect to the microfinance sector in a developing country like Kenya.

8.4.2 Contribution to Policy

The study results have some implications that may inform policy formulation for the microfinance sector in Kenya. Microfinance institutions play a significant role in economies due to their potential to contribute to poverty alleviation through economic and social empowerment of the poor (Nawaz, 2010). Governments and international development entities widely recognize microfinance for this role hence making their scope of operations, services offered and overall performance a matter of policy concern. The present study makes several noteworthy contributions to policy makers. First, the findings of the study show that majority of microfinance institutions do not have a wide branch network spread out in the country yet majority of the poor in Kenya are located in rural areas. This means that policy makers could develop policies which guide on branch network distribution in order to increase microfinance services' outreach to poor clients. Secondly, the study revealed that most microfinance institutions were investor based implying that majority may be driven to pursue financial goals at the expense of social goals; this means it may be necessary for the regulator to step in and develop deliberate policies aimed at encouraging microfinance institutions to give equal attention to achieving their fundamental mission – social welfare of their clients.

Thirdly, the study findings revealed the significant role played by social performance management in influencing customer retention, therefore policy makers could formulate deliberate policy measures which mandate microfinance institutions to develop social performance management practices, measure and report their social performance to the regulator or supervisory bodies because this will not only enhance clients' welfare, but employees of these institutions will also benefit and the overall performance of the institutions will improve thereby contribute to alleviating the poverty challenge the country still faces. Finally, policy makers for the microfinance sector can formulate and pass laws that encourage these institutions to embrace an integrated approach to client attraction and retention which incorporates use of innovative technological platforms to offer customer friendly services, as well as development and implementation of social performance management practices, while monitoring social performance by reporting this type of data alongside financial data to the regulators. Such policy interventions would go a long way in strengthening the performance of microfinance institutions and promoting their growth and development. A financially sustainable microfinance sector means more poor people can gain economic and social empowerment thereby reduce Kenya's poverty dilemma.

8.4.3 Contribution to Marketing Practice

This study provides valuable insights into how microfinance marketing and social performance management programs may be designed and implemented by managers to predict customer retention in the microfinance sector. The study findings suggest that MFIs which adopt relationship marketing strategies and combine them with social performance management programs will perform better than those MFIs which neglect to do so. The results also point to the need for customer relationship managers to strive to retain the most customers attracted by the business but this requires a thorough understanding of the direct and indirect factors that drive customer retention. A noteworthy contribution of this study to microfinance practitioners therefore, is that they must strive to build relationships with their customers characterized by trust, commitment, communication, keeping promises and sharing common values. Further to this, they must develop client friendly products as well as embrace socially responsible practices to employees and customers, as this will lead to more satisfied customers who in turn will remain longer with the institution. The study results suggest that those institutions which are relational-oriented influence customer retention measured by dimensions such as customer repeated purchases, intention to remain with the firm for long, positive word of mouth communication, price insensitivity, less customer recruitment costs and less customer care costs incurred by the firm.

Furthermore, this study provides microfinance practitioners with evidence that social performance management matters for customer retention, hence such results will probably propel those MFIs not yet embracing these practices to commence doing so, while bolstering the efforts by those institutions already embracing these programs. MFI managers should develop a socially-oriented culture which if combined with a relationship-oriented culture will yield better results in respect to their financial and social goals. Additionally, while firm

IT characteristics were not supported, these are still relevant to build successful relationships; results from the current study in fact showed that the branch penetration network of Kenyan MFIs was low yet Kenya has millions of poor people scattered throughout the country hence there is need to look into the institutional infrastructure to make it responsive to market needs. MFIs thus need to develop outreach strategies to access more clients for economic and social empowerment.

Another thought-provoking finding was that firm IT characteristics had an inverse moderating effect on the association between relationship marketing and customer retention, implying that as MFIs invest more in technology solutions, their performance with respect to customer retention may not necessarily improve. The implication of this result for MFIs is they need to adopt both the IT and non-IT mediums even as they grow and gain more experience; they should not lose sight of continuously identifying and meeting customers' needs; they should continue to monitor customers' requirements, address complaints promptly, make communication easier, embrace technological innovations to facilitate efficient service delivery and maintain consistent performance. This research therefore contributes to the microfinance sector by providing empirical evidence on the RM-FC-SPM-CR link since studies in this area are scarce. The current study addresses this shortcoming, and avails microfinance specialists with practical solutions on how to formulate customer relationship building policies, provides evidence on the importance of social performance programs and the need for development of effective distribution and information technology strategies.

8.5 Limitations of the Study

Even though this study provides theoretical discussions and empirical evidence on the relationship marketing-customer retention association, the findings are not without some limitations. The first limitation was that the study focused on a limited number of variables yet the relationship marketing –customer retention association might be influenced by many other factors. Selection of the study variables could have included others such as customer and market characteristics, which could provide additional insights into the nature of relationship marketing – customer retention association. This restriction, however, provides opportunity for additional studies to investigate these other variables which may help explain further the connection between relationship marketing and customer retention within the microfinance sector.

Secondly, the study used a quantitative cross-sectional research design in which respondents were interviewed only once thus placing a constraint on determining the actual behavior by customers in the long term. In addition, by adopting a largely quantitative approach in which questionnaires were used, respondents could not express any other views other than those sought by the data collection instrument, hence placing a constraint in their ability to express themselves freely. An interview guide would have produced in-depth opinions and perceptions by respondents on the study variables, which would provide further insights into the nature of association between the variables.

Furthermore, the current study focused on investigating the variables in a business to customer setting (B2C), without investigating the same in a business to business setting (B2B) hence providing an opportunity for future research to investigate the same interaction of variables in a business to business (B2B). A fourth limitation was that a relatively small population in comparison with the target population was used for this study because many MFIs in Kenya are not registered with the umbrella body AMFI. This restricted the number of institutions that participated in the survey. Fifth limitation arose from the scope of respondents who participated in the study; due to resource constraints (time and costs), the study used respondents from MFIs only hence limiting the level of generalizability of the study results to the microfinance services sector. Finally, the current study obtained data from key informants (management employees) using judgmental sampling, as well as from customers who were conveniently selected. This meant that information collected was based on respondents' perceptual responses yet these are often susceptible to subjectivity rather than objectivity.

8.6 Recommendations

The findings suggest that relationship marketing has a strong and positive influence on customer retention, and that social performance management practices positively moderate the association between relationship marketing and customer retention, therefore, the study recommends that MFI managers pay substantial attention to retaining their customers by developing relationship marketing programs and combine these with social performance management practices. Consideration must be given to developing customer relationships characterized by trust, commitment, communication, keeping promises, building strong relationship bonds and sharing common values.

Apart from developing relationship marketing strategies, MFIs need to embrace socially responsible programs which promote the welfare of all stakeholders because this will boost customer retention. Furthermore, it is recommended that MFI managers should avoid becoming complacent as the institution grows because in so doing, customer needs will be neglected hence affecting customer retention levels. Installing appropriate information technology platforms and software on customer relationship management, together with monitoring customers' feedback, will ensure the organization is abreast with customers' requirements and market dynamics. The study thus recommends the strengthening of relationship management capabilities and social performance management capabilities within the microfinance industry. Relationship management capabilities can be strengthened through installation of customer relationship management systems, employing relationship management officers and providing them with frequent training, conducting frequent research into both customer and employee satisfaction and generally embracing a relational-management orientation throughout the organisation.

Conversely, social performance management capabilities can be enhanced by developing and implementing social responsible practises such as developing clear socially driven mission statements, client-friendly products, policies which guide the promotion of client and employee welfare, constituting a board of management committed to pursuing both social and financial goals through balanced allocation of resources to social and financial performance management. Additionally, the study recommends research to add to the general relationship marketing theory which inadequately explains the variety of intra-organizational and extra- organizational factors necessary to enhance the association between relationship marketing and customer retention. This is because although findings of the current study support the explanatory power of relational and social exchange marketing theories, they do not address the effect of intra-organizational factors and market driven factors to attain better customer retention levels.

8.7 Suggestions for Further Research

The findings of the current study add to existing conceptual and empirical evidence which suggest that relationship marketing affects customer retention by providing evidence on the contributory role of firm IT characteristics and social performance management in influencing this association. However, additional studies are necessary to establish the role of other factors not covered in this study to gain more insights into the power of moderating elements. Factors such as consumer characteristics, market characteristics such as competition and marketing distribution channels, the regulatory environment could be the focus of future studies. Methodologically, future research is recommended to determine the cause–effect phenomenon of relationship marketing and customer retention in order to further understand the power of relationship marketing as a business strategy. This is because the current study used a cross sectional study approach which was limiting in as far as ability to detect causal effects of variables.

A longitudinal study in particular would generate evidence on the causal linkages which cannot be obtained in cross sectional research design. Additionally, a qualitative research approach could be used to establish the in-depth perceptions and opinions of employees and customers of microfinance with regard to the relationship between the parties. Future studies could develop constructs that measure the subjective aspect of relationship management for customer retention and use focus groups and in-depth interviews to collect and analyze data on each of these constructs.

Contextually, future studies could replicate this research but in non-service oriented sectors such as manufacturing or replicate it in other developing countries to determine the universality and significance of the relationship marketing - social performance management - firm IT characteristics - customer retention association. Such investigations will shed more light into the dynamisms of the relationship management phenomenon in different sectors and markets. Furthermore, while the current study focused on investigating the variables in a business to customer setting (B2C), additional research could investigate the same interplay of variables but in a business to business (B2B) setting since the nature of relationship management tactics employed in B2B scenarios is often more complicated than they are in B2C settings.

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APPENDICES

APPENDIX 1: INTRODUCTORY LETTER

STELLA ANNE NYONGESA

P.O. Box 20061, 00100, Nairobi

18th May, 2016

Dear Sir/Madam,

RE: Study on "The Influence of Relationship Marketing, Social Performance Management and Firm Characteristics on Customer Retention by Microfinance Institutions in Kenya''

Greetings, My name is Stella Nyongesa, a PhD student at Strathmore University, Nairobi. I am conducting a study on the above topic for my PhD Program and kindly request for your participation by answering the attached questionnaire. The research aims at obtaining information that will aid in understanding how relationship marketing, social performance practices and firm IT characteristics of microfinance institutions (MFIs) in Kenya influence customer retention.

Such a study will enrich the academic knowledge in this area of study, as well as provide practical solutions to bodies like the Central Bank of Kenya, Ministry of Finance and Planning and relevant NGO's in formulating relevant policies and guidelines for the Microfinance sector as a way of improving sustainability of MFIs. The questionnaire is divided into four sections. Kindly find time and answer the questions asked to the best of your knowledge. The information you provide shall be treated with UTMOST CONFIDENTIALITY and shall not be used for any other purpose other than for statistical purposes only.

Looking forward to your kind assistance,
Yours sincerely,

Stella Nyongesa

APPENDIX 2: LETTER OF INTRODUCTION FROM STRATHMORE UNIVERSITY

Strathmore
UNIVERSITY

6th October 2016

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

FIELD INTRODUCTORY LETTER - DATA COLLECTION FOR PHD STUDIES BY STELLA NYONGESA (Student No. 096379)

This is to confirm that the above named student is undertaking her PhD Studies at Strathmore University.

Her study is on "**The Influence of Relationship Marketing, Social Performance Management and Firm Characteristics on Customer Retention by Micro-Finance Institutions in Kenya**".

As part of her research, she needs to collect primary data from managers and customers of Micro-finance institutions in the country, as well as secondary data from these institutions. The student has received ethical clearance from the Institutional Ethics Review Board, as well as a Research Permit from NACOSTI and is expected to ensure that all data and information collected is treated with utmost confidentiality and only used for academic purposes.

Any assistance accorded to her will be highly appreciated.

Sincerely,

Prof. Ruth Kiraka
Dean, School of Graduate Studies
Strathmore University

Ole Sangale Rd, Madaraka Estate PO Box 59857-00200, Nairobi, Kenya Tel +254 (0)703 034000/200/300
Fax +254 (0)20 6007498 Email admissions@strathmore.edu www.strathmore.edu

APPENDIX 3: PERMIT FROM NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

THIS IS TO CERTIFY THAT:
MS. STELLA ANNE KASOBYA NYONGESA
of STRATHMORE UNIVERSITY, 0-200 NAIROBI,has been permitted to conduct research in *All Counties*

on the topic: *THE INFLUENCE OF RELATIONSHIP MARKETING, SOCIAL PERFORMANCE MANAGEMENT AND FIRM CHARACTERISTICS ON CUSTOMER RETENTION BY MICRO-FINANCE INSTITUTIONS IN KENYA*

for the period ending:
10th October,2017

Permit No : NACOSTI/P/16/70170/14138
Date Of Issue : 10th October,2016
Fee Recieved :Ksh 2000

....
Applicant's Signature

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

CONDITIONS

1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit.
2. Government Officer will not be interviewed without prior appointment.
3. No questionnaire will be used unless it has been approved.
4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.
5. You are required to submit at least two(2) hard copies and one (1) soft copy of your final report.
6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice

REPUBLIC OF KENYA

NACOSTI

National Commission for Science, Technology and Innovation

RESEACH CLEARANCE PERMIT

Serial No.A 11206

CONDITIONS: see back page

APPENDIX 4: LETTER OF INTRODUCTION FROM NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

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

9th Floor, Utalii House
Uhuru Highway
P. O. Box 30623-00100
NAIROBI-KENYA

Ref: No.

NACOSTI/P/16/70170/14138

Date:

10th October, 2016

Stella Anne Kasobya Nyongesa
Strathmore University
P.O. Box 59857-00200
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"The influence of relationship marketing, social performance management and firm characteristics on customer retention by Micro-Finance institutions in Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **all Counties** for the period ending **10th October, 2017.**

You are advised to report to **the County Commissioners and the County Directors of Education, all Counties** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

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

Copy to:

The County Commissioners
All Counties.

The County Directors of Education
All Counties.

National Commission for Science, Technology And Innovation Is ISO 9001:2008 Certified

APPENDIX 5: ETHICAL CLEARANCE APPROVAL

Strathmore

UNIVERSITY

REF: **SU-IRB 0076/16**

27 October 2016

Mrs Stella. A.K. Nyongesa
59857 00200
Nairobi, Kenya

Email: snyongesa@strathmore.edu

Dear **Stella Nyongesa,**

REF: SU-IRB 0076/16 PROPOSAL "THE INFLUENCE OF RELATIONSHIP MARKETING, SOCIAL PERFORMANCE MANAGEMENT AND FIRM CHARACTERISTICS ON CUSTOMER RETENTION BY MICRO-FINANCE INSTITUTIONS IN KENYA"

I make reference to your email dated 7th October 2016, where you responded to concerns raised by the Strathmore University Institutional Review Board (SU-IRB).

The SU-IRB acknowledges receipt of the following resubmitted documents:

a) The revised Study Proposal version dated 7th October 2016
b) Participant Information and consent version dated 7th October 2016

The committee has reviewed your application and concluded that the issues raised have been adequately addressed.

The study has been granted **Approval** for implementation effective on **27 Day of October 2016.** Please note that authorization to conduct this study will automatically expire on **26 October 2017.**

If the study extends beyond the stated (one) year, you are required to seek an *Extension Approval* from the Ethics committee prior to its expiry. You are required to submit any proposed changes to this protocol to SU-IRB for review and approval prior to implementation of changes.

Thank you

Sincerely,

Amina Salim
Regulatory Affairs Fellow

Ole Sangale Rd, Madaraka Estate P O Box 59857-00200, Nairobi, Kenya Tel +254 (0)703 034000/200/300
Fax +254 (0)20 6007498 Email admissions@strathmore.edu www.strathmore.edu

Serial number

APPENDIX 6: QUESTIONNAIRE FOR EMPLOYEES

The questionnaire aims to collect data from microfinance institutions with the goal of examining "**The influence of relationship marketing, social performance management practices and firm IT characteristics on customer retention by micro-finance institutions in Kenya**". Data obtained will be held in confidence and the identity of respondents will be kept anonymous. Your cooperation in this data collection exercise is highly appreciated.

SECTION A: BACKGROUND INFORMATION

Respondent Details:

1. Name of Organization……………………….

2. Respondent's Gender (tick the appropriate one)
Female [ ] Male [ ]

3. Age in Years
   a) up to 29
   b) 30 – 34
   c) 35 – 39
   d) 40 – 44
   e) 45 and above

4. Highest level of Education
   a) Postgraduate degree
   b) Undergraduate degree
   c) Diploma
   d) Certificate
   e) Other…………………………………………………………………..

5. Years of Service in the Microfinance Industry…………………

6. Department…………………………………

7. Your Designation…………………………………

SECTION B: RELATIONSHIP MARKETING

8. Please indicate the extent to which each of the following statements characterizes the relationship between your organization and customers as a result of your relationship marketing activities.

Items	Not at all (1)	Small extent (2)	Moderate extent (3)	Large extent (4)	Very large extent (5)
Trust					
Our customers have confidence in our products and services (reliability)					
Our customers can be relied upon to fulfill their obligations					
Our customers are honest and responsible (they have high integrity)					
Our customers are consistent in their dealings with us					
Our customers trust our institution will deliver what they need					
Our institution always keeps our customers informed about any changes in product/service features					
Our institution is consistent in providing quality services to customers					
Our institution meets all the financial needs of our customers					
Customers have full confidence in our institution's services					
Commitment					
Our institution is dedicated to the relationship we have with our customers					
We intend to maintain the relationship with our customers indefinitely					
The relationship we have with our customers deserves our firm's maximum effort to maintain					
Our firm is willing to invest in the relationship we have with our customers					
Our institution makes adjustments to suit customer needs and expectations					
We carry out market research at least once a year					

	Not at all (1)	Small extent (2)	Moderate extent (3)	Large extent (4)	Very large extent (5)
We offer personalized services to meet individual customer needs					
Our top managers from every department regularly interact with current and prospective customers					
We collect customer complaints daily					
Our sales people are trained to spot and report marketing intelligence					
We are quick to detect changes on consumer preferences					
We review changes in the marketing environment at least once a year					
Communication					
Our institution offers timely information to our customers					
We hold regular meetings/forums with our customers					
Our customers communicate to us their expectations for our performance					
Our institution offers accurate information to customers					
We seek customer views about our products and services					
When a dispute arises with a customer, our institution is open to resolve it quickly					
When we get customer feedback, we use it for product/service improvement					
We respond to customer complaints in a coordinated manner					
Top management regularly discusses customer requirements					
Marketing personnel in our organization spend time discussing customers' future needs with other functional departments					
Our sales people regularly share information within our organization concerning customers					
When one department finds out something important about customers, it is quick to alert other departments					

	Not at all (1)	Small extent (2)	Moderate extent (3)	Large extent (4)	Very large extent (5)
Keeping promises/cooperation					
Our institution makes and fulfills its promises to customers					
We respond fast to our customers' demands					
Our customers can be relied upon to keep their promises (they are easy to collaborate with)					
We continuously review our products to ensure that they are in line with changing customer needs and preferences					
If majority of our customers make a complain, we immediately implement a response strategy					
Relationship bonds					
We create bonding sessions for employees and customers at least once a year (seminars, cocktails, parties)					
Our front - office employees frequently undergo training					
Our front - office employees are well motivated therefore go out of their way to boost relationships with customers					
Our employees are friendly to our customers					
Our employees continuously interact with customers					
Our customers exhibit sense of belonging in our institution					
Closeness with customers is highly encouraged by management					
Public relations skills are highly functional in our institution					
Our institution offers price incentives to customers to secure their loyalty					
Our employees refer to customers by name during transactions					
Our institution has a customer relationship management information systems (CRM software)					

	Not at all (1)	Small extent (2)	Moderate extent (3)	Large extent (4)	Very large extent (5)
Shared values					
Our policies and guidelines are well understood by employees					
Our policies and guidelines are well understood by customers					
We share common goals with our customers					
Our policies are friendly to customers					
The shared values have led to successful relationships with our customers					
Customers' commitment to our institution has improved due to strong shared values					

9. Which conditions exist in your organization which facilitate the development of relationship marketing activities in your institution?
…………………………………………………………………………………………………
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……………………………………………………………………………………………….

10. What are the major challenges experienced by your institution in developing relationships with customers?
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………………………………………………………………………………………………..

11. What kind of people are more likely to develop successful relationships between your organization and customers?
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…….……………………………………………………………………………………………
………….…………………………………………………………………………………

12. What kind of things are employees expected to do to enhance relationship building between your organization and customers?
……………………………………………………………………………………………..…
…………………………………………………………………………………………………

13. What are the biggest mistakes employees should avoid making in your organization as far as relationship marketing is concerned?
…………………………………………………………………………………………………
…………………………………………………………………………………………………

FIRM DEMOGRAPHICS

14. Please state the number of years your organization has been operating as a microfinance institution or offering microfinance services.…………………………………………………….

15. Please indicate the number of branches which offer microfinance services.

………………………………………………………………………………………………

16. Would you please tell us the number of full-time people employed by your organization?

………………………………………………………………………………………

17. In which category does your institution belong? (Select one only)

a) Commercial bank offering microfinance services [ ]
b) Microfinance bank [ ]
c) Wholesale microfinance lender [ ]
d) Deposit taking micro-finance (DTM) institution [ ]
e) Retail microfinance lender [ ]
f) Non-bank Financial Institution [ ]
g) Credit only MFI [ ]
h) SACCO [ ]
i) Other (please specify)……………………………………………

18. What is your company's ownership structure? (Tick in the appropriate Box)

	Formal Institution	**Semi-Formal Institution**
Investor based (shareholders own the institution; customers walk-in to open accounts)		
Member – based (customers own shares in the institution before they can access the services e.g saccos)		
NGO based – (Donor funded)		
Government –owned		
Other (please specify here)		

SECTION C: FIRM IT CHARACTERISTICS

19. Kindly indicate (by ticking one box for each statement) to what extent your organization employs the following information technology platforms when dealing with customers

Item – Information technology platforms	**Not at all (1)**	**Small Extent (2)**	**Moderate extent (3)**	**Large extent (4)**	**Very large extent (5)**
Mobile phone banking services – sending and receiving money					
Short messages (SMS) to communicate					
Website					
Internet banking					
Social media					
Electronic fund transfers					
ATMs					
Digital screens					
Non-automated Call centers					
Automated Contact centers					

20. Kindly indicate (by ticking one box for each statement) to what extent your organization engages in the following customer relationship management actions when dealing with customers

Customer relationship management actions	**Not at all (1)**	**Small Extent (2)**	**Moderate extent (3)**	**Large extent (4)**	**Very large extent (5)**
Sending out promotional messages, updates, or reminders to customers' mobile phones					
Sending out Short messages (SMS) to communicate with customers					
Sending out automated marketing emails to customers					
Posting marketing information on social media.					
Using the telephone to promote new products and services					
Our institution has a system which records, stores and tracks customer information					
Our institution has a system which at a glance provides information about our customers and the current or past interactions with them (e.g past sales, previous marketing efforts to them etc)					

Customer relationship management actions	Not at all (1)	Small Extent (2)	Moderate extent (3)	Large extent (4)	Very large extent (5)
Our institution has an analytical customer relationship management system which analyzes customer data collected from any transactions we have with them					
Our institution uses customer demographic data like gender, age, income and education and links this information with their purchasing behavior					
Our institution has categorized customers into profitability tiers					

21. Overall, how do you rate the level of technology adoption in your institution?

Very low [ ] Low [ ] Moderate [ ] High [ ] Very high [ ]

SECTION D: SOCIAL PERFORMANCE MANAGEMENT PRACTICES

22. Please indicate the extent to which you agree or disagree with the following statements as relates to social performance management (SPM) practices by your organization where 1=strongly disagree 2= disagree 3=neither disagree nor agree 4=agree 5=strongly agree

Items	Strongly disagree (1)	Disagree (2)	Neither disagree nor agree (3)	Agree (4)	Strongly agree (5)
Social mission statement					
Our mission statement is clear to our customers					
Our customers hold us in high repute					
We strive to have our vision, mission and corporate mandate known to all our customers					
Our CEO always promotes a positive corporate image					
Our mission statement is geared towards social welfare					
Our mission statement is customer oriented					

Items	Strongly disagree (1)	Disagree (2)	Neither disagree nor agree (3)	Agree (4)	Strongly agree (5)
Our institution strives to fulfill the corporate mission					
Board members, management and employees commitment to social goals					
Members of the Board are committed to the institution's social mission.					
Members of the Board hold the institution accountable to its social mission and social goals.					
Senior management sets, and oversees implementation of, the institution's strategy for achieving its social goals.					
Employees are recruited, evaluated, and recognized based on financial performance criteria.					
Employees are recruited, evaluated, and recognized based on social performance criteria.					
Board periodically reviews Social Performance data, including: mission compliance, performance results, HR policy, SP related risks, client protection practices, growth, and profit allocation.					
Board oversees the institution's strategy, by taking into mainly the financial goals.					
Board oversees the institution's strategy, by taking into account mainly the social goals.					
Board uses Social Performance criteria when evaluating the performance of the CEO/Director.					
CEO/Director holds senior managers accountable for making progress toward the institution's social goals					

Items	Strongly disagree (1)	Disagree (2)	Neither disagree nor agree (3)	Agree (4)	Strongly agree (5)
Client friendly products and services					
Our customers find the quality of products/services we offer satisfactory					
Our customers have trust in our services					
Our customers rate our products/services as superior					
Our customers perceive our products/services as affordable					
Our customers perceive our products/services as readily available					
Our customers rate our products/services as reliable					
Our products meet all the needs of our customers					
Responsible treatment of clients					
Our customers' complaints are handled in time					
Our customers are fully aware of the terms and conditions of the services we offer them					
Our customers are satisfied with the manner in which our employees treat them					
Our front-office team handles customers professionally when they default in payments					
Our employees have the ability to thoroughly understand customer needs and wants					
Our employees have public relations skills to the customers satisfaction					
Our customers are given priority during the trading process					
Customers' feedback is submitted by employees weekly					

Items	Strongly disagree (1)	Disagree (2)	Neither disagree nor agree (3)	Agree (4)	Strongly agree (5)
Customers' feedback is taken into consideration during management decision making					
Responsible treatment of employees					
Our employees are satisfied with employment terms and conditions					
Our employees' complaints are handled in real time					
Our employees are satisfied with the institution's remunerations					
Our employees are satisfied with the working environment					
Employees views are considered in decision making					
Our employees are frequently trained in customer relationship management					
Our employees are highly motivated					
There is a good relationship among employees and management					
There is constant communication between employees and the management					
Employees are given the required work leave and offs when needed					
Balanced allocation of resources between financial and social goals					
Financial goals are given priority during resource allocation					
Social goals are given priority during resource allocation					
Our management emphasize more on social goals than on financial goals					
The Board of directors oversees the achievement of financial goals.					
The Board of directors oversees the achievement of social goals.					

Items	**Strongly disagree (1)**	**Disagree (2)**	**Neither disagree nor agree (3)**	**Agree (4)**	**Strongly agree (5)**
Social Performance criteria is used when evaluating the performance of the management.					
Employee recognition is based more on social performance criteria than on financial performance criteria.					
Employee recognition is based more on financial performance criteria than on the social criteria					
Senior management sets, and oversees implementation of, the institution's strategy for achieving its social goals.					
Members of the Board hold the institution accountable to its financial goals more than the social goals.					
Members of the Board hold the institution accountable to its social goals more than financial goals					
Members of the Board hold the institution accountable to its financial and social goals in equal measure.					

23. To what extent has your organization adopted the social performance management practices? (Select one only)

a) Not at all
b) To a small extent
c) To a moderate extent
d) To a large extent
e) To a very large extent

24. In your opinion, what conditions are necessary to be present in your institution for successful implementation of social performance management practices?

…………………………………………………………………………………………
…………………………………………………………………………………………

25. What are the major challenges experienced by your institution in the implementation of social performance management practices

…………………………………………………………………………………………
…………………………………………………………………………………………

SECTION D: CUSTOMER RETENTION

26. Below are a number of statements regarding customer retention by micro-finance institutions.

Kindly indicate (by ticking one box for each statement) the level at which you agree with each.

Items	**Strongly disagree (1)**	**Disagree (2)**	**Neither disagree nor agree (3)**	**Agree (4)**	**Strongly agree (5)**
Loan interests in our institution are affordable to our customers.					
Our services are superior than competitors					
Our customers are motivated to continue with our institution because of the variety of products that we offer them					
Our customers are motivated to continue with our institution because of flexibility of loan repayment					
Even though fees are increased by our institution, our customers are not bothered					
We get most of our customers through referrals from existing customers					
Most of our customers make timely repayments on their loans					
The time for applying, processing and obtaining a loan by our customers is satisfactory					
Our customers have always sought more credit after fully repaying their loans					
We incur less costs on marketing because of many referrals from existing customers					
Our customers are loyal to our organization					

27. To what extent are your customers likely to terminate their relationship with your firm in the next.

	Not at all (1)	**Small extent (2)**	**Moderate extent (3)**	**Large extent (4)**	**Very large extent (5)**
Six months					
One year					
Two years					

28. Kindly give reasons for your answer in Question 27 above

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29. Please mention any other issue that is relevant to this study that is not covered in the questionnaire
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……………………………………………………………………………………………………
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THANK YOU FOR TAKING YOUR TIME TO PARTICIPATE IN THE STUDY

Serial number

APPENDIX 7: QUESTIONNAIRE FOR CUSTOMERS

The questionnaire aims to collect data from microfinance institutions with the goal of examining "**The influence of relationship marketing, social performance management practices and firm IT characteristics on customer retention by micro-finance institutions in Kenya**". Data obtained will be held in confidence and identity of respondents will be kept anonymous. Your cooperation in data collection exercise is highly appreciated.

Microfinance Banks/DTMs

SECTION A: BACKGROUND INFORMATION

1. Name of Organization………………………………..

2. My gender (tick the appropriate one)
   Female [ ] Male [ ]
3. Age in Years
   a) up to 29
   b) 30 – 34
   c) 35 – 39
   d) 40 – 44
   e) 45 and above

4. Highest level of Education
   a) Postgraduate degree
   b) Undergraduate degree
   c) Diploma
   d) Certificate
   e) Other…………………………………………………………..

5. I have been a customer for this institution for..................years

6. How did you join this institution? (tick the appropriate one)
   a. I switched from another institution
   b. It is my first microfinance institution

7. Kindly give reasons that motivated you to join this institution

…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………

8. How did you learn about this institution? (tick only one)
   (a) My own initiative (e.g I read about it)
   (b) Friends referrals
   (c) Through the institution's marketing/communication programs

9. Please select which of the following products/services you have used or received from this institution and how many? (Tick all that apply)

Product	**Never**	**One/Once**	**Two/Twice**	**More than Two/Twice**
Savings				
Loans				
Insurance				
Money transfer services				
Training				
Other				
Other				

SECTION B: RELATIONSHIP MARKETING

10. The following statements relate to the outcomes of relationship marketing activities. Please indicate your opinion on each of the statements regarding the nature of relationship between you and by your organization as a result of relationship marketing activities employed.

Items	**Not at all (1)**	**Small extent (2)**	**Moderate extent (3)**	**Large extent (4)**	**Very large extent (5)**
Trust					
My institution is honest and responsible (they have high integrity)					
My institution can be relied upon to fulfill its obligations to me as a customer					
My institution is concerned about my welfare as a customer					
My institution is consistent in their dealings with me					
I highly trust my institution's products/services					
I have confidence in my institution's products and services					
My institution is open and always keeps me informed of any changes in product/service features					

	Not at all (1)	**Small extent (2)**	**Moderate extent (3)**	**Large extent (4)**	**Very large extent (5)**
My institution's employees are competent in their work					
I am willing to rely on my institution for my financial needs					
As a customer I have full confidence in my institution's services				.	
Commitment					
My institution is dedicated to the relationship we have					
I intend to maintain the relationship I have with my institution indefinitely					
The relationship I have with my institution deserves my maximum effort to maintain					
My institution seems willing to invest money and time in the relationship we have					
My institution has in the past offered me a personalized service to meet my needs					
I am aware that my institution sometimes makes adjustments in its operations to suit customers' needs whenever they request					
I am aware my institution carries out market research at least once a year e.g customer satisfaction survey					
I interact regularly with employees from my institution					
My institution collects customer complaints daily					
I intend to remain with this institution even though I know there are other similar institutions					
Communication					
My institution offers regular timely information to me e.g bank statements, loan balances, new products or services					
I receive regular invitations by my institution to attend meetings/forums which enhance my personal skills					

	Not at all (1)	Small extent (2)	Moderate extent (3)	Large extent (4)	Very large extent (5)
My institution requests me to communicate my expectations of its performance					
My institution gives me accurate information					
I often provide my views about the products and services they offer					
My institution responds to my complaints in a fast and coordinated manner					
When a dispute arises, my institution is open to resolve it quickly					
Keeping promises/cooperation					
My institution makes and keeps its promises to me					
My institution responds fast enough to our demands as customers					
My institution can be relied upon, and is easy to collaborate with					
Relationship bonds					
My institution invites me for social interactions sessions between employees and customers at least once a year (seminars, cocktails, parties)					
I do attend the social interaction sessions whenever I am invited					
My institution's employees are willing to listen and help a customer with a problem					
The employees of my institution are friendly always					
Employees refer to me by name during transactions					
I have a sense of belonging to my institution					
My institution offers me price incentives					
I will remain a customer of this institution because it offers me more than just financial services					
I am aware that my institution uses technology in its operations					

Shared values	Not at all (1)	Small extent (2)	Moderate extent (3)	Large extent (4)	Very large extent (5)
I understand well the policies and guidelines of my institution's products and services					
We share common goals with my institution					
My institution's policies are friendly to customers					
I believe the shared values I have with my institution has led to the successful relationship I have with them					
My commitment to my institution has improved due to the strong shared values					

SECTION C: SOCIAL PERFORMANCE MANAGEMENT PRACTICES

11. Please indicate the extent to which you agree or disagree with the following statements as relates to social performance management practices by your organization where 1=strongly disagree 2= disagree 3=neither disagree nor agree 4=agree 5=strongly agree

Item	Strongly disagree (1)	Disagree (2)	Neither disagree nor agree (3)	Agree (4)	Strongly agree (5)
Client friendly products and services					
My institution offers financial products like loans and savings					
My institution offers insurance					
My institution offers money transfer services					
My institution offers training programs in business skills					
My institution offers training programs e.g nutrition and health management and social empowerment					
I trust that my institution's products/services are aimed at my well-being					

	Strongly disagree (1)	Disagree (2)	Neither disagree nor agree (3)	Agree (4)	Strongly agree (5)
My institution’s products/services are affordable					
My institution’s products/services are readily available					
My institution’s products/services features are consistent so I am able to plan for my financial goals					
My institution’s products have helped me achieve my financial goals					
Responsible treatment of clients					
My complaints are always solved in time					
I am satisfied with the way my institution’s employees treat me					
My institution’s front-office team know their job					
Before accessing any service, my institution educates me on all the terms and conditions of the services					
I am informed by my institution of any changes that will affect me in good time					
I am given good attention by my institution whenever I am transacting					
I am satisfied with my institution’s public relations activities (news reports)					
I believe my feedback is considered during my institution’s decision making					
My institution handles customers who default on their loans professionally					
My institution has customers’ interests at heart					

SECTION D: CUSTOMER RETENTION

12. Below are a number of statements regarding extent of customer retention by micro-finance institutions. Please indicate (by ticking one box for each statement) the extent to which you agree with each statement

Items	Strongly disagree (1)	Disagree (2)	Neither disagree nor agree (3)	Agree (4)	Strongly agree (5)
I have not considered leaving this institution in the past 1 year					
The interest on loans from my institution are affordable to me.					
The interest given on savings made with my institution are attractive					
The time for applying, processing and obtaining a loan in my institution is satisfactory					
My institution's products/services are satisfactory to me e.g flexible loan repayments, variety of products					
I have in the past recommended this institution to my friends/relatives					
I am willing to recommend this institution to my associates					
I sometimes receive requests from friends on how to join this institution					
I will seek for more credit after fully repaying my current loan					
Apart from loans, I intend to access more products from this institution in the near future (buy more savings options or insurance etc)					
I am motivated to continue my relationship with this institution because of the variety of products offered to customers					
Even though fees are increased by my institution, I am not bothered					
I hold this institution in high regard					
I am not on the lookout for other institutions with better deals					
I consider myself a loyal customer of this institution					

13. Overall, how would you rate your satisfaction with this institution for the period you have been a customer?

a) Very satisfied
b) Satisfactory
c) Moderate satisfaction
d) Dissatisfied
e) Very dissatisfied

14. How likely are you to terminate your relationship with this institution in the next….

	Not at all (1)	**Small extent (2)**	**Moderate extent (3)**	**Large extent (4)**	**Very large extent (5)**
Six months					
One year					
Two years					

15. Kindly give reasons for your answer in Question 14 above
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16. Please mention any other issue that is relevant to this study that is not covered in the questionnaire
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THANK YOU FOR TAKING YOUR TIME TO PARTICIPATE IN THE STUDY

APPENDIX 8: LIST OF MICROFINANCE INSTITUTIONS IN KENYA AS AT JANUARY 2016

Name		Contacts
1	Faulu Kenya DTM Limited	Postal Address: P. O. Box 60240 – 00200, Nairobi Telephone: +254-20- 3877290 -3/7, 38721883/4 Fax: +254-20-3867504, 3874875 Email: info@faulukenya.com , customercare@faulukenya.com Website: www.faulukenya.com Physical Address: Faulu Kenya House, Ngong Lane -Off Ngong Road
2	Kenya Women Finance Trust DTM Limited	Postal Address: P. O. Box 4179-00506, Nairobi Telephone: +254-20- 2470272-5, 2715334/5, 2755340/42 Pilot Line: 070 - 3067000 Email: info@kwftdtm.com Website: www.kwftdtm.com Physical Address: Akira House, Kiambere Road, Upper Hill,
3	SMEP Deposit Taking Microfinance Limited	Postal Address: P. O. Box 64063-00620 Nairobi Telephone: 020-3572799 / 26733127 / 3870162 / 3861972 / 2055761 Fax: +254-20-3870191 Email: info@smep.co.ke info@smep.co.ke info@smep.co.ke Website: www.smep.co.ke Physical Address: SMEP Building - Kirichwa Road, Off Argwings Kodhek Road
4	Remu DTM Limited	Postal Address: P. O. Box 20833-00100 Nairobi Telephone: 2214483/2215384/ 2215387/8/9, 0733-554555 Email: info@remultd.co.ke info@remultd.co.ke info@remultd.co.ke Physical Address: Finance House, 14th Floor, Loita Street
5	Rafiki Deposit Taking Microfinance	Postal Address: 12755-00400 Nairobi Telephone: 020-216 6401 Cell - phone: : 0719 804 370/0734 000 323 Email: info@rafiki.co.ke Website: www.rafiki.co.ke Physical Address: : 2nd Floor, El-roi Plaza, Tom Mboya Street
6	UWEZO Deposit Taking Microfinance Limited	Postal Address: 1654-00100 Nairobi Telephone: 2212917 / 9 Email: info@uwezodtm.com Website: www.uwezodtm.com Physical Address: Park Plaza Building, Ground Floor, Moktar Daddah Street
7	Century Deposit Taking Microfinance Limited	Postal Address: P. O. Box 38319 – 00623, Nairobi Telephone: +254-20- 2664282, 20 6768326, 0722 168721, 0733 155652 Email: info@century.co.ke
8	SUMAC DTM Limited	Postal Address: P. O. Box 11687-00100, Nairobi Telephone: (254) 20 2212587, 20 2210440 Fax: (254) 2210430 Email: info@sumacdtm.co.ke Website: www.sumacdtm.co.ke Physical Address: Consolidated Bank House 2nd Floor, Koinange Street
9	U&I Deposit Taking Microfinance Limited	Postal Address: P.O. Box 15825 – 00100, Nairobi Telephone: (254) 020 2367288, Mobile: 0713 112 791 Fax: (254) 2210430 Email: info@uni-microfinance.co.ke Website: http://uni-microfinance.co.ke/uni-microfinance/ Physical Address: Asili Complex Building 1st Floor, River Road

Appendix 8 Contd…

10	Blue Limited	Chester House, Koinange Street P.O. Box 27749, 00100 Nairobi
11	K-Rep Development Agency	K-Rep Centre, 7th Floor, Wood Avenue, Kilimani P.O. Box 10528, 00100 Nairobi
12	Eclof Kenya	Chiromo, Royal Offices, Mogotio Road P.O. Box 34889, Nairobi
13	KADET	Capital Hill, Cathedral Road, Community P.O. Box 1676, 00200 Nairobi
14	Bimas	Bimas Complex P.O. Box 2299 Embu
15	Sisdo	Ngong Road, Ngong Lane P.O. Box 76622, 00508 Nairobi
16	Micro Africa Ltd	P.O. Box 52926, Nairobi
17	Opportunity Kenya	Geomaps Centre, Matumbata Road, Upper Hill P.O. Box 19497, 00202 Nairobi
19	Yehu Microfinance Trust	Buxton, Tom Mboya Street P.O. Box 82120 Nairobi
20	Fusion Capital Ltd	ACK Garden Hse., Wing A, Ground Floor, 1st Ngong Avenue, Community (Next to Ardhi Hse)
21	Canyon Rural Credit Ltd	Studio Hse., 3rd Floor P.O. Box 46532, 00100 Nairobi
22	One Africa Capital Ltd	Koinange Street, Ratansi Education Trust Building, 2nd Floor P.O. Box 74093, 00200 Nairobi
23	Jitegemea Credit Scheme	Jogoo Road, KCB Building P.O. Box 46514 Nairobi
24	AAR Credit Services	Methodist Ministries Centre, 1st Floor, Oloitokitok Road
25	Agakhan Foundation Microcredit Programme	Mpaka Plaza, Westlands, 3rd Floor P.O. Box 13149, 00100 Nairobi
26	Adok Timo	Sifa House, Ground Floor, Mission Road (Off Kakamega Road, Opposite Kibuye Market) Kisumu
27	Pamoja Women Development Programme	Kikinga House, Kiambu Town P.O. Box 2472, 00100 Nairobi
28	Juhudi Kilimo Co. Ltd	Mucai Road, Ngong Road P.O. Box 10528, 00100 Nairobi
29	Musomi Kenya Ltd.	Cape Office Park, Along Ring Road, Kilimani, Opposite Yaya Centre P.O. Box 25351, 00100 Nairobi
30	Molyn Credit Ltd.	Bruce Hse, 9th Floor, Standard Street P.O. Box 10144, 00100 Nairobi
31	Renewable Energy Technology Assistance Programme (RETAP)	Waumini Hse, Westlands, 1st Floor P.O. Box 28201, 00200 Nairobi
32	Rupia Ltd.	View Park Towers, 10th Floor P.O. Box 2987, 00200 Nairobi
33	Taifa Options Microfinance	Finance House, Kenyatta Highway P.O. Box 727 Ruiru
34	U & 1 Microfinance Ltd.	1st Floor, Asili Complex, River Road/ Latema Road Junction (Opposite Kampala Coach)

Appendix 8 Contd…

35	Select Management Services Ltd.	Kenya Re Towers, Off Ragati Road P. O. Box 27639, 00506 Nairobi
36	Greenland Fedha Ltd.	KTDA Farmers Building P.O. Box 30213, 00100 Nairobi
37	Youth Initiatives Kenya (YIKE)	Kariobangi North, Sanoda House, 2nd Floor P.O. Box 50622, 00200 City Square, Nairobi
38	Biashara Factors	Finance House, 11th Floor, Loita Street P.O. Box 66065, 00800 Nairobi
39	Platinum Credit Ltd.	2nd Floor, NHIF Building, Community P.O. Box 73304, 00200 Nairobi
40	Ngao Credit Ltd.	2nd Floor, NHIF Building, Community P.O. Box 60776, 00200 Nairobi
41	Indo Africa Finance	Museum Hill Centre, 3rd Floor, Museum Hill Road P.O. Box 39435, 00623 Nairobi
42	Springboard Capital	Kensia House (Along Muran'ga Road, Opposite Kobil Petrol Station), 1st Floor, Suite No. 12 P.O. Box 23720, 00100 Nairobi
43	Mini Savings & Loans Ltd.	Highway Building, Githunguri Town (Near Githunguri Post Office) P.O. Box 874, 00216 Githunguri, Kiambu
44	KEEF-Kenya Enterprise Empowerment Foundation	Mapa House, 3rd Floor, Kiambu Road P.O. Box 648 Kiambu
45	Women Enterprise Solutions	Development House, Moi Avenue P.O. Box 4083, 00200 Nairobi
46	Focus Capital Ltd.	Donholm Mina Centre P.O. Box 2406, 00202 Nairobi
47	Samchi Credit Ltd.	Parklands Plaza P.O. Box 16982, 00620 Nairobi
48	Fountain Credit Services Ltd.	Ngong Road (Near Kobil Petrol Station) P.O. Box 72367, 00200 Nairobi
49	Milango Financial Services	Rozina Building, Moi Avenue P.O. Box 99637, 80107 Mombasa
50	Nationwide Credit Kenya Ltd.	Trishul Towers, 1st Floor (Near Globe Cinema Roundabout, Next to Paramount Plaza) P.O. Box 41873, 00100 Nairobi
51	Fort Credit Limited	Equity Plaza, Thika, 2nd Floor P.O. Box 6685, 00100 Thika
52	Jitegemee Trust	K-Rep Centre, Wood Avenue P.O. Box 21768, 00505 Nairobi
53	Oiko Credit	Methodist Ministries Centre, Oloitokitok Road, 2nd Floor P.O. Box 67181 Nairobi
54	MESPT	2nd Floor, Vision Towers, Muthithi Road, Westlands P.O. Box 187, Sarit Centre, oo606 Nairobi
55	Women Enterprise Fund	NSSF Building, Eastern Wing, Block A, 14th Floor P.O. Box 17126, 00100 Nairobi

APPENDIX 9: SUPPLEMENTARY STATISTICAL ANALYSIS (EMPLOYEE QUESTIONNAIRE)

Table A1: Factor Analysis for Relationship Marketing

Communalities

	Initial	Extraction
Our customers have confidence in our products and services (reliablilty)	1.000	.808
Our customers can be relied upon to fulfill their obligations	1.000	.808
Our customers are honest and responsible (they have high integrity)	1.000	.859
Our customers are consistent in their dealings with us	1.000	.821
Our customers trust our institution will deliver what they need	1.000	.783
Our institution does research to match products/services with customer needs	1.000	.760
Our institution always keeps our customers aware of our product/service attributes	1.000	.901
Our institution is consistent in providing quality services to customers	1.000	.857
Our institution fulfills its obligation to customers	1.000	.744
Customers have full confidence in our institution's services	1.000	.886
Our institution is dedicated to the relationship we have with our customers	1.000	.835
We intend to maintain the relationship with our customers indefinitely	1.000	.804
The relationship we have with our customers deserves our firm's maximum effort to maintain	1.000	.810
Our firm is willing to invest in the relationship we have with our customers	1.000	.816
Our institution makes adjustments to suit customer needs and expectations	1.000	.836
We carry out market research at least once a year	1.000	.847
We offer personalized services to meet individual customer needs	1.000	.780
Our top managers from every department regularly interact with current and prospective customers	1.000	.792
We collect customer complaints daily	1.000	.728
Our sales people are trained to spot and report marketing intelligence	1.000	.739
We are quick to detect changes on consumer preferences	1.000	.796
We review changes in the marketing environment at least once a year	1.000	.798
Our institution offers timely information to our customers	1.000	.857
We hold regular meetings/forums with our customers	1.000	.865
Our customers communicate to us their expectations for our performance	1.000	.905
Our institution offers accurate information to customers	1.000	.848
We seek customer views about our products and services	1.000	.811
We provide information to customers of new developments, products and services	1.000	.761
We translate customer feedback to product/service improvement	1.000	.783
We respond to customer complaints in a coordinated manner	1.000	.816

Appendix 9 Contd…

Top management regularly discusses customer requirements	1.000	.790
Marketing personnel in our organization spend time discussing customers' future needs with other functional departments	1.000	.941
Our sales people regularly share information within our organization concerning customers	1.000	.839
When one department finds out something important about customers, it is quick to alert other departments	1.000	.857
Our institution makes and fulfills its promises to customers	1.000	.789
We respond fast to our customers' demands	1.000	.816
Our customers can be relied upon to keep their promises	1.000	.711
We continuously review our products to ensure that they are in line with changing customer needs and preferences	1.000	.837
If majority of our customers make a complain, we immediately implement a response strategy	1.000	.868
We create bonding sessions for employees and customers at least once a year (seminars, cocktails, parties)	1.000	.827
Trained and motivated front-office team boosts relationship with customers	1.000	.853
Our employees are friendly to our customers	1.000	.815
Our employees continuously interact with customers	1.000	.868
Our customers exhibit sense of belonging in our institution	1.000	.840
Closeness with customers is highly encouraged by management	1.000	.921
Public relations skills are highly functional in our institution	1.000	.740
Our institution offers price incentives to customers to secure their loyalty	1.000	.760
Our employees refer to customers by name during transactions	1.000	.771
Our institution has invested in customer relationship management information systems	1.000	.737
Our policies and guidelines are well understood by employees	1.000	.813
Our policies and guidelines are well understood by customers	1.000	.812
We share common goals with our customers	1.000	.887
Our policies are friendly to customers	1.000	.861
The shared values have led to successful relationships with our customers	1.000	.924
Customers' commitment to our institution has improved due to strong shared values	1.000	.809

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.120	16.582	16.582	9.120	16.582	16.582
2	5.475	9.954	26.536	5.475	9.954	26.536
3	4.594	8.352	34.888	4.594	8.352	34.888
4	4.070	7.399	42.288	4.070	7.399	42.288
5	3.510	6.382	48.670	3.510	6.382	48.670
6	3.204	5.826	54.496	3.204	5.826	54.496
7	2.342	4.259	58.754	2.342	4.259	58.754
8	2.227	4.050	62.804	2.227	4.050	62.804
9	2.191	3.984	66.788	2.191	3.984	66.788
10	1.839	3.343	70.132	1.839	3.343	70.132
11	1.637	2.977	73.109	1.637	2.977	73.109
12	1.477	2.686	75.795	1.477	2.686	75.795
13	1.377	2.503	78.298	1.377	2.503	78.298
14	1.049	1.907	80.205	1.049	1.907	80.205
15	1.024	1.861	82.066	1.024	1.861	82.066
16	.979	1.779	83.845			
17	.912	1.659	85.504			
18	.831	1.510	87.014			
19	.786	1.429	88.442			
20	.742	1.349	89.792			
21	.710	1.291	91.083			
22	.653	1.187	92.269			
23	.606	1.102	93.371			
24	.493	.897	94.268			
25	.475	.863	95.131			
26	.411	.746	95.878			
27	.375	.682	96.560			
28	.338	.615	97.175			
29	.286	.520	97.695			
30	.259	.472	98.167			
31	.232	.422	98.589			
32	.221	.402	98.990			
33	.161	.294	99.284			
34	.103	.187	99.471			
35	.081	.147	99.618			
36	.065	.117	99.735			
37	.060	.110	99.845			
38	.050	.091	99.936			
39	.035	.064	100.000			
40	1.176E-15	2.139E-15	100.000			
41	1.052E-15	1.913E-15	100.000			

42	9.836E-16	1.788E-15	100.000			
43	7.262E-16	1.320E-15	100.000			
44	3.780E-16	6.872E-16	100.000			
45	3.499E-16	6.361E-16	100.000			
46	2.114E-16	3.844E-16	100.000			
47	9.757E-17	1.774E-16	100.000			
48	6.910E-17	1.256E-16	100.000			
49	-1.256E-16	-2.283E-16	100.000			
50	-2.803E-16	-5.096E-16	100.000			
51	-4.331E-16	-7.874E-16	100.000			
52	-5.344E-16	-9.717E-16	100.000			
53	-7.168E-16	-1.303E-15	100.000			
54	-9.315E-16	-1.694E-15	100.000			
55	-1.069E-15	-1.943E-15	100.000			

Extraction Method: Principal Component Analysis.

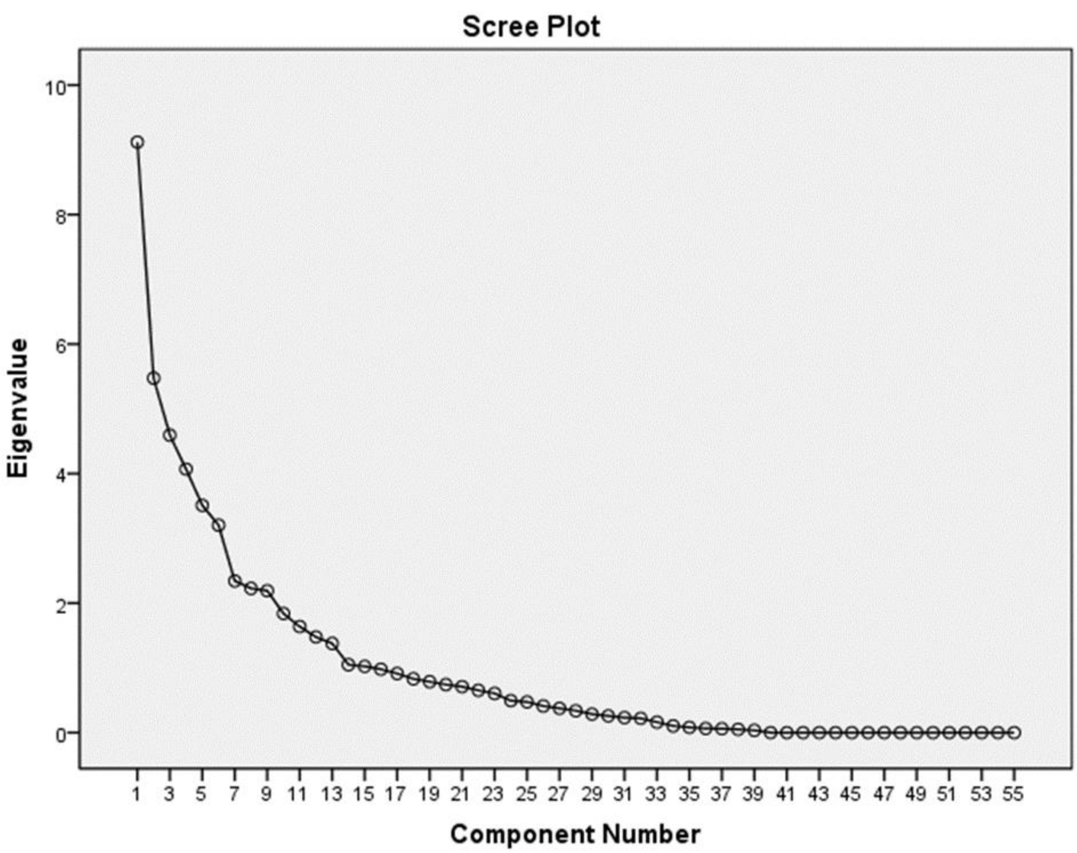


Table A2: Factor Analysis for Firm IT Characteristics

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.602
Bartlett's Test of Sphericity	Approx. Chi-Square	503.410
	df	231
	Sig.	.000

Communalities

	Extraction
In which category does your institution belong? (Select one only)	.657
What is your company's ownership structure? (Tick in the appropriate Box)	.811
Mobile phone banking services –sending and receiving money	.639
Short messages (SMS) to communicate	.748
Website	.709
Internet banking	.808
Social media	.792
Electronic fund transfers	.794
ATMs	.747
Digital screens	.775
Non-automated Call centers	.682
Automated Contact centers	.759
Sending out promotional messages, updates, or reminders to customers' mobile phones	.755
Sending out Short messages (SMS) to communicate with customers	.777
Sending out automated marketing emails to customers	.534
Posting marketing information on social media.	.716
Using the telephone to promote new products and services	.615
Our institution has a system which records, stores and tracks customer information	.883
Our institution has a customer relationship management system which at a glance provides information about our customers and the current or past interactions with them (e.g past sales, previous marketing efforts to them etc)	.811
Our institution has an analytical customer relationship management system which analyzes customer data collected from any transactions we have with them	.880
Our institution uses customer demographic data like gender, age, income and education to connect it with their purchasing behavior	.719
Our institution has categorized customers into profitability tiers	.801

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.279	28.539	28.539	4.429	20.133	20.133
2	2.672	12.144	40.683	3.186	14.484	34.616
3	2.121	9.639	50.322	2.308	10.489	45.105
4	1.662	7.555	57.877	2.045	9.295	54.401
5	1.573	7.151	65.028	1.991	9.049	63.449
6	1.073	4.877	69.905	1.368	6.220	69.669
7	1.033	4.696	74.601	1.085	4.932	74.601

Extraction Method: Principal Component Analysis.

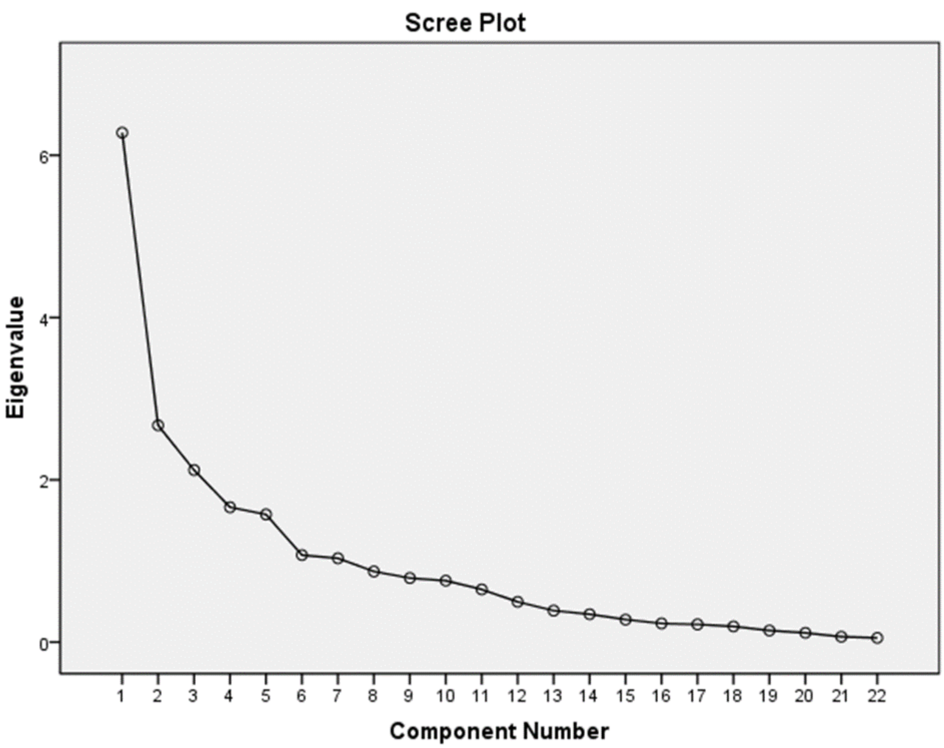


Table A3: Factor Analysis for Social Performance Management

MO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.689
Bartlett's Test of Sphericity	Approx. Chi-Square	543.146
	df	153
	Sig.	.000

Communalities

	Extraction
Our mission statement is clear to our customers	.736
Our customers hold us in high repute	.805
We strive to have our vision, mission and corporate mandate known to all our customers	.892
Our CEO always promotes a positive corporate image	.891
Our mission statement is geared towards social welfare	.879
Our mission statement is customer oriented	.911
Our institution strives to fulfill the corporate mission	.860
Members of the Board are committed to the institution's social mission.	.899
Members of the Board hold the institution accountable to its social mission and social goals.	.870
Senior management sets, and oversees implementation of, the institution's strategy for achieving its social goals.	.841
Employees are recruited, evaluated, and recognized based on financial performance criteria.	.858
Employees are recruited, evaluated, and recognized based on social performance criteria.	.837
Board periodically reviews Social Performance data, including: mission compliance, performance results, HR policy, SP related risks, client protection practices, growth, and profit allocation.	.625
Board oversees the institution's strategy, by taking into mainly the financial goals.	.784
Board uses Social Performance criteria when evaluating the performance of the CEO/Director.	.828
CEO/Director holds senior managers accountable for making progress toward the institution's social goals	.852
Our customers find the quality of products/services we offer satisfactory	.811
Our customers have trust in our services	.822
Our customers rate our products/services as superior	.919
Our customers perceive our products/services as affordable	.846
Our customers perceive our products/services as readily available	.798
Our customers rate our products/services as reliable	.806
Our products meet all the needs of our customers	.817
Our customers' complaints are handled in time	.899
Our customers are fully aware of the terms and conditions of the services we offer them	.911
Our customers are satisfied with the manner in which our employees treat them	.628
Our front-office team handles customers professionally when they default in payments	.882
Our employees have the ability to thoroughly understand customer needs and wants	.826
Our employees have public relations skills to the customers satisfaction	.915
Our customers are given priority during the trading process	.901
Customers' feedback is submitted by employees weekly	.683
Customers' feedback is taken into consideration during management decision making	.772
Our employees are satisfied with employment terms and conditions	.752
Our employees' complaints are handled in real time	.796
Our employees are satisfied with the institution's remunerations	.862
Our employees are satisfied with the working environment	.797
Employees views are considered in decision making	.843
Our employees are frequently trained in customer relationship management	.802
Our employees are highly motivated	.841
There is a good relationship among employees and management	.732
There is constant communication between employees and the management	.847
Employees are given the required work leave and offs when needed	.897
Financial goals are given priority during resource allocation	.782
Social goals are given priority during resource allocation	.707
Our management emphasize more on social goals than on financial goals	.865
The Board of directors oversees the achievement of financial goals.	.642
The Board of directors oversees the achievement of social goals.	.824
Social Performance criteria is used when evaluating the performance of the management.	.747
Employee recognition is based more on social performance criteria than on financial performance criteria.	.640
Employee recognition is based more on financial performance criteria than on the social criteria	.784
Senior management sets, and oversees implementation of, the institution's strategy for achieving its social goals.	.805
Members of the Board hold the institution accountable to its financial goals more than the social goals.	.728
Members of the Board hold the institution accountable to its social goals more than financial goals	.787
Members of the Board hold the institution accountable to its financial and social goals in equal measure.	.803

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	8.444	15.638	15.638
2	5.746	10.640	26.278
3	4.692	8.688	34.966
4	4.319	7.999	42.965
5	2.982	5.523	48.488
6	2.789	5.164	53.652
7	2.433	4.506	58.159
8	2.184	4.044	62.203
9	1.980	3.667	65.870
10	1.864	3.451	69.322
11	1.635	3.028	72.349
12	1.453	2.690	75.039
13	1.248	2.311	77.350
14	1.067	1.975	79.326
15	1.053	1.949	81.275

Extraction Method: Principal Component Analysis.

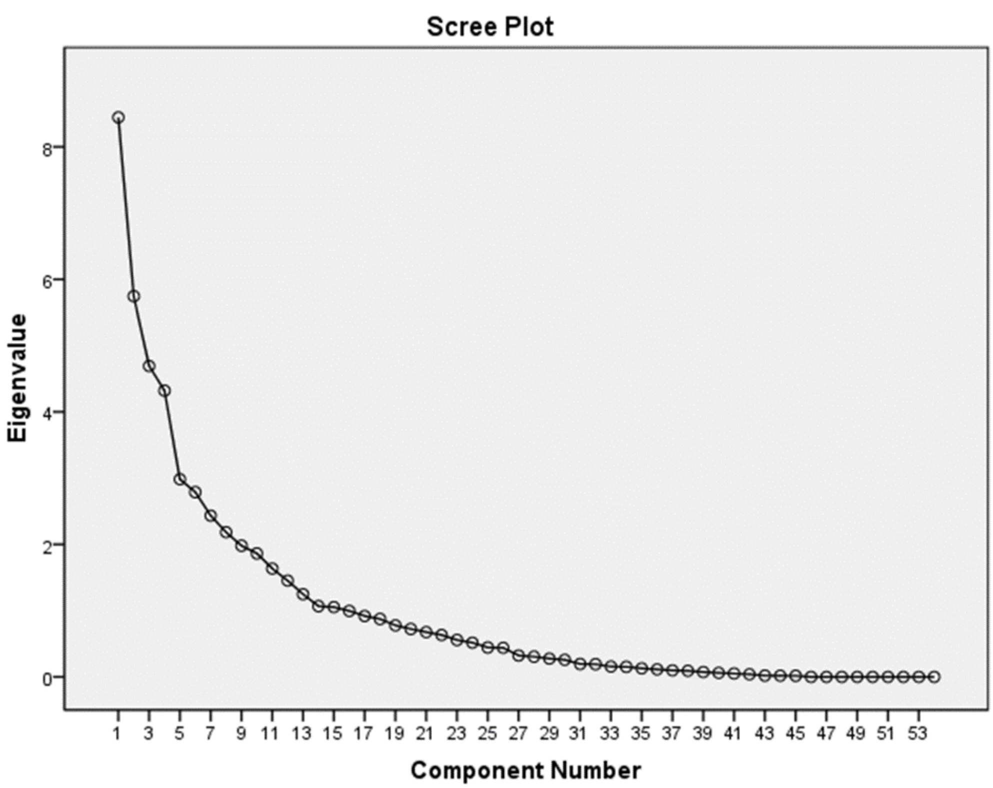


Table A4: Factor Analysis for Customer Retention

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.508
Bartlett's Test of Sphericity	Approx. Chi-Square	415.162
	df	153
	Sig.	.000

Communalities

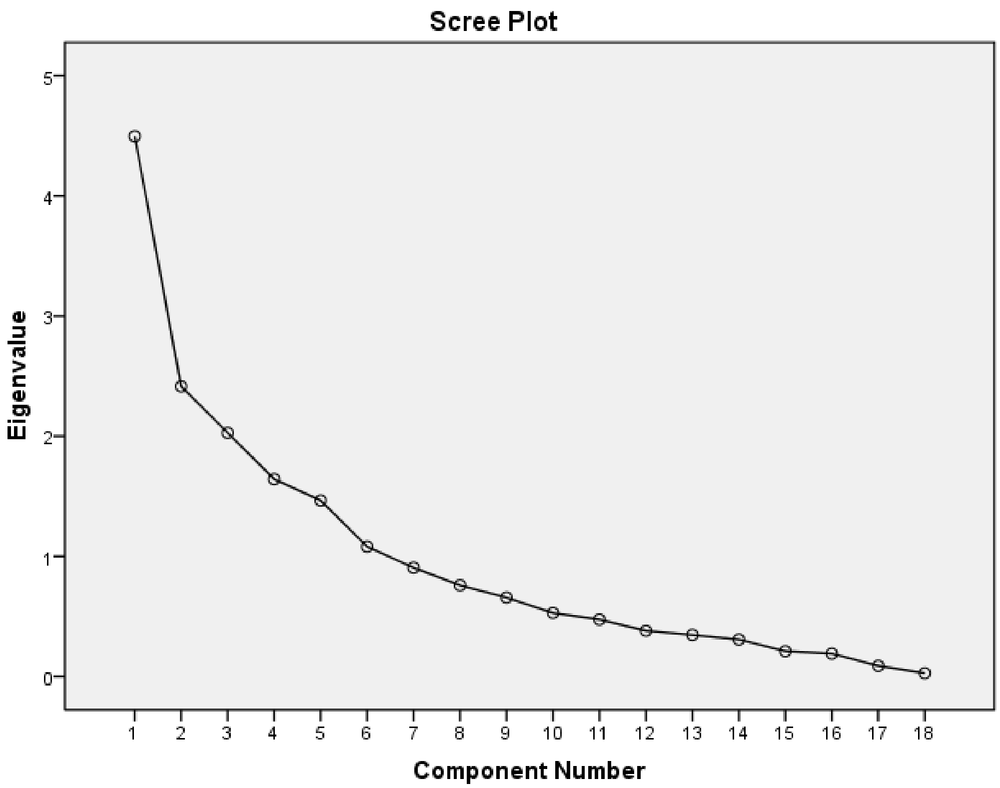
	Extraction
Loan interests in our institution are affordable to our customers.	.603
Our services are superior than competitors thus satisfaction of our customers	.659
Our customers are motivated to continue with our institution because of flexibility of loan repayment	.785
Our customers are motivated to continue with our institution because of flexibility of loan repayment	.718
Even though fees are increased by our institution,our customers are not bothered	.807
We get most of our customers through referrals from existing customers	.840
Most of our customers make timely repayments on their loans	.569
The time for applying, processing and obtaining a loan by our customers is satisfactory	.816
Our customers have always sought more credit after fully repaying their loans	.640
The time for applying, processing and obtaining a loan by our customers is satisfactory	.744
Our customers are loyal to our organization	.797
Six years	.852
One year	.920
Two years	.913
Relationship Marketing	.526
Firm Characteristics	.679
Social Performance Management Practices	.673
Customer Retention	.587

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.497	24.984	24.984	2.516	13.979	13.979
2	2.414	13.413	38.397	2.515	13.970	27.949
3	2.028	11.266	49.663	2.368	13.157	41.105
4	1.643	9.126	58.789	2.087	11.594	52.699
5	1.465	8.138	66.928	2.078	11.543	64.242
6	1.080	6.002	72.929	1.564	8.687	72.929

Extraction Method: Principal Component Analysis.



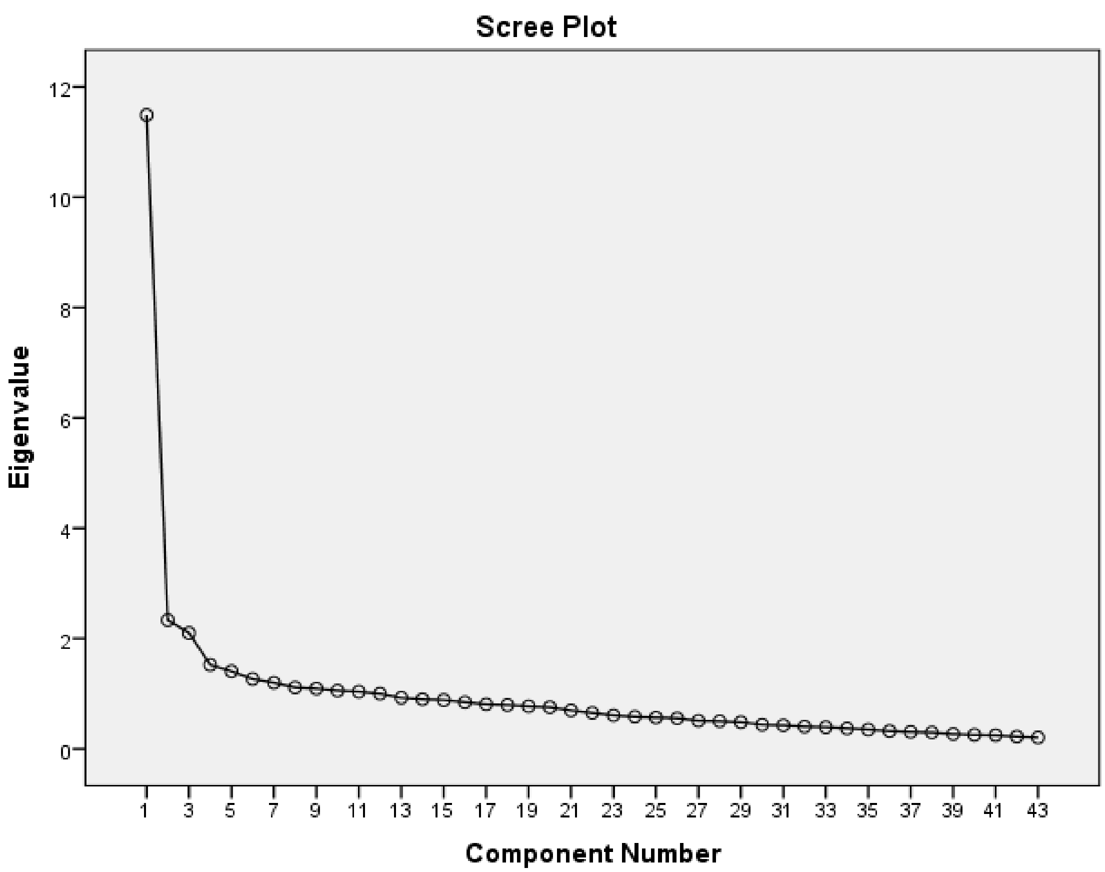
APPENDIX 10: SUPPLEMENTARY STATISTICAL ANALYSIS (CUSTOMER QUESTIONNAIRE)

Factor analysis for Customers

Relationship marketing

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.908
Bartlett's Test of Sphericity	Approx. Chi-Square	8073.149
	df	903
	Sig.	.000



Communalities

	Extraction
My institution’s is honest and responsible they have high integrity	.632
My institution can be relied upon to fulfill its obligations to customers	.550
My institution is concerned about my welfare as a customer	.611
My institution is consistent in their dealings with me	.593
I highly trust my institution’s products/services	.738
I have confidence in my institutions products and services	.694
My institution is open and always keeps me informed of any changes in products/services features	.677
My institution's employees are competent in their work	.580
I am willing to rely on my institution for financial needs	.599
As a customer I have full confidence in my institution’s services	.637
My institution is very dedicated to the relationship we have	.680
I intend to maintain the relationship I have with my institution indefinitely	.468
The relationship I have with my institution deserves my maximum effort to maintain	.637
My institution seems willing to invest money and time in the relationship we have	.643
My institution has in the past offered me a personilzed service to meet my needs	.533
I am aware my institution carries out market research at least once a year eg. customer satifaction survey	.410
I interact regularly with employees from my institution	.578
My institution collects customer complaints daily	.700
I intend to remain with this institution even though i know there are other similar institution	.572
my institution offers regular timely information to me eg. bank statements loan balance,new products or services	.647
I receive regular invitations to meetings/forums with my institution to attend meetings/forums which enhance my personal skills	.695
My institution requests me to communicate my expectations of its performance	.668
My institution offers me accurate information	.610
i often provide my views about the products and services they offer	.566
my institution responds to my complaints in a fast and coordinated manner	.618
when a dispute arises my institution is open to resolve it quickly	.616
My institution makes and keeps promises to me	.666
My institution responds fast enough to our demands as customers	.627
My institution can be relied upon and is easy to collaborate with	.574
My institution creates bonding sessions between employees and customers at least once a year (seminars, cocktails, parties)	.640
i do attend the social interaction sessions whenever i am invited	.675

my institution employees are willing to listen and help a customer with a problem	.657
The employees of my institution are friendly always	.638
The employees refer to me by name during transactions	.567
I have a sense of belonging to my institution	.511
My institution offers me price incentives so I will remain loyal	.582
i will remain a customer of this institution because it offers me more than just financial services	.670
i am aaware that my institution uses technologynin its operation	.655
I understand well the policies and guidelines of my institution’s products and services	.684
We share common goals with my institution	.578
My institution’s policies are friendly to customers	.623
I believe the shared values I have with my institution has led to the successful relationship I have with them	.685
My commitment to my institution has improved due to the strong shared values	.641

Extraction Method: Principal Component Analysis.

Total Variance Explained

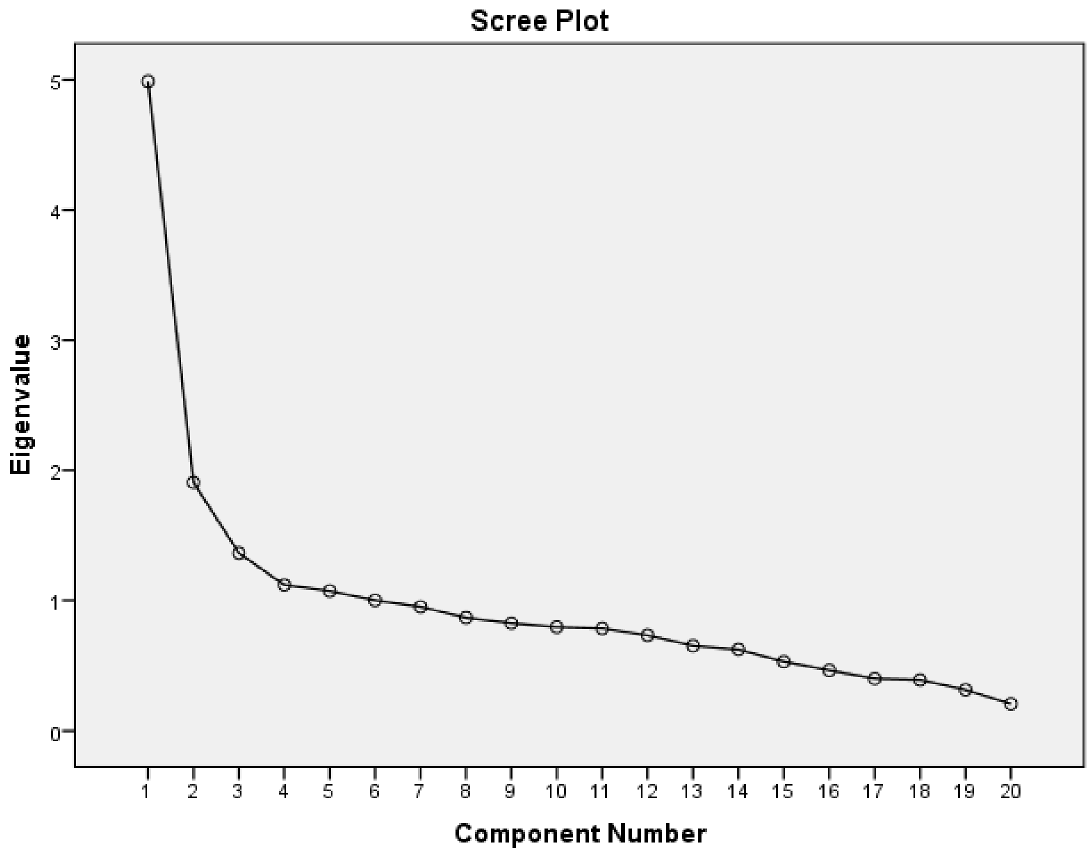
Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.489	26.719	26.719	4.422	10.283	10.283
2	2.334	5.428	32.147	3.536	8.224	18.507
3	2.101	4.885	37.032	2.776	6.455	24.962
4	1.526	3.550	40.582	2.451	5.700	30.662
5	1.407	3.271	43.853	2.403	5.588	36.250
6	1.267	2.947	46.800	2.335	5.429	41.680
7	1.199	2.788	49.588	2.094	4.870	46.550
8	1.113	2.588	52.177	1.546	3.595	50.145
9	1.094	2.544	54.721	1.448	3.368	53.513
10	1.056	2.456	57.177	1.282	2.981	56.494
11	1.038	2.413	59.590	1.186	2.758	59.252
12	1.000	2.327	61.917	1.146	2.665	61.917

Extraction Method: Principal Component Analysis.

Social performance management practices

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.789
Bartlett's Test of Sphericity	Approx. Chi-Square	2526.129
	df	190
	Sig.	.000



Communalities

	Extraction
My institution offers financial products like loans and saving	.697
my institution offers insurance	.728
my institution offers money transfer services	.805
My institution offers training programs in business skills	.724
My institution offers traning programs eg. nutrition and health management and social empowerment	.556
i trust that my insitutions products/servicesare aimed at my well being	.495
My iinstitutions products/servicesare affordable	.461
my institutions products/services are readily available	.323
my institutions/service features are consistent so i am able to plan for my financial goals	.699
my institutions products have helped me achieve my financial goals	.447
My complaints are solved on time	.553
I am satisfied with the way my institution's employees treat me	.516
My institution's front-office team know their job	.579
Before accessing any service, my institution educates me on all the terms and conditions of the services	.608
I am informed by my institution of any changes that will affect me in good time	.548
My institution's employees often understand my needs and wants	.530
I am satisfied with my institution's public relations activities (news reports)	.317
I am given good attention by my institution whenever I am transacting	.659
I believe my feedback is considered during my institution's decision making	.662
My institution handles customers who default on their loans professionally	.545

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.987	24.937	24.937	3.823	19.117	19.117
2	1.908	9.538	34.475	1.921	9.605	28.722
3	1.364	6.820	41.295	1.718	8.591	37.313
4	1.120	5.602	46.897	1.714	8.570	45.883
5	1.073	5.366	52.263	1.170	5.848	51.731
6	1.002	5.009	57.272	1.108	5.541	57.272

Extraction Method: Principal Component Analysis.

Rotated Component Matrix[a]

	Component					
	1	2	3	4	5	6
My institution offers financial products like loans and saving	.017	-.127	.044	-.080	.819	-.023
my institution offers insurance	.167	.760	-.228	-.082	-.237	.090
my institution offers money transfer services	-.062	.864	.209	.076	.040	.062
My institution offers training programs in business skills	-.079	.014	.762	.263	.246	.081
My institution offers traning programs eg. nutrition and health management and social empowerment	.474	.001	.108	.546	-.133	-.060
i trust that my insitutions products/servicesare aimed at my well being	.328	.144	-.085	.595	-.014	-.075
My iinstitutions products/servicesare affordable	.587	.173	-.126	.252	.035	-.078
my institutions products/services are readily available	.171	.080	.267	-.015	.272	.377
my institutions/service features are consistent so i am able to plan for my financial goals	-.019	.057	-.100	-.052	-.077	.823
my institutions products have helped me achieve my financial goals	.439	.234	.417	.137	.066	-.043
My complaints are solved on time	.485	.156	.241	.354	-.126	.308
I am satisfied with the way my institution’s employees treat me	-.015	-.089	.165	.693	.014	.035
My institution’s front-office team know their job	.441	-.297	.433	.205	-.072	.251

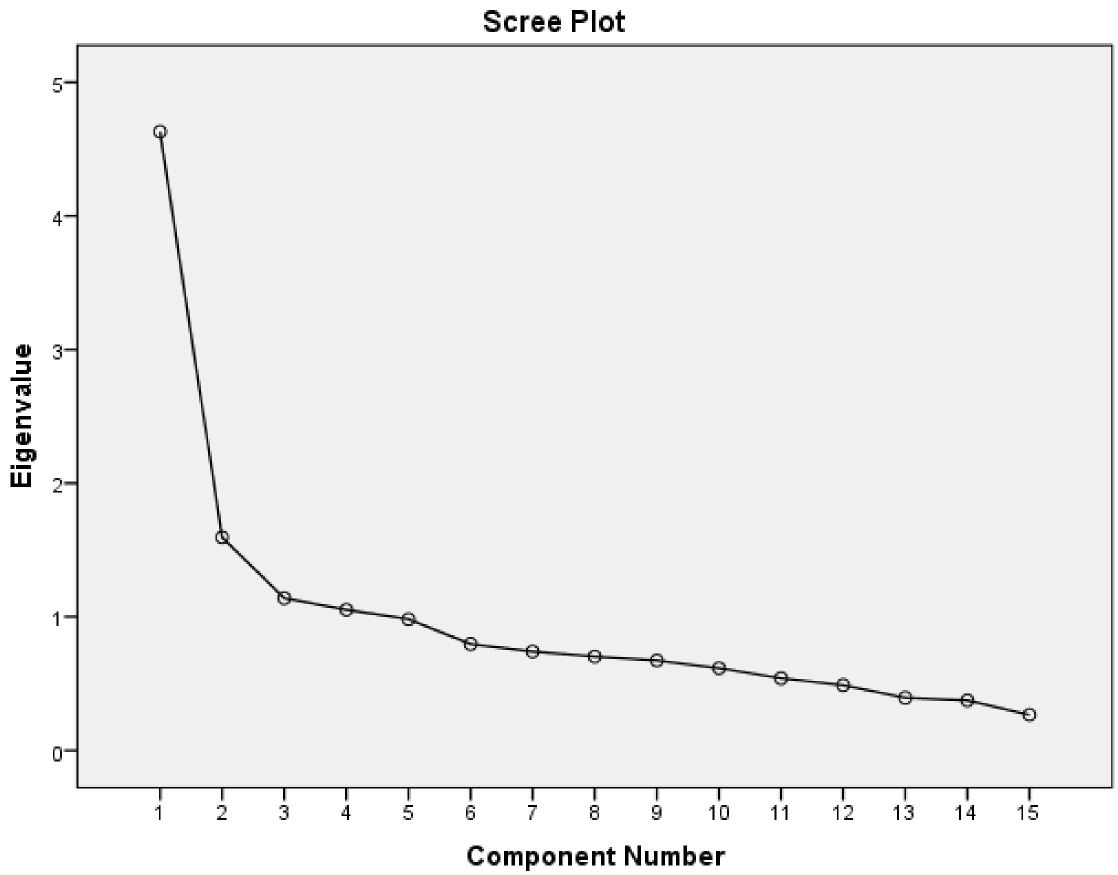
Before accessing any service, my institution educates me on all the terms and conditions of the services	.324	-.020	.581	-.211	-.196	-.286
I am informed by my institution of any changes that will affect me in good time	.709	-.080	.067	.136	-.097	.078
My institution's employees often understand my needs and wants	.649	-.115	.275	.102	-.057	.079
I am satisfied with my institution's public relations activities (news reports)	.534	-.104	.090	-.102	.051	.014
I am given good attention by my institution whenever I am transacting	.713	.346	-.107	.104	.096	.013
I believe my feedback is considered during my institution's decision making	.625	.317	.171	.220	.304	-.016
My institution handles customers who default on their loans professionally	.492	.308	.104	.314	.315	-.007

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 21 iterations.

Customer retention

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.841
Bartlett's Test of Sphericity	Approx. Chi-Square	1989.751
	df	105
	Sig.	.000


Scree Plot
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1
2
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1 2 3 4 5 6 7 8 9 10 11 12 13 14 15
Component Number

Component Matrix[a]

	Component			
	1	2	3	4
I have not considered leaving this institution in the past 1 year	.717	-.203	-.182	.160
the interest on loans from my institutions are affordable to me	.706	.087	-.363	.211
the interest given on saving made with my institution are attractive	.690	.017	-.436	.280
the time for applying processing and obtaining a loan in my institution is my satisfactory	.508	.545	-.022	-.235
my institutions products/services are satisfactory to me eg flexible loan repayments, variety of products	.236	.237	-.278	-.046
i have in the past recommend this institution to my friends/relative	.372	.511	.213	.380
i am willing to recommend this institution to my associates	.411	.218	.383	.540
i sometimes receive requests from friends on how to join this institution	.191	.603	.278	-.157
i will seek for more credit after fully repaying my current loan	.609	-.276	.446	-.031
apart from loans i intend to access more products from this institution in the near future(buy more saving options or insurance etc)	.528	-.272	.167	-.205
i am motivated to continue my relationship with this institution because of the variety of product offered to customers	.619	-.018	.298	-.344
even though fees are increased by my institution,i am not bothered	.330	-.459	.313	.234
i hold this institution in high regard	.689	.035	-.076	-.262
i am not on the lookout for other institutions with better deals	.693	-.384	-.120	-.026
i consider myself a loyal customer of this institution	.624	.100	-.060	-.319

Extraction Method: Principal Component Analysis.

a. 4 components extracted.

Communalities

	Extraction
I have not considered leaving this institution in the past 1 year	.614
the interest on loans from my institutions are affordable to me	.682
the interest given on saving made with my institution are attractive	.744
the time for applying processing and obtaining a loan in my institution is my satisfactory	.611
my institutions products/services are satisfactory to me eg flexible loan repayments, variety of products	.192
i have in the past recommend this institution to my friends/relative	.589
i am willing to recommend this institution to my associates	.655
i sometimes receive requests from friends on how to join this institution	.502
i will seek for more credit after fully repaying my current loan	.648
apart from loans i intend to access more products from this institution in the near future(buy more saving options or insurance etc)	.422
i am motivated to continue my relationship with this institution because of the variety of product offered to customers	.591
even though fees are increased by my institution,i am not bothered	.473
i hold this institution in high regard	.550
i am not on the lookout for other institutions with better deals	.643
i consider myself a loyal customer of this institution	.504

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.630	30.869	30.869	2.788	18.584	18.584
2	1.595	10.634	41.502	2.550	16.998	35.582
3	1.140	7.601	49.103	1.686	11.243	46.825
4	1.054	7.026	56.130	1.396	9.305	56.130

Extraction Method: Principal Component Analysis.

Rotated Component Matrix[a]

	Component			
	1	2	3	4
I have not considered leaving this institution in the past 1 year	.438	.631	-.054	.144
the interest on loans from my institutions are affordable to me	.190	.768	.138	.193
the interest given on saving made with my institution are attractive	.156	.829	.037	.179
the time for applying processing and obtaining a loan in my institution is my satisfactory	.144	.276	.703	.144
my institutions products/services are satisfactory to me eg flexible loan repayments, variety of products	-.072	.339	.266	-.026
i have in the past recommend this institution to my friends/relative	-.019	.180	.326	.671
i am willing to recommend this institution to my associates	.176	.125	.028	.780
i sometimes receive requests from friends on how to join this institution	.020	-.123	.634	.290
i will seek for more credit after fully repaying my current loan	.759	.057	-.009	.262
apart from loans i intend to access more products from this institution in the near future(buy more saving options or insurance etc)	.627	.162	.048	-.026
i am motivated to continue my relationship with this institution because of the variety of product offered to customers	.673	.088	.357	.051
even though fees are increased by my institution,i am not bothered	.511	.047	-.381	.253
i hold this institution in high regard	.492	.425	.356	-.037
i am not on the lookout for other institutions with better deals	.598	.523	-.105	-.034
i consider myself a loyal customer of this institution	.443	.357	.420	-.066

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 7 iterations.