

**AN ASSESMENT OF FACTORS AFFECTING CUSTOMER
LOYALTY IN MICRO FINANCE INSTITUTIONS**

(A CASE STUDY OF KENYA WOMEN FINANCE TRUST)

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ABSTRACT

The concept of customer loyalty often used in this study incorporates behavioral and attitudinal measures. In the study, loyalty is defined as building and sustaining a trusted relationship with customers that leads to the customers' repeated purchases of products or services over a given period of time. Customer loyalty, in general, increases profit and growth to the extent that increasing the percentage of loyal customers by as little as 5% can increase profitability by as much as 30% to 85%, depending upon the industry involved as illustrated by the study literature. Loyal customers are typically willing to pay a higher price and more understand when something goes wrong. This study was done to identify the factors that affect customer loyalty at the MFIs. The specific objectives of the study are: to determine the effect of trust on loyalty; to determine the effect of customer satisfaction on loyalty; to show the effect of service quality on customer loyalty; to determine the effect of service recovery on customer loyalty and to establish the effect of supplier brand on customer loyalty. This study adopted a descriptive approach; the study was done at the Kenya Women Finance Trust (KWFT). The head office now has 120 employees where all of them were targeted for the study. The research used questionnaires as the main data collection instrument where both structured and semi structured questions were used. Data was analyzed through SPSS version 17 that helped in the descriptive statistics and inferential statistics after which charts and bar graphs were used as forms of presentations of the study findings. The study discovered that trust can be achieved by providing the customer with valuable information using a high quality mode of communication. Increased satisfaction should increase customer loyalty. When the satisfaction is low customers have the option to exit and they can opt to join the competitors in the sector such as the other deposit taking microfinance or the other prominent banks. Customer loyalty is affected by product quality, service quality, and retailer image and most of the organizations tend to maximize on the areas in order to try to maintain their current customers and to increase their customer base. And thus a company/ organization can build loyalty from its customers through various methods as discussed in the last chapter and this may increase their customer base and also maintain their customer loyalty and they can realize expansion and growth in the long run.