RELATIONSHIP MARKETING AND CUSTOMER LOYALTY IN LARGE TIERED SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN MOMBASA COUNTY, KENYA

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ABSTRACT

The purpose of the study was to determine the effect of relationship marketing on customer loyalty in Savings and Credit Cooperative Societies in Mombasa County. The Tier 1 SACCOs in Mombasa County was targeted. The study was anchored on relationship management theory, Commitment-Trust theory and Social Exchange Theory. This study adopted cross-sectional survey design. According to SARA 2022 Annual supervision report, as of 2022 there were 21 deposit taking Tier 1 Saccos in Kenya. However, the study targeted Tier 1 DT-Saccos, Stima Sacco, Imarika and Bandari Sacco, operating in Mombasa County as unit of analysis. A sample of 58 was selected using Yamane statistical formula. Multistage sampling techniques comprising of purposive sampling and simple random sampling technique was used. The study utilized primary data which was collected using a structured questionnaire with a five point Likert scale. Multiple regression and correlation analysis techniques were utilized. Data analysis tool used was SPSS Version 29. The findings indicated that all four variables—customer loyalty programs, conflict handling, gratitude, and communication—positively influence customer loyalty. However, communication has the strongest relationship with customer loyalty, highlighting the importance of maintaining transparent and consistent customer interactions. While customer loyalty programs, conflict handling, and gratitude initiatives also contribute significantly. The regression analysis confirms that all four independent variables significantly impact customer loyalty, with customer loyalty programs (β = 0.574) having the strongest effect, followed by conflict handling (β = 0.484), communication (β = 0.295), and gratitude initiatives (β = 0.173). The study concluded that customer loyalty programs, conflict handling, gratitude initiatives, and communication all have a significant impact on customer loyalty, with customer loyalty programs having the strongest influence. In recommendation, the Sacco should focus on strengthening its gratitude initiatives and customer retention efforts while maintaining its strong performance in loyalty programs, conflict handling, and communication.

Key Words: *Customer Loyalty Programs, Gratitude, Communication, Conflict Handling*

INTRODUCTION

The strong rivalry characterising today's business environment has resulted to the building of stronger firm-customer relationships (Darmayasa & Yasa, 2021). Ndubisi (2018) reported that more and more firms are capitalising on strong firm-customer relationship to gain invaluable information on how best to serve customers and keep them from defecting to competing brands. Hence, customer relationship building creates mutual rewards (Rapp & Collins, 2017) which benefit both the firm and the customer. By building relationship with customers, an organisation can also gain quality sources of marketing intelligence for better planning of marketing strategy.

In today's world dominated by intense competition, high levels of consumer sophistication and environmental dynamism, it is increasingly difficult for business organizations operating under the transactional marketing philosophy to thrive (Robert, Muller, & Purcell, 2018). The reason for this, as suggested by Yulisetiarini (2018), is that for businesses to be able to enhance their competitive edge in a sustainable way, they have to consistently develop, nurture, promote and improve mutually beneficial and value-laden relationships with customers. This recognition among business organizations has resulted in the emergence and growth of the practice of relationship marketing, a marketing orientation that places a premium on quality customer relationships (Zhang, Watson, Palmatier & Dant, 2019).

The financial industry, SACCOs included is under immense pressure to manage the loyalty aspect in order to fight the competition and to meet the higher expectation of the customers (Glory, Idorenyin, Edim, & Sarah, 2021). Alam and Khokhar (2017) state that the customer loyalty is the foundational link and aspiration for the success, profitability and business performance of the organization. It has been witnessed a number of times that when the consumer shows a great level of loyalty towards particular product or service then they would make repeat purchase and would like to spend money on buying the same. Butt and Murtaza (2016) mentioned that, the loyal customer just not support the organization in increasing the value to the business but the organization also gets benefitted in lowering the cost of attracting the new customers.

Locally, the Sacco loan portfolio exceeds $6.6 billion, while Sacco savings and deposits are believed to total over $7 billion, or roughly 30% of the country's savings. Saccos must abide by the capital laws by keeping minimum acceptable levels of capital in accordance with their degree of risk to reduce the likelihood of failure. However, due to a lack of sufficient capital, Savings and Credit Cooperative Societies are finding it difficult to satisfy the rising demand for loans (Mutinda & Wahome, 2019). The minimum capital needed for a SACCO Societies in the deposit-taking Sacco sector is provided by the SACCO Societies regulating authority (Otieno, Okengo, Ojera, & Mamati, 2016).

Mamouni, Watson, Mazzarol and Soutar (2017) observed that the financial sector is extremely competitive with Saccos competing with other local and international financial institutions like banks and non-banking financial institutions. Also, despite the high cost of marketing campaigns like advertisements, promotional activities, and the introduction of various products aimed at low to high-end customers, there has been a significant decline in the customer lifetime value in the Saccos (SASRA, 2022). This has been a worrying trend for the SACCO's future growth and expansion. With unproven assumptions pointing to several causes, the present decreased number of deposits and credit customers is also a significant concern when compared to the projected level.

Statement of the Problem

The connection between relationship marketing and consumer loyalty has been well established in previous research (Palmatier et al, 2019; Pesämaa & Hair Jr., 2017; Louis & Lombart, 2016). Contextually, the introduction of similar products among Saccos has created situations that have encouraged more movement of customers

between Saccos and other financial institutions. As such, customers no longer express the sort of loyalty that was experienced by Saccos in the last 5 years. According to the Central bank of Kenya report of 2015, four out of nine licensed SACCOs made losses. Between 2017 to 2021 none of the SACCO indicated that it had achieved its expected financial targets. This is because profit after tax declined by 24.4% to Kes.10.8 Billion compared to Kes.14.3 Billion the previous year. This is after contingency provisioning of Ksh.8.1 Billion for loan losses expected from the disruption of the Covid-19 pandemic on businesses and households.

