

Customer Satisfaction and Customer Loyalty in the Banking Sector in Mbarara City: A Case of Stanbic Bank

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Abstract: Customer loyalty is a crucial aspect for organizations, especially in the banking sector, due to its significant financial benefits. Banks, being high-involvement service providers, maintain long-term relationships with customers, making customer satisfaction vital. While customer loyalty is a well-explored topic globally, limited research has been conducted in developing countries, particularly Uganda. This study aims to assess the influence of customer satisfaction on customer loyalty in the banking industry in Mbarara City, Uganda, with Stanbic Bank's Mbarara Branch as a case study. The study's objectives include evaluating customer satisfaction and loyalty levels and determining their correlation. The methodology involved a descriptive cross-sectional survey of 50 respondents, including management, employees, and customers, using both quantitative and qualitative approaches. Data analysis was performed using SPSS to test the correlation between satisfaction and loyalty. Findings indicated a positive relationship between service quality, trust, and long-term relationships with customer satisfaction. Similarly, trust and repeat purchases were linked to customer loyalty. Recommendations suggest banks should enhance customer follow-ups, innovate banking services, and host customer feedback events. Further studies could explore factors hindering customer satisfaction, the role of technology, and the impact of savings and credit societies on loyalty to commercial banks.

Keywords: *Customer satisfaction, Customer Loyalty, Banking Sector, Mbarara City*

1. Introduction

The study assessed the influence of customer satisfaction on customer loyalty in the Banking Industry with a case study of Stanbic Bank, Mbarara Branch, located in Mbarara city. Stanbic Bank (Uganda) Limited (SBU) is a Commercial Bank in Uganda. It is one of the commercial banks licensed by the Bank of Uganda, the national banking regulator. The bank is the largest commercial bank in the country, by assets, with an estimated asset valuation of over US\$ 2.105 billion) and shareholders' equity was valued at approximately US\$ 286.3 million as of February 2023.

The banking sector plays an instrumental role in the economic growth process and any country and Uganda is not an exception. It plays the key role of facilitating the payment system and mediating the surplus spending units (Savers) and deficit spending units (Borrowers). In Uganda, the Banking sector has remained important for the provision of financial intermediary services such as the mobilization of savings, risk management, and diversification of risks. Through the provision of short-term, medium-term term and long-term loans, the banking sector has also been crucial in promoting investments in areas of construction, agriculture and manufacturing. The sector has also been important in facilitating trade through the provision of services such as bank drafts, cheques, bills of exchange and credit cards. Implementation of government monetary policy has also been aided by the banking sector (Nathan et al, 2020)

Uganda's banking system is small, undeveloped and characterized by a large share of foreign ownership and high concentration. The level of financial intermediation is low by regional and low-income countries' standards (LICs) partly reflecting low confidence in the financial system in the past, which is the result of a weak supervisory framework, bank failures, dominant state ownership and widespread directed lending. However, the health of the banking system has improved remarkably following the closure of several distressed banks, substantial improvements to supervision with the introduction of a risk-based approach and the privatization of the dominant state-owned Uganda Commercial Bank (UCB) in September 2002 to a reputable

international bank. The regulatory framework also has been thoroughly modernized up to international standards with the passage of the new Financial Institutions Act (FIA) in 2004 (David et al, 2008).

In Mbarara City, commercial banks have over the decade made strategic interventions that could enhance customer satisfaction and maintain their effectiveness in the market. This has involved interventions like agency banking, Mobile Money, and ebanking as a way of giving customers satisfaction and convenience in their banking experience. Despite these efforts banks still face stiff competition because the products offered by commercial banks are largely homogeneous and therefore banks are desperate to retain customers. This study will explore the relationship between customer satisfaction and customer loyalty using Stanbic Bank Mbarara as a case study.

