

**FACTORS INFLUENCING CUSTOMER RETENTION IN LARGE  
PEER GROUP OF COMMERCIAL BANKS IN NYERI COUNTY,  
KENYA**

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**B211/0011/2010**

**A THESIS SUBMITTED TO THE SCHOOL OF BUSINESS MANAGEMENT  
AND ECONOMICS IN PARTIAL FULFILLMENT OF THE REQUIREMENT  
FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION (MARKETING OPTION) OF DEDAN KIMATHI  
UNIVERSITY OF TECHNOLOGY**

**APRIL 2016**

### DECLARATION

This thesis is my original work and has not been presented for any award of a degree in any other University.

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### APPROVAL

This thesis has been submitted for examination with our approval as the University supervisors.

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## ABSTRACT

Kenya's commercial banking sector is poised for major realignments on account of the stiff competition that the sector is witnessing. Certainly therefore, customer retention will be the business battle point. The purpose of this study was to assess the factors influencing customer retention in large peer group commercial banks in Nyeri County. The study aimed to specifically analyze; the influence of product price, customer service quality, customer satisfaction and bank reputation on customer retention in large peer group commercial banks in Nyeri County. This research was guided by conversion theory, relationship commitment theory and holistic approach theory. The research design adopted in this study was a descriptive survey design and involved measuring, classifying, analyzing and interpreting the concepts along major themes which were the objectives of this study. The target population for the study was 385 customers of the five large and leading commercial banks in terms of customer base in Kenya which account for over 52.9% the customer base market share by December 2014. Therefore, the target constituent's population was divided into five stratus, according to the five commercial banks. Purposive sampling technique was used to select proportionate sample of respondents from each category. Primary data was collected using a semi-structured likert scaled questionnaire. Analysis was done using sing SPSS version 20 software. Descriptive data analysis was done using the measures of central tendency, that is, mean, mode and standard deviation were used to assess of dispersion of the responses for each predictor variable. Data was then presented using tables, and pie charts for each variable. Multiple linear regression analysis was used to determine the influence of the large peer group independent variable on customer retention. The findings of this study and recommendations were made for each study objective. Based on the findings, the study concluded that; The bank customers hold multiple types of accounts including; savings, current and fixed deposit accounts. The influence of fees on customer retention was only high in relation to the administration of the accounts and reasonable interest rates on loans charges. The most influential aspect of service quality on customer retention is superior quality products, confidence in the service of the bank and quality service that exceeds customers' expectations respectively. The influential aspect of satisfaction on customer retention is consistent provision of quality services and products of the bank respectively. The most influential aspect of bank's reputation on customer retention is financial stability, competent management, products of the bank, trustworthiness of bank, bank delivers a good brand image to customers, products offered are consistent to current business environment and bank is reliable. Based on the findings, this study recommends that other areas relating to; fees for the usage of online services such as ATM machines, flexible pricing, showing and or explaining service charges on accounts and loans needed to be studied to find out if they have a bearing on customer retention. Improvement needs to be made in relation to efficient and modern looking equipment and response to consumer complains. Handling of customer is lowly ranked by the respondents and need to be relooked by the banks in order to increase the influence of satisfaction on customer retention.