Glory, Idorenyin, Edim, & Sarah, (2021) studied effect of relationship marketing on customer retention in the Telecommunications industry. However, by concentrating on customer retention rather than customer loyalty, the study exposes contextual gaps. Mohamed (2022) investigated relationship marketing and customer retention in deposit taking SACCOs in Nairobi. Owich (2017) researched on relationship marketing and customer retention in banks. However, the studies by Mohamed and Owich focused on customer retention and not customer loyalty hence present contextual gaps. A study by Rahman and Masoom (2018) explored the influence of relationship marketing on competitiveness and customer retention. However, the study present contextual gaps as it focused on telecommunication sector which are different from SACCOs. There is, however, a dearth of empirical research on relationship marketing in the context of SACCOs in Kenya. This study sought to fill the literature gaps by empirically determining the effect of relationship marketing on customer loyalty in Savings and Credit Cooperative Societies in Mombasa County.

Objectives of the Study

The general objective of the study was to determine the relationship marketing and customer loyalty in Savings and Credit Cooperative Societies in Mombasa County. The study's specific objectiveswere;

- To determine the effect of customer loyalty programs on customer loyalty in Savings and Credit Cooperative Societies in Mombasa County.
- To establish the effect of conflict handling on customer loyalty in Savings and Credit Cooperative Societies in Mombasa County.
- To investigate the effect of gratitude on customer loyalty in Savings and Credit Cooperative Societies in Mombasa County.
- To find out the effect of communication on customer loyalty in Savings and Credit Cooperative Societies in Mombasa County.

The following research hypotheses guided the study;

- **H0$_1$:** Customer loyalty programs has no significant effect on customer loyalty in Savings and Credit Cooperative Societies in Mombasa County.
- **H0$_2$:** Conflict handling has no significant effect on customer loyalty in Savings and Credit Cooperative Societies in Mombasa County.
- **H0$_3$:** Customer gratitude has no significant effect on customer loyalty in Savings and Credit Cooperative Societies in Mombasa County.
- **H0$_4$:** Communication has no significant effect on customer loyalty in Savings and Credit Cooperative Societies in Mombasa County.

LITERATURE REVIEW

Theoretical Review

Relationship Management Theory

Tom Peters and Robert Waterman introduced the relationship management concept in 1982. Relationship management theory specifies how to build toward symmetry (managing organizational–public relationships around common interests and shared goals) and when to apply that approach (over time).

Relationship management theory is a framework for understanding and improving the quality of interactions between an organization and its stakeholders. It focuses on the mutual benefits, trust, commitment, and satisfaction that characterize long-term and productive relationships (Darmayasa & Yasa, 2021).

The theory is significant to the present research as it clearly elaborates components that form relationships. The theory brings out specific elements of trust, quality and communications and the critical role they play in customer loyalty. The theory supports communication variable in the study.

Commitment-Trust Theory

The commitment-trust theory of relationship marketing posits that two fundamental factors, trust and commitment, must exist for a relationship to be successful. As the premise of commitment trust theory is that there exists a dyadic interaction in the relationship between the customer and the business. The commitment-trust theory draws its concept from the political economy theory. The theory argues that power wielded by one party in an exchange process can lead to the other party to behave in a certain manner. This theory assumes that trust and commitment overpowers all other contextual issues together with the exchange partner power which can be used to determine relationship success. Hunt and Morgan (1994), justified the role of being committed and trust in putting forward relationship marketing by insisting that they encourage marketers to work at preserving the relationship investments.

Commitment Trust Theory is a predictive and causal theory. It establishes that in particular contexts, certain antecedents influence the mediating variables of Commitment and Trust which are psychological outcomes of the antecedents. These mediating variables moderate and influence the behavioural outcomes of the relationship; propensity to leave, stay, become frustrated and so forth. Commitment Trust Theory research itself, Gruen's (1995) adaptation of the conceptual

framework to mass market business-to-customer relationships is fundamental to this study's approach. The rationale for the selection of Commitment Trust Theory is that it is focused on understanding the key drivers of a successful relationship. According to Stern and Reve, (1980), this theory combines the economic efficiency with the power theories to explain the development of customer relationship marketing. The theory supports customer loyalty variable in the study.
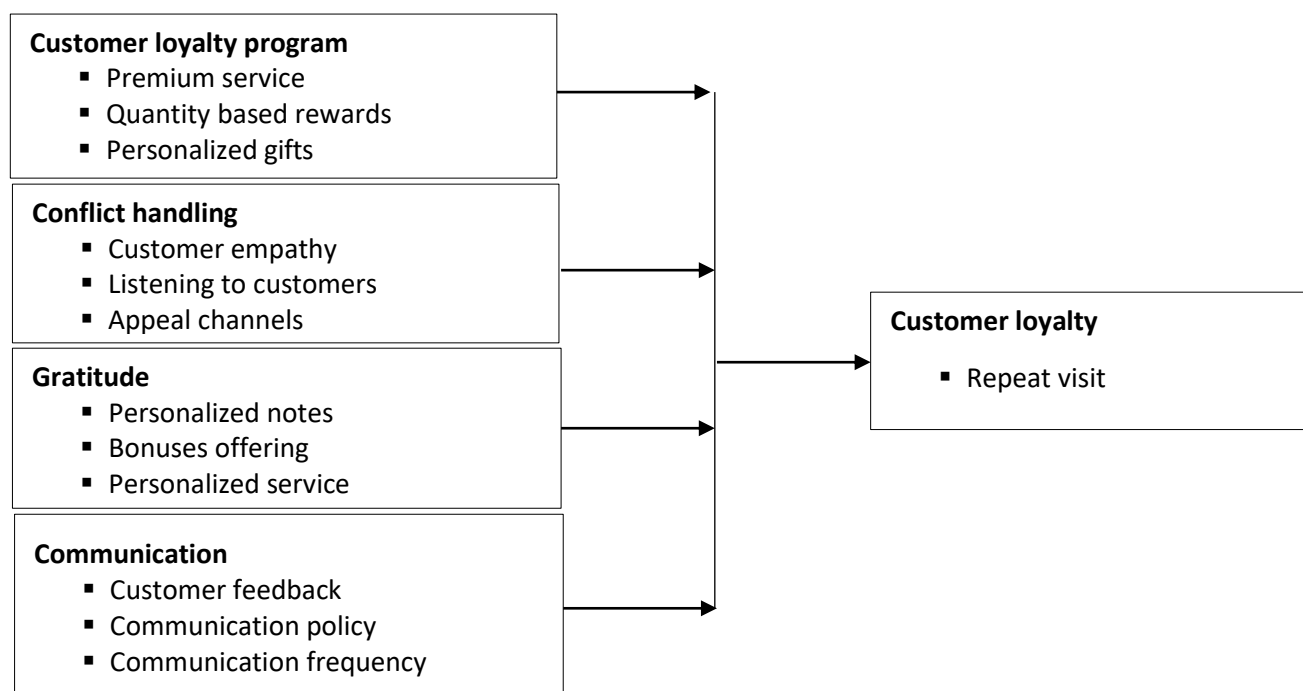
Social Exchange Theory

Social exchange theory was propounded in the year 1989 by George Homans. The basic premise on which social exchange theory has been developed is that social behavior represents an exchange of activity, tangible or intangible, and more or less rewarding or costly, between at least two persons (Homans, 1961). Fundamental to these propositions is the notion of reciprocity (Emerson, 1976). This refers to the premise that an individual's action towards another is based on the expectation that it will elicit a fitting and proportional reaction from which the initiating individual will gain some value (Becker 1986). The more valuable a response a person receives the more likely that person will respond with an activity which will further elicit that rewarding activity (Homans, 1961).

The foundation of social exchange theory rests on several core assumptions regarding human nature and the nature of relationships. The first assumption is that humans tend to seek out rewards and avoid punishments. Another tenet is the assumption that a person begins an interaction to gain maximum profit with minimal cost — the individual is driven by "what's in it for me?" A third assumption is that individuals tend to calculate the profit and cost before engaging. Finally, the theory assumes that people know that this "payoff" will vary from person to person, as well as with the same person over time.

Social exchange theory focuses on reciprocation of value and the processes that influence it, namely power and justice. The theory would help the study in suggesting good approach for application

relationship marketing to enhance customer loyalty.

Conceptual Framework

Customer loyalty program
▪ Premium service
▪ Quantity based rewards
▪ Personalized gifts

Conflict handling
▪ Customer empathy
▪ Listening to customers
▪ Appeal channels

Gratitude
▪ Personalized notes
▪ Bonuses offering
▪ Personalized service

Communication
▪ Customer feedback
▪ Communication policy
▪ Communication frequency

Customer loyalty
▪ Repeat visit

Independent Variables

Figure 1: Conceptual Framework

Dependent Variable

Review of Literature on Variables

Customer Loyalty Programs

If the SACCO has a limited range of products and services that do not cater to the diverse needs of its members, individuals may seek alternatives elsewhere. Members may require a broader selection of financial solutions, such as investment options, insurance products, or specialized loans, and if the SACCO cannot provide them, they may become dormant.

SACCOS can play an important role in helping their members with investment diversification. By offering a variety of investment products and services, SACCOs can help their members to reduce their risk, increase their returns, and achieve their financial goals (Darmayasa & Yasa, 2021).

SACCO's can adopt diversification in response to the changing environment to enhance competitiveness, meet changing needs of members, develop personalized loan products, and generate more revenue. SACCO's can adopt policies and procedures that can help them enhance efficiency and product diversification.

Conflict Handling

Conflict resolution refers to a process where the outcome is based on mutual problem sharing with the conflicting parties cooperating in order to define their conflict and their relationship (Muigua, 2016). Resolution is non power based and non - coercive thus enabling it to achieve mutual satisfaction of needs without relying on the parties' power. A resolution digs deeper in ascertaining the root causes of the conflict between the parties by aiming at a post conflict relationship not founded on power. This outcome is enduring, non-coercive, mutually satisfying, addresses the root cause of the conflict and it is also not zero-sum since gain by one party does not mean loss by the other; each party's needs are fulfilled. Such needs cannot be bargained or fulfilled through coercion and power. These advantages make resolution potentially superior to settlement.

Conflict handling as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise. How well this is done will determine whether the outcome is loyalty, "exit" or "voice". Rusbult et al. (1988) concluded that the likelihood of these behaviours in individual cases depends on the degree of prior satisfaction with the relationship, the magnitude of the customer's investment in the relationship, and an evaluation of the alternatives available. Ndubisi and Chan (2018) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. The ability of the product or service provider to handle conflict well will also directly influence customer loyalty.

Gratitude

Gratitude, one of the subordinate-level emotions, is a representative member of the positive emotion category (Ruth, Brunel, & Otnes, 2015). Gratitude often causes prosocial behavior in response to beneficial actions of other people (McCullough, Kilpatrick, Emmons, & Larson, 2016) and is thought to initiate a psychological pressure or a sense of obligation to repay the favor. Research has found that feelings of gratitude motivate consumers to reward firms for their extra efforts (Morales, 2005) and charitable giving, with rewards taking the form of positive word-of-mouth (Soscia, 2007) and increased purchase (Palmatier, Jarvis, Bechkoff, & Kardes, 2017). Gratitude appears to be a key force in the development and maintenance of cooperative relational bonds between the firm and consumers.

Gratitude is a fundamental social component of human interactions that provides an emotional foundation for reciprocal behaviors. Gratitude also has been conceptualized as a force that helps people maintain their reciprocal obligations (Gouldner, 2014), a sort of inertia that causes relationships to maintain their prosocial orientation, and an important link that supports the chain of reciprocity.

Communication

Rouse and Rouse (2015) posit that efficient or proper communication depicts that the material is received precisely concerning the content and denotation as projected by the disseminator. Rensburg and Cant (2016) observe that communication is understood to openly influence the development of lasting associations with the shareholders of a business. As such, it is essential to recognize the function of communication in developing connections between the numerous events in the firm and between the business and its shareholders. Therefore, communicating effectively with customer's results to enhanced customer relationship which consequently save time and money, improves decision making as well as improving dispute resolution if any case disputes arise (Kalogiannidis, 2020).

Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson & Narus, 2017). Communication in relationship marketing means keeping in touch with valued customers, providing timely and trustworthy Sinformation on service and service changes, and communicating proactively if a delivery problem occurs. It is the communicator's task in the early stages to build awareness, develop consumer preference (by promoting value, performance and other features), convince interested buyers, and encourage them to make the purchase decision (Ndubisi & Chan, 2018). Communications also tell dissatisfied customers what the organisation is doing to rectify the causes of dissatisfaction. When there is effective communication between an organisation and its customers, a better relationship will result and customers will be more loyal.

Customer Loyalty

Mowen and Minor in Khotimah et.all (2016) define loyalty as a condition of customers who have a positive attitude towards a brand, are committed to the brand, and intend to continue their purchases

in the future. Customer loyalty is increasingly seen to be crucial to the success of business organisations, with the growing realisation that attracting new customers is far more expensive than retaining existing ones. It has been suggested that a way of increasing customer retention is through secure relationships between buyers and sellers (Leanne, Anne & Peter, 2017).

Customer loyalty describes an ongoing emotional relationship between you and your customer, manifesting itself by how willing a customer is to engage with and repeatedly purchase from you versus your competitors.

Empirical Literature Review

Glory, Idorenyin, Edim, & Sarah, (2021) studied effect of relationship marketing on customer retention in the Telecommunications industry. The study adopted survey research design. A structured questionnaire was used to obtain primary data from 198 customers of MTN Nigeria Plc and Globacom Nigeria Plc in Calabar. The data were analyzed and interpreted using descriptive statistics, while the hypotheses developed for the study were tested using multiple linear regression. Consequently, the findings of the study revealed that customer care, communication, trust building and service quality had significant positive effects on customer retention of telecommunication firms in Calabar.

Naibei and Koskei (2017) study examined contributing factors of associate loyalty among Saccos: A review of nominated Saccos in Kericho County, Kenya. The purpose of this research was to scrutinize the elements of retention and continued access to Sacco products by members in Kenya by taking case research of Ndege, Chai and Imarisha Saccos in Kericho, Kenya. Descriptive research design was assumed with a populace of 441 members who were targeted of the two SACCOs using a sample of 209 member's chosen utilizing systematic sampling method. Self-administered questionnaires were employed to collect statistics from respondents' results analysis was by descriptive statistics. The study established that

financial products diversity, mode of disbursement and interest rates are most vital financial aspects which impact Sacco member's loyalty.

A study conducted by Manduku (2017) on determinant of customer loyalty established that trust is a foremost cause for attainment of client loyalty. The study involved forty-three (43) commercial banks in Nairobi used convenient sampling in gathering information from a sample of ninety-six (96) respondents. The study utilized descriptive statistics to analyze data collected using questionnaires. Males were 67% while the females were 33%, which could be attributed to the fact that men are more aggressive than women. The research also showed that customers who trusted their banks showed repeated purchase and believed that their bank's action were in the customer's best interest.

Adefarasin and Toludare (2018) conducted a study on the "Impact of customer relationship marketing on customer loyalty of Mobile Telecommunications Network (MTN) in Lagos, Nigeria''. The study adopted a quantitative research method to obtain primary data from 185 subscribers of Mobile Telecommunications Network (MTN) in Lagos with the aid of a structured questionnaire. Data analysis was done using descriptive statistics and multiple regression analysis in the Statistical Package for the Social Sciences (SPSS 22). The study found that customer care, commitment, communication, trust building and service quality had significant positive effects on customer loyalty of Mobile Telecommunications Network (MTN) in Lagos, Nigeria.

Wakwoma (2017) study examined a survey of product broadening approaches embraced by companies in Kenya's banking field. A descriptive design grounded the study; 44 Kenyan functioning commercial banks formed the population. Because of the few banks, a census study was undertaken. Semi-structured questionnaire helped in gathering information. The findings showed that to a great magnitude, commercial banks implement product broadening. They extensively followed correlated

diversification with comparative distinction across banks. The major advantages mentioned for product modification approach was intensification in productivity, constancy of incomes and client loyalty while the foremost problems encountered was augmented rate of management among several innovative goods.

METHODOLOGY

The study adopted descriptive research design, which involved gathering data from respondents and analyzing it from their point of view. According to SARA 2024 Annual supervision report, as of 2024 there were 42 Large-tiered SACCOs with total assets in excess of 5 Billion in Kenya. However, the study targeted Large-tiered SACCOs in Mombasa County which include Saccos, Stima Sacco, Imarika and Bandari Sacco as unit of analysis. For this study, sampling frame comprised of customers of Large-tiered DT-Saccos operating in Mombasa County including Bandari Sacco, Imarika Sacco and Stima Sacco. To choose a sample size for this study, simple random sampling was used. To pick the nth customer for sampling from each Sacco. To determine the sample size, the researcher used the Yamane (1963) formulae for sampling.

The study utilized primary data which was collected by use of a questionnaire. The questionnaire was in Likert-scale composed of five points so as to make the participants' responses easily quantifiable. Point 1 in the Likert-scale questionnaire signified low rating and point 5 signified high rating or strong agreement. Further, the questionnaire was sub-divided into three sections. Section A contains general information about the study participants, section B showed the statements addressing research objectives and section C showed statements addressing dependent variable.

The collected data was analyzed by use of the Statistical Package for Social Sciences (SPSS version 29) tool. The researcher generated descriptive analysis and multiple regression analysis.

Descriptive statistics was significant in measuring the mean and standard deviation of respondents and regression analysis sought to test the variables relationship strength. The following is the regression model the study adopted:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y = Customer loyalty

β_0 = Regression intercept

$\beta_1 - \beta_4$ are the regression coefficient

X_1= Customer loyalty programs

X_2= Conflict handling

X_3= Gratitude

X_4= Communication

ε= Error term

FINDINGS AND DISCUSSION

Response Rate

The questionnaires were distributed to the targeted respondents. 301 of the 373 questionnaires that the researcher distributed were fully completed when they were returned. This represented a 80.7% response rate. This calculation of the response rate excluded the participants in the pilot research. The return rate implies that respondents collaborated with the researcher in the data collection process due to the manner in which the field assistant administered the questionnaires and the enough time given to complete them.

Descriptive Results

Descriptive analysis was conducted on the study variables to check the mean and standard deviation. The results are presented in the following tables.

Customer Loyalty Programs

The researcher asked respondents to rate their agreement or disagreement on the various aspects of customer loyalty programs. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 1.

Table 1: Customer Loyalty Programs

	N	Mean	Std. Deviation
The Sacco has a range of financial products to loyal customers	301	4.89	.331
The Sacco has tailor made loans based on clients taste	301	4.99	.210
On savings, the Sacco has a range of savings benefits options	301	4.78	.183
The financial products offered by the Sacco are informed by customer preference	301	4.75	.168

The descriptive analysis of customer loyalty programs in the Sacco indicates a strong emphasis on customer-centric financial services. The highest-rated aspect is the availability of tailor-made loans based on clients' preferences, with a mean score of 4.99 (SD = 0.210), suggesting near-unanimous agreement among respondents. Similarly, the presence of a range of financial products for loyal customers is highly rated, with a mean of 4.89 (SD = 0.331), demonstrating strong satisfaction with the Sacco's product offerings. Additionally, the availability of diverse savings benefit options receives a mean score of 4.78 (SD = 0.183), indicating a positive reception toward the Sacco's savings incentives. Lastly, the extent to which financial products are informed by customer preferences scores a mean of 4.75 (SD = 0.168), reinforcing the notion that the Sacco aligns its offerings with customer needs. Overall, the findings suggest that the Sacco effectively tailors its financial products, including loans and savings benefits, to enhance customer loyalty and satisfaction.

Conflict Handling

The study respondents were asked to rate their agreement or disagreement on the various aspects of conflict handling. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 2.

Table 2: Conflict Handling

	N	Mean	Std. Deviation
The Sacco has a policy in place to guide on how to deal with customer conflicts	301	4.69	.321
The Sacco staff are trained to be empathetic to customers whenever arises conflict	301	4.26	.336
The Sacco offers personalized attention to customers	301	4.82	.292
There is clear channels for appeal to customers complaints	301	4.71	.655

The descriptive analysis of conflict handling in the Sacco highlights strong measures in place to manage customer disputes effectively. The highest-rated aspect is the provision of personalized attention to customers, with a mean score of 4.82 (SD = 0.292), indicating that respondents highly value the individual attention they receive from the Sacco. The presence of clear appeal channels for customer complaints is also well-rated, with a mean of 4.71 (SD = 0.655). However, the relatively higher standard deviation suggests some variability in respondents' perceptions of the accessibility or effectiveness of these channels. Similarly, the existence of a policy to guide conflict resolution is rated positively, with a mean of 4.69 (SD = 0.321), showing that most respondents recognize structured mechanisms for handling conflicts. The staff's empathy training scores slightly lower, with a mean of 4.26 (SD = 0.336), indicating that while staff are generally seen as empathetic, there may be room for improvement in training or consistency in conflict resolution approaches. Overall, the results suggest that the Sacco has robust conflict-handling mechanisms, particularly in terms of

personalized service, structured policies, and clear appeal channels.

Gratitude Initiatives

The study respondents were asked to rate their agreement or disagreement on the various aspects of gratitude initiatives. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 3.

Table 3: Gratitude

	N	Mean	Std. Deviation
The Sacco offers personalized messages to customers through various medium	301	3.22	.866
The Sacco offers bonuses to outstanding customers periodically	301	2.01	.304
There is a customer gratitude policy in the Sacco	301	2.13	.436
The Sacco offers personalized services to the loyal customers	301	3.87	.119

The descriptive analysis of gratitude initiatives in the Sacco suggests that customer appreciation efforts are somewhat lacking. The highest-rated aspect is the provision of personalized services to loyal customers, with a mean score of 3.87 (SD = 0.119). This indicates that while the Sacco recognizes and rewards loyalty through personalized services, there is still room for enhancement. The use of personalized messages to customers through various media has a moderate rating, with a mean of 3.22 (SD = 0.866), suggesting that while some customers receive such messages, the practice may not be consistently applied. However, two key aspects of customer gratitude—offering periodic bonuses to outstanding customers and having a formal customer gratitude policy—receive low mean scores of 2.01 (SD = 0.304) and

2.13 (SD = 0.436), respectively. These results indicate that structured efforts to reward and appreciate customers are either minimal or insufficiently recognized by respondents. Overall, the findings suggest that while the Sacco provides some level of personalized service to loyal customers, there is a significant gap in structured gratitude initiatives, such as bonuses and formal appreciation policies.

Communication

The study respondents were asked to rate their agreement or disagreement on the various aspects of communication. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 4.

Table 4: Communication

	N	Mean	Std. Deviation
The Sacco has effective communication policy	301	4.19	1.024
The Sacco uses appropriate medium to relay information based on the nature of the information	301	4.54	.896
The communication frequency to customers is constant in the Sacco	301	4.77	.558
The Sacco adopts open communication strategy to encourage customers air their views any time	301	4.83	.169

The descriptive analysis of communication within the Sacco indicates a strong commitment to keeping customers informed and engaged. The highest-rated aspect is the adoption of an open communication strategy, with a mean score of 4.83

(SD = 0.169), suggesting that customers feel encouraged to share their views freely. The frequency of communication is also highly rated, with a mean of 4.77 (SD = 0.558), indicating that customers receive regular updates and engagement

from the Sacco. Similarly, the use of appropriate communication mediums based on the nature of information scores 4.54 (SD = 0.896), reflecting satisfaction with the Sacco's approach to relaying information effectively. However, the effectiveness of the communication policy has a slightly lower mean score of 4.19 (SD = 1.024), suggesting that while the policy exists, there may be inconsistencies in its implementation or varying customer perceptions of its effectiveness. Overall, the findings suggest that the Sacco maintains strong communication practices, particularly in fostering openness and ensuring regular updates.

Customer Loyalty

The study respondents were asked to rate their agreement or disagreement on the various aspects of customer loyalty. They were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The results are presented in Table 5.

Table 5: Customer Loyalty

	N	Mean	Std. Deviation
The amount of repeat sales has increased in the review period	301	4.09	.324
The number of customer referrals has increased in the review period	301	4.73	.501
The Sacco client base has expanded significantly	301	4.56	.411
The customer satisfaction levels have increased in the review period	301	4.82	.207

The descriptive analysis of customer loyalty in the Sacco reveals a strong positive trend in key loyalty indicators. The highest-rated aspect is the increase in customer satisfaction levels, with a mean score of 4.82 (SD = 0.207), suggesting that customers are highly satisfied with the Sacco's services. The number of customer referrals also shows a notable increase, with a mean score of 4.73 (SD = 0.501), indicating that many customers are recommending the Sacco to others, a strong sign of loyalty and trust. Similarly, the expansion of the Sacco's client base is rated highly, with a mean of 4.56 (SD = 0.411), reinforcing the idea that customer acquisition has been on the rise. However, while still positive, the increase in repeat sales has the lowest mean score of 4.09 (SD = 0.324). This suggests that while more customers are joining and referring others, there may be room to enhance repeat business further through retention strategies. Overall, the results indicate that the Sacco has successfully improved customer satisfaction, referrals, and client base expansion, reflecting strong customer loyalty.

Correlation Analysis

Correlation analysis was done to determine the extent and size of the association between relationship marketing and customer loyalty using the Pearson's product moment correlation analysis. The results are shown in Table 6.

Table 6: Correlation Results

		Customer loyalty programs	Conflict handling	Gratitude	Customer Communication	Customer loyalty
Customer loyalty programs	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	301				
Conflict handling	Pearson Correlation	.296**	1			
	Sig. (2-tailed)	.000				
	N	301	301			
Gratitude	Pearson Correlation	.504**	.776**	1		
	Sig. (2-tailed)	.000	.000			
	N	301	301			
Communication	Pearson Correlation	.361**	.487**	1	1	
	Sig. (2-tailed)	.000	.000			
	N	301	301	301		
Customer loyalty	Pearson Correlation	.416**	.388**	.414	.536	1
	Sig. (2-tailed)	.000	.000	.000	.038	
**. Correlation is significant at the 0.01 level (2-tailed).						

The correlation results indicate a positive and statistically significant relationship between customer loyalty and the four independent variables: customer loyalty programs, conflict handling, gratitude, and communication. Customer loyalty programs have a moderate positive correlation with customer loyalty (r = 0.416, p = 0.000) suggesting that well-structured loyalty initiatives contribute significantly to retaining customers. This implies that offering tailored financial products, savings benefits, and personalized services enhances customer commitment to the Sacco.

There is a moderate positive correlation between conflict handling and customer loyalty (r = 0.388, p = 0.000). This finding indicates that the presence of clear conflict resolution policies, empathetic staff, and accessible complaint channels plays a crucial role in maintaining customer trust and satisfaction.

Gratitude initiatives also show a moderate positive correlation with customer loyalty (r = 0.404, p = 0.000). This suggests that personalized appreciation messages, bonuses for outstanding customers, and gratitude policies contribute to customer retention. However, given that the mean scores for gratitude were relatively low in the descriptive analysis, there is a need to enhance customer appreciation strategies to maximize their impact on loyalty.

Communication has the strongest positive correlation with customer loyalty (r = 0.536, p = 0.038) among all the variables. This implies that effective communication policies, frequent updates, and open communication channels significantly enhance customer loyalty. Ensuring that customers receive clear, timely, and relevant information builds trust and engagement, leading to higher retention rates.

Inferential Statistics

Multiple Regression Analysis Results
The collected data was used to regress customer loyalty on relationship marketing. The results of regression analysis are presented as follows.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.779[a]	.607	.562	.70572	2.055

a. Predictors: (Constant), Conflict handling, Customer loyalty programs, Gratitude initiatives, Communication

b. Dependent Variable: Customer loyalty

According to Table 7, the multiple correlation coefficient (R = 0.779) indicates a strong positive relationship between the independent variables (conflict handling, customer loyalty programs, gratitude initiatives, and communication) and the dependent variable (customer loyalty). This suggests that these factors collectively have a substantial impact on customer loyalty in the Sacco.

The R Square (R^2) value of 0.607 means that 60.7% of the variation in customer loyalty can be explained by the independent variables included in the model. This indicates a moderately strong explanatory power, implying that customer loyalty programs, conflict handling, gratitude initiatives, and communication significantly influence customer loyalty. However, the remaining 39.3% of the variation is explained by other factors not included in the model.

Table 7: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.029	4	5.007	113.795	.000[b]
	Residual	12.949	297	.044		
	Total	32.978	301			

a. Dependent Variable: Customer loyalty

b. Predictors: (Constant), Conflict handling, Customer loyalty programs, Gratitude initiatives, Communication

ANOVA results show a p-value (Sig.) of 0.000 indicates that the regression model is statistically significant at the 5% level ($p < 0.05$). This means that the independent variables (conflict handling, customer loyalty programs, gratitude initiatives, and communication) collectively have a significant effect on customer loyalty. The probability that this result is due to chance is extremely low, confirming the model's validity.

In Table 8, the model coefficients is displayed.

Table 8: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.939	.217		4.327	.000
	Customer loyalty programs	.406	.201	.574	2.019	.016
	Conflict handling	.398	.177	.484	2.249	.008
	Gratitude initiatives	.292	.108	.173	2.703	.000
	Communication	.464	.182	.295	2.549	.001

a. Dependent Variable: Customer loyalty

From Table 8, the optimal model would appear as follows:

$$Y = 0.939 + 0.406X_1 + 0.398X_2 + 0.292X_3 + 0.464X_4$$

The constant value (0.939) represents the expected level of customer loyalty when all independent variables are set to zero. Since this coefficient is statistically significant (p = 0.000), it suggests that even in the absence of these factors, there is a baseline level of customer loyalty. Further results show that a one-unit increase in customer loyalty programs is associated with a 0.406-unit increase in customer loyalty, holding other factors constant. A one-unit improvement in conflict handling leads to a 0.398-unit increase in customer loyalty and a one-unit increase in gratitude initiatives results in a 0.292-unit increase in customer loyalty. Finally, a one-unit improvement in communication leads to a 0.464-unit increase in customer loyalty.

Discussion of Key Findings

The first objective of the study was to determine how customer loyalty programs affects customer loyalty. The regression results for customer loyalty programs were β = 0.574, t = 2.019, and p < 0.05, indicating a significant positive relationship between customer loyalty programs and customer loyalty. The findings suggest that a unit increase in customer loyalty programs would result in a 0.406 increase in customer loyalty. On hypothesis testing, since the p-value (0.016) is less than 0.05, the null hypothesis that customer loyalty programs have no significant effect on customer loyalty is rejected.

The second objective of the study was to establish how conflict handling affects customer loyalty. The regression results for conflict handling were β = 0.484, t = 2.249, and p < 0.05, showing that there is a significant positive relationship between conflict handling and customer loyalty. A unit improvement in conflict handling would result in a 0.398 increase in customer loyalty. On hypothesis testing, since the p-value (0.008) is less than 0.05, the null hypothesis that conflict handling has no significant effect on customer loyalty is rejected.

The third objective of the study was to determine the effect of gratitude initiatives on customer loyalty. The regression results for gratitude initiatives were β = 0.173, t = 2.703, and p < 0.05, suggesting a significant positive relationship between gratitude initiatives and customer loyalty. The findings indicate that a unit increase in gratitude initiatives would result in a 0.292 increase in customer loyalty. On hypothesis testing, since the p-value (0.000) is less than 0.05, the null hypothesis that gratitude initiatives have no significant effect on customer loyalty is rejected.

The fourth objective of the study was to assess the effect of communication on customer loyalty. The regression results for communication were β = 0.295, t = 2.549, and p < 0.05, demonstrating a significant positive relationship between communication and customer loyalty. The study findings reveal that a unit increase in communication would result in a 0.464 increase in customer loyalty. On hypothesis testing, since the p-value (0.001) is less than 0.05, the null hypothesis that communication has no significant effect on customer loyalty is rejected.

CONCLUSSIONS AND RECOMMENDATIONS

Regression results revealed that customer loyalty programs has significant positive effect on customer loyalty. According to the descriptive findings, the Sacco effectively implements customer loyalty programs. The highest-rated aspect is tailor-made loans based on customer preferences, demonstrating a strong commitment to personalized financial solutions. Additionally, financial products and savings benefits are well-structured to align with customer preferences. Results show high Sacco's effectiveness in fostering customer loyalty through financial incentives.

Regression results revealed that conflict handling has significant positive effect on customer loyalty. According to a descriptive analysis, the Sacco has strong conflict resolution mechanisms in place. Personalized attention to customers is rated the highest, indicating that customers feel valued when disputes arise. Additionally, clear channels for appealing complaints and a policy for handling customer conflicts are well-implemented. However, staff empathy training is rated slightly lower, suggesting a potential area for improvement in

enhancing customer interactions during conflict resolution.

Regression results revealed that gratitude initiatives has significant positive effect on customer loyalty. According to the descriptive findings, the Sacco has limited structured efforts to appreciate customers. While personalized services to loyal customers receive a relatively high rating, other aspects such as sending personalized messages, offering bonuses, and having a gratitude policy are rated much lower. These results indicate that the Sacco could significantly improve in recognizing and rewarding customer loyalty through more structured appreciation initiatives.

Regression results revealed that communication has significant positive effect on customer loyalty. The results shows that Sacco demonstrates strong communication practices, particularly in fostering open communication strategies, which allow customers to express their views freely. Additionally, communication frequency, and the use of appropriate mediums based on information type are well-rated. However, the effectiveness of the Sacco's communication policy has a slightly lower score, suggesting a need for refinement in implementation to enhance clarity and consistency.

The study concludes that the Sacco has successfully implemented customer loyalty programs that cater to the preferences of its clients. Also, the availability of tailor-made loans, diverse financial products, and savings benefits demonstrates a strong commitment to customer retention and satisfaction. The Sacco's loyalty initiatives are effective in strengthening customer relationships.

The study concludes that the Sacco has established clear policies and channels for handling customer conflicts, ensuring that customer grievances are addressed efficiently. The high rating for personalized attention and structured conflict resolution mechanisms indicates that the Sacco prioritizes customer satisfaction during disputes. However, staff empathy training requires further

reinforcement to enhance the quality of interactions during conflict resolution.

The study concludes that the Sacco's customer appreciation efforts are insufficient, as structured initiatives such as bonuses and formal gratitude policies are lacking. While personalized services for loyal customers exist, they are not enough to create a strong sense of customer appreciation. To enhance loyalty, the Sacco needs to implement formal gratitude programs, including reward schemes and personalized acknowledgments, to strengthen customer relationships and long-term engagement.

The Sacco has established strong communication strategies, particularly in maintaining open communication channels, frequent engagement, and appropriate messaging mediums. These factors contribute to effective customer interactions and service delivery. However, the effectiveness of the communication policy requires improvement to ensure consistency and clarity.

The study recommends that to further strengthen customer loyalty, the Sacco should expand its range of tailor-made financial products to cater to a broader spectrum of customer needs. Introducing a tiered loyalty program can enhance engagement by rewarding long-term customers with additional benefits, such as reduced interest rates on loans or exclusive financial services. Additionally, conducting regular customer feedback sessions will enable the Sacco to refine its loyalty initiatives based on evolving customer preferences, ensuring continued satisfaction and retention.

While the Sacco has structured conflict resolution mechanisms in place, there is a need to enhance staff training on empathy and conflict resolution techniques to improve interactions during disputes. Implementing a real-time customer grievance tracking system can help ensure that issues are addressed promptly, enhancing customer confidence in the Sacco's ability to handle conflicts efficiently. Moreover, strengthening the customer appeal process by making it more transparent and

accessible will encourage customers to voice their concerns and trust the resolution mechanisms in place.

The Sacco should prioritize developing a formal customer appreciation policy to recognize and reward loyal customers. Introducing periodic bonuses or discounts for outstanding customers, such as special interest rates on savings or preferential loan terms, would significantly boost customer satisfaction. Additionally, increasing the use of personalized appreciation messages through SMS, email, and direct calls would create a stronger emotional connection with customers and reinforce their loyalty to the Sacco.

To improve the effectiveness of its communication strategies, the Sacco should refine its communication policy to ensure consistency and clarity in messaging. Utilizing customer segmentation techniques will help tailor communication to different demographic and behavioral groups, ensuring that information is relevant and well-received. Furthermore, leveraging multiple communication channels, including social media, mobile apps, and SMS, will enhance the reach and accessibility of information, keeping customers well-informed and engaged.

Suggestions for Further Research

The scope of this study was restricted to relationship marketing and customer loyalty in Saccos. Nonetheless, the researcher advises that further research be done on other relation marketing strategies since the adopted construct only explained 60.7% variation in customer loyalty. Additional research could concentrate on different industries, such as Microfinance institutions and insurance sector.

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