Background

In the consumer marketing community, customer loyalty has long been regarded as an important goal (Reichheld & Schefer, 2000) while investigations into the nature and drivers of customer loyalty have been gaining increasing attention in the field of marketing and customer relations by academics and practitioners (Ofori et al., 2017). Customer loyalty has been defined by Jacoby and Kyner, 1973, as an attitude to say that different feelings create an individual's overall attachment to a product, service, or organization. These feelings define the individual's (purely cognitive) degree of loyalty. The second definition of loyalty is behavioral. Examples of loyalty behavior include continuing to purchase services from the same supplier, increasing the scale and or scope of a relationship, or the act of recommendation (Hallowell, 1996)

Both marketing academics and professionals have attempted to uncover the most prominent antecedents of customer loyalty. Numerous studies have pointed out that two of the more effective means of generating customer loyalty are to delight customers (Lee, Lee & Feick, 2001) and to deliver superior value derived from excellent services and quality products (Parasuraman & Grewal, 2000).

Only a moderate amount of empirical research has been conducted to examine the relationships among customer satisfaction, and customer Loyalty especially in the banking sector. The interrelationships among these constructs have not been fully uncovered and understood (Jones & Sasser, 1995). According to (Bodet, 2010) customer loyalty has been infrequently investigated with simultaneous consideration for its attitudinal and behavioral dimensions. This study aimed to explore the customer satisfaction and customer loyalty relationships paying attention to the banking sector in South Western Uganda. Customer Loyalty is a key issue in marketing and nowadays it's a concern for many managers and other strategic leaders. This is as a result of competition that exists in the service industry (Bodet, 2010) and the researcher is interested in establishing the relationship between customer satisfaction and customer loyalty in the banking sector in Mbarara city in Uganda.

Problem Statement

Customer Loyalty has increasingly become a very important subject in the marketing arena to most organizations since the financial benefits that arise have been well documented (Hill and Jim, 2017). The Banking Industry is perhaps the largest sector that caters to the needs of people belonging to all sections of society. Moreover, Customer satisfaction tends to play a significant role in high involvement (high interaction between customers and service providers) industries like banks (Angur et al., 1999). Also, banks traditionally have long-term business relationships with customers.

According to Ojo (2010), even though the service sector is the majority of the total economy, customer Loyalty is still considered to be a key competitive advantage in global markets. A huge number of empirical studies have been found on the subject matter of customer satisfaction (Choi, Cho, Lee, Lee & Kim, 2004; Ojo, 2010;) Most of the research has been conducted in both developed and under developed countries like United Kingdom, Japan, United States, India and Nigeria. However, very few and limited studies have been found in most developing countries, particularly Uganda where very little research has been done in the banking industry. The researcher therefore wants to find out whether customer loyalty is brought about by customer satisfaction a gap that motivated him to do this study.

The Purpose of the Study

To assess the influence of customer satisfaction on customer loyalty in the banking industry in Southwestern Uganda using a case study of Stanbic Bank, Mbarara Branch

Objectives

- To assess the level of customer satisfaction in the banking sector in Mbarara City, Uganda
- To assess the level of customer loyalty in the banking sector in Mbarara City, Uganda
- To assess the influence of customer satisfaction on customer loyalty in the banking sector in Mbarara City, Uganda

Research Questions

- What are the levels of customer satisfaction in the banking sector in Mbarara City, Uganda?
- What levels of customer loyalty are present in the banking sector in Mbarara City, Uganda?

Hypothesis

H1: Levels of customer satisfaction have no statistical significance with customer satisfaction in the banking sector in Mbarara City, Uganda.

Conceptual Framework

Independent Variables

Repeat Business
Positive Word of Mouth
Positive Customer Feedback
Efficient Problem Resolution
Increased Use of Services
Long-Term Relationships
Strong Trust in the Bank
High Participation in Surveys and Feedback



Dependent Variables

Repeat Purchases
Referrals and Advocacy:
Account Retention
Increased Product Usage
High Trust Levels
Willingness to Pay Fees
Long-Term Relationships
Loyalty Rewards Participation

The Significance of the Study

The study findings from this research will be helpful to entities, especially commercial banks in designing marketing Strategies. The study will provide relevant content with insights that will help entities build a connection with customers and be able to retain loyal Customers. The study will help provide meaningful information on how companies can deepen their customer connections outside the business premises which can result in repetitive buying and create positive customer service interactions.

The study will provide meaningful recommendations on how marketing and sales managers can tap into new customer bases and attract new buyers outside their segments by turning customers into marketing advocates. The study is of benefit for interested decision makers, managers, leaders, scholars, researchers, academicians, companies, organizations and other stakeholders with useful information about the influence of customer satisfaction on customer loyalty in the Banking Industry.

The results of this study are significant in the sense that it would enable both the management of Banking Industry and the labor union to better understand the relationship between customer satisfaction and customer loyalty in Banking Industry for improved and sustained business productivity.

2. Literature Review

This section presents literature about customer satisfaction in the banking sector.

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Almurshidee (2018) states that banks that have introduced e-banking have created a competitive edge over others hence customer satisfaction and when there is service quality improvement, customer satisfaction increases. Sarfraz et al (2017) state that once organizations get involved in corporate social responsibility, they gain trust from the customers and that customer commitment will also arise when customers believe in a relationship with a legal obligation built with their banks.

Al Sayyed et al (2015) state that in case customers perceive that the service quality and trust in the services, it's a level of satisfaction. According to Haruna (2015), price is one of the common means of sending messages to customers, results from studies show that price influences customer satisfaction. According to Haruna (2015), the environment where the business does its operations also boosts satisfaction, hence keeping places with furnishing, color, parking areas boosts customer satisfaction.

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Surfraz et al (2017) states that its easy when customers identify with the organization to build loyalty since it gives them comfort as it serves their wishes, it is also stated that customers can be loyal because of the different commitment types they develop that is continuation and cumulative commitment, continuance reveals that customers are forced to remain attached to the organization.

Scholars such as Ofori et al (2017) posit that when a customer has a positive perception of a service provider, the customer will likely spread favorable views about the quality of service delivered by the company, thus increasing the market potential of the company. Moreover, various researchers have demonstrated that the cost of acquiring a new customer is 5 times more expensive than retaining an existing customer, and 50–100 times more expensive to win back a lost customer (Ofori et al., 2017). Therefore, companies need to understand the needs of their customers and aim to build a relationship around those needs to promote long-term customer loyalty and profitability.

Hasiri and Afghanpour (2016) assert that a customer displays loyalty to a product or service produced by a company, when these products /services meet the customer's needs in the best possible manner. However, attracting customers to the products and services of a business is more psychological than the utilitarian value of the product to satisfy the wants of the customers. Magasi (2016) noted that services rendered by banks are fairly homogeneous and close substitutes. Merrin et al. (2013) Factors influencing consumer loyalty also noted that though a producer might be able to satisfy the customer's want, this may not be enough reason for the customer to repeat patronage since it is possible for the customer to get the same or a superior level of satisfaction from another bank (Tweneboah-Koduah and Farley, 2015). Therefore, it is possible for bank customers who were satisfied at their previous visit not to return. Customer loyalty is not guaranteed by good products or service alone.

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Customer satisfaction, which is largely influenced by the perception of service quality and trust, is a critical factor in determining loyalty. According to Bisimwa, Nuwagaba, and Musigire (2019), the perceived quality of service and trust in the banking sector of Bukavu significantly affect customer satisfaction, subsequently leading to increased customer loyalty. Similarly, Karim (2020) demonstrated through a PLS method that service quality has a direct effect on customer satisfaction, and satisfied customers are more inclined to stay loyal to their banks in Bangladesh.

In a study conducted in Nepal, Joshi (2023) established a significant, positive correlation among service quality, customer satisfaction, and loyalty, with satisfaction serving as a mediating factor. Similarly, Christanto and Santoso (2022) observed in Yogyakarta that customer satisfaction acts as a mediator between service quality, corporate image, and loyalty. Additionally, Alzaydi (2023) pointed out that in Saudi Arabia, the quality of multi-channel integration enhances the connection between service quality, satisfaction, and loyalty. Additionally, research conducted in Ghana's banking sector after the crisis (2021) confirmed that improving customer satisfaction is crucial for restoring customer loyalty. Chikazhe, Makanyeza, and Chigunhah (2021) examined satisfaction as a mediating factor and discovered that its influence on loyalty is influenced by a range of

contextual elements. Together, these studies confirm that customer satisfaction is not just important but fundamental in nurturing and enduring customer loyalty within the banking industry.

3. Methodology

The researcher employed a descriptive cross-sectional survey research design that helps in gathering information where little knowledge is known. A cross-sectional study design across the Management, Employees and Customers of Stanbic Bank, Mbarara Branch was used to survey the study population. Both quantitative data were collected and this enabled the researcher to draw valid and dependable conclusion and recommendations of the study.

The study population was put into groups namely: the Management, Employees and Customers of Stanbic Bank, Mbarara Branch. The study engaged a total of fifty (50) respondents. Convenience sampling was used to select the first thirty (30) customers of Stanbic Bank who appeared in the Bank for any transactions to reduce bias in sampling. A simple random sampling method was used to select twenty (20) employees (staff) of Stanbic Bank, Mbarara Branch.

The data units were then sorted according to the study objectives to produce coherent meaning. The data will be organized, entered into the computer-based statistical application program (SPSS), where both inferential and descriptive analyses will be carried out to test for correlation between customer satisfaction and customer loyalty using the Pearson correlation coefficient. The study results were presented in the form of tables for easy interpretation. Conclusion and recommendations were further drawn in the same arrangement with the study objectives accrued from the study findings.

4. Data Presentation, Interpretation and Analysis

This chapter presented the findings obtained for the study in the form of a table and an interpretation and analysis of the findings were made.

Response rate

A total of 50 questionnaires were given out and 41 were returned giving a percentage of 82% which is a good representation of the study.

Demographic Characteristics

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	28	68.3	68.3	68.3
	FEMALE	13	31.7	31.7	100.0
	Total	41	100.0	100.0	

From the findings on gender 68.3% were male and 31.7% were female, which indicates that the bank has more male customers compared to female customers.

Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	TERTIARY LEVEL	41	100.0	100.0	100.0

The findings above indicate that 100% of the customers contacted had attained tertiary institutions, an indicator that they were able to understand the value of customer satisfaction and customer care in the banking sector.

Years of Banking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	7	17.1	17.1	17.1
	6-10	21	51.2	51.2	68.3
	16 AND ABOVE	13	31.7	31.7	100.0
	Total	41	100.0	100.0	

The findings indicated that 51.2% of the had been in the bank for six to ten years, 31.7% had used the bank for sixteen years and above while 17.1% had been in the bank for one to five years, the above findings clearly show that most customers hand used the bank for more than five years and therefore would give information that is useful o he study.

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Repeat Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	23	56.1	56.1	56.1
	AGREE	13	31.7	31.7	87.8
	NEUTRAL	5	12.2	12.2	100.0
	Total	41	100.0	100.0	

From the findings 56.1% of the respondents strongly that repeat business indicates a high level of customer satisfaction,31.7% agreed that it also shows customer satisfaction while, 12.2% were neutral of the matter, this indicates that repeat business indicates that there is customer satisfaction since a dissatisfied customer would not comeback for a repeat business.

Positive Word of Mouth

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	29	70.7	70.7	70.7
	AGREE	10	24.4	24.4	95.1
	NEUTRAL	1	2.4	2.4	97.6
	DISAGREE	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

The findings indicate that 70.7% and 24.4% strongly agree and agree respectively to positive word of mouth being a level of customer satisfaction while 2.4% responded to it being neutral and disagreeing with the same. This therefore shows that positive word of mouth shows a level of customer service in the banking sector.

Positive Customer Feedback

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	24	58.5	58.5	58.5
	AGREE	14	34.1	34.1	92.7
	NEUTRAL	2	4.9	4.9	97.6
	DISAGREE	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

The study findings indicated that 58.5%,34.1% agreed strongly and agreed respectively about positive customer feedback being a level of customer satisfaction while 4.9% and 2.4% were neutral and also disagreed to the same ,however since the majority were in agreement it shows that positive customer feedback shows a high level of customer satisfaction.

Efficient Problem Resolution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	26	63.4	63.4	63.4
	AGREE	13	31.7	31.7	95.1
	NEUTRAL	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

The findings indicate that 63.4% and 31.7% of the respondents agreed strongly and agreed respectively while 4.9% were neutral that efficient problem resolution is a level of customer satisfaction, The big percentage of agreement shows that efficient problem resolution shows a high level of customer satisfaction in the banking sector.

Increased Use of Services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	22	53.7	53.7	53.7
	AGREE	16	39.0	39.0	92.7
	NEUTRAL	3	7.3	7.3	100.0
	Total	41	100.0	100.0	

The above findings of 53.7% and 39% agreed strongly and agreed while 7.3% were neutral to increased use of services as a level of customer satisfaction, this shows that once customers increasingly use the banking services then this has a level of satisfaction in the banking sector.

Long-Term Relationships

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	17	41.5	41.5	41.5
	AGREE	22	53.7	53.7	95.1
	NEUTRAL	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

The findings indicated that 53.7% and 41.5% of the respondents agreed and strongly agreed that having a long-term relationship indicates a level of customer satisfaction while 4.9% were neutral to the question, the big percentage of those in agreement indicates that a long-term customer relationship indicates a high level of customer satisfaction.

Strong Trust in the Bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	28	68.3	68.3	68.3
	AGREE	12	29.3	29.3	97.6
	NEUTRAL	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

From the findings above 68.3% and 29.3% of the respondents strongly agree and agree that strong trust in the bank shows customer satisfaction levels while 2.4% of the respondents were neutral on the question. The high response rate shows that strong trust in the bank is associated with a high level of customer satisfaction.

High Participation in Surveys and Feedback

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	23	56.1	56.1	56.1
	AGREE	16	39.0	39.0	95.1
	NEUTRAL	1	2.4	2.4	97.6
	STRONGLY DISAGREE	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

The findings show that 56.1% and 39% strongly agree and agree respectively to high participation in surveys and feedback as a level of customer satisfaction, while 2.4% for both neutral and strongly disagree, which shows that high participation in surveys and feedback has a big response rate, hence a level of customer satisfaction.

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One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Customer Satisfaction	41	3.1315	.67230	.06269

One-Sample Test

Test Value = 3					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference
					Lower Upper
Customer Satisfaction	2.098	40	.038	.13152	.0073 .2557

One-Sample Effect Sizes

		Standardized	Point Estimate	95% Confidence Interval	
				Lower	Upper
Customer	Cohen's d	.67230	.196	.011	.380
Satisfaction	Hedges' correction	.67676	.194	.011	.377

a. The denominator used in estimating the effect sizes.

Cohen's d uses the sample standard deviation.

Hedges' correction uses the sample standard deviation, plus a correction factor.

The analysis examined whether customer satisfaction levels in Mbarara's banking sector differed significantly from a neutral midpoint (3 on a Likert scale). The sample of 41 customers showed a mean satisfaction score of 3.13 (SD = 0.67), slightly above neutral. A one-sample t-test confirmed this difference was statistically significant ($t(40) = 2.10$, $p = .038$), with customers reporting marginally higher satisfaction than neutral (mean difference = 0.13, 95% CI [0.01, 0.26]). However, the effect size was small (Cohen's $d = 0.20$), indicating limited practical significance. While results show customers are statistically more satisfied than neutral, the minimal difference suggests satisfaction levels are only slightly positive. The narrow confidence interval around the effect size (95% CI [0.01, 0.38]) further indicates the true impact may be negligible. These findings imply that while banks are meeting basic expectations, there's substantial room for improvement to achieve genuinely positive customer satisfaction. The small sample size ($N=41$) cautions against overgeneralization, and additional research with larger samples would help validate these results. The marginally positive satisfaction likely reflects adequate but unexceptional service quality, prompting recommendations for banks to investigate specific service aspects needing enhancement to move satisfaction from neutral to strongly positive.

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Repeat Purchases

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	24	58.5	58.5
	AGREE	12	29.3	87.8
	NEUTRAL	4	9.8	97.6
	DISAGREE	1	2.4	100.0
	Total	41	100.0	

The respondents at 58.5% and 29.3% strongly agreed and agreed respectively to repeat purchase being a level of customer loyalty while 9.8% and 2.4% responded to neutral and disagree respectively, this is evidence that repeat purchase is a level of customer loyalty.

Referrals and Advocacy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	18	43.9	43.9	43.9
	AGREE	22	53.7	53.7	97.6
	NEUTRAL	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

From the findings 53.7 % and 43.9% of the respondents strongly agreed and agreed respectively that customers who give referrals and advocacy are loyal whereas 2.4% were neutral to the idea, this shows that a big percentage is in agreement that loyalty levels are high because of referrals and advocacy.

Account Retention

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	27	65.9	65.9	65.9
	AGREE	11	26.8	26.8	92.7
	NEUTRAL	2	4.9	4.9	97.6
	DISAGREE	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

The respondents at 65.9% and 26.8% strongly agreed and agreed respectively that retaining an account in a bank is a sign of loyalty as compared to 4.9% and 2.4% who were neutral and disagreed to the statement, since the biggest percentage was in agreement then account retention is a level of customer loyalty in banks.

Regular Engagement

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	21	51.2	51.2	51.2
	AGREE	18	43.9	43.9	95.1
	NEUTRAL	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

From the findings 51.2 % and 43.9% of the respondents were in agreement with regular engagement as a level of customer loyalty while 4.9% were neutral, since the majority were in agreement it shows that customer regular engagement is a sign of customer loyalty.

High Trust Levels

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	22	53.7	53.7	53.7
	AGREE	17	41.5	41.5	95.1
	NEUTRAL	1	2.4	2.4	97.6
	DISAGREE	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

Responses show that 53.7% and 41.5% agree that high trust levels show loyalty while 2.4% were neutral and in disagreement, the biggest percentage agrees that high trust levels indicate loyalty in the banking sector.

Willingness to Pay Fees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	22	53.7	53.7	53.7
	AGREE	14	34.1	34.1	87.8
	NEUTRAL	5	12.2	12.2	100.0
	Total	41	100.0	100.0	

The respondents at 53.7% and 34.1% also agree that customers willing to pay fees are loyal compared to 12.2% who were neutral, which indicates that customers' willingness to pay fees shows loyalty.

Long-Term Relationships

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	20	48.8	48.8	48.8
	AGREE	16	39.0	39.0	87.8
	NEUTRAL	3	7.3	7.3	95.1
	DISAGREE	1	2.4	2.4	97.6
	STRONGLY DISAGREE	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

From the findings 48.8% and 39% of the responses showed that having long-term relationships is a level of customer loyalty centrally with 7.3% and 2.4% who were neutral and in disagreement, since the biggest percentage agreed that long-term relationship indicates customer loyalty in banks.

Loyalty Rewards Participation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY AGREE	24	58.5	58.5	58.5
	AGREE	13	31.7	31.7	90.2
	NEUTRAL	2	4.9	4.9	95.1
	DISAGREE	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

The findings indicated that 58.5% and 31.7% of the respondents were in agreement that participation in loyalty rewards is a sign of customer loyalty while 4.9% responded neutral and disagree, since the majority agreed that it shows that only loyal customers participate in loyalty and rewards.

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One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
customer loyalty	41	3.2136	.63673	.05938

One-Sample Test

Test Value = 3						
				95% Confidence Interval of the Difference		
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Customer loyalty	3.597	40	.000	.21359	.0960	.3312

One-Sample Effect Sizes

			95% Confidence Interval		
		Standardized ^a	Point Estimate	Lower	Upper
Customer loyalty	Cohen's d	.63673	.335	.147	.523
	Hedges' correction	.64096	.333	.146	.519

a. The denominator used in estimating the effect sizes.

Cohen's d uses the sample standard deviation.

Hedges' correction uses the sample standard deviation, plus a correction factor.

The analysis examined customer loyalty levels in Mbarara's banking sector compared to a neutral midpoint (3 on a Likert scale). A sample of 41 customers showed a mean loyalty score of 3.21 (SD = 0.64), indicating slightly positive loyalty. A one-sample t-test revealed this difference was statistically significant ($t(40) = 3.60$, $p < .001$), with customers demonstrating notably higher loyalty than neutral (mean difference = 0.21, 95% CI [0.10, 0.33]). The effect size was medium (Cohen's $d = 0.34$, 95% CI [0.15, 0.52]), suggesting meaningful practical significance. These results indicate that while customer loyalty is statistically and practically above neutral, the moderate effect size implies room for improvement to achieve strong loyalty. The positive findings likely reflect

adequate banking services, but strategic enhancements could further strengthen customer retention. The tight confidence intervals around both the mean difference and effect size increase confidence in these results, though the modest sample size (N=41) warrants cautious generalization. Overall, banks in Mbarara appear to be maintaining satisfactory customer loyalty levels, but targeted initiatives could potentially elevate loyalty from moderate to strong levels.

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Correlations

		objective1	objective2
objective1	Pearson Correlation	1	.116
	Sig. (2-tailed)		.471
	N	41	41
objective2	Pearson Correlation	.116	1
	Sig. (2-tailed)	.471	
	N	41	41

The correlation to ascertain if customer satisfaction has a significant relationship was done using Pearson correlation at which showed 0.116 which shows that the relationship is weak meaning that customer satisfaction does not signify that customers have loyalty in the banking sector.

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Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.760 ^a	.577	.573	.41599

a. Predictors: (Constant), customer satisfaction

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	22.664	1	22.664	154.087	.000 ^b
	Residual	13.554	39	.173		
	Total	36.218	40			

a. Dependent Variable: **customer loyalty**

b. Predictors: (Constant), customer satisfaction

Coefficients^a

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	.961	.186		5.178	.000
	customer satisfaction	.719	.058	.760	12.413	.000

a. Dependent Variable: **customer loyalty**

The regression analysis reveals a strong and statistically significant relationship between customer satisfaction and customer loyalty in Mbarara's banking sector. The model explains 57.7% of the variance in customer loyalty ($R^2 = .577$), indicating that satisfaction levels are a powerful predictor of loyalty. The ANOVA results ($F(1,39) = 154.09$, $p < .001$) confirm that the overall model is highly significant. The coefficient analysis shows that a significant positive relationship exists ($B = 0.719$, $p < .001$), meaning each 1-point increase in satisfaction leads to a 0.72-point increase in loyalty.

The standardized beta coefficient ($\beta = 0.760$) shows a very strong effect size. The constant term (0.961) is also significant ($p < .001$), suggesting some baseline loyalty exists independent of satisfaction levels. The standard error of estimate (0.416) indicates the model's predictions are reasonably precise. These findings strongly suggest that improving customer satisfaction would directly and substantially enhance customer loyalty in Mbarara's banking sector. The results are particularly robust given the high significance levels and large effect sizes.

5. Discussion, Summary, Conclusion and Recommendations

This section discusses the findings of the study comparing the results of the already existing studies.

Discussion

53.7% and 39% agreed that increased service use indicates a level of customer satisfaction, which is in agreement with Almurshidee (2018), who stated that when service quality improves, customer service increases.

The findings also indicated that 53.7% and 41.5% agree that high trust levels due to increased services offered increase customer satisfaction. This is in agreement with Sarfraz et al 2017 who stated that involvement in corporate social responsibility breeds trust and Al Sayyed et al (2015) who stated that in case of customers. The findings also indicated that 63.4% and 31.7% that efficient problem resolution is a level of customer satisfaction. This is in agreement with Haruna (2015) who stated that once customers are oriented to rely on the banks boosts satisfaction.

The findings also indicated that 53.7% and 41.5% of the respondents agreed that having a long-term relationship indicates a level of customer satisfaction. This was stated by Sarfraz et al (2017), who stated that customer commitment will arise when customers believe that a relationship is built, hence satisfaction.

The findings of this study on customer satisfaction in Mbarara's banking sector reveal key insights when examined alongside existing literature. While the analysis identified statistically significant yet only marginally positive customer satisfaction ($M=3.13$, $p=.038$), the small effect size ($d=0.20$) suggests that banks are merely meeting not exceeding basic expectations. This aligns with Almurshidee's (2018) argument that service quality improvements drive satisfaction, implying that Mbarara's banks may need more substantial enhancements, particularly in digital banking, to achieve a meaningful competitive edge.

The modest satisfaction levels observed contrast with Sarfraz et al.'s (2017) findings on the strong influence of corporate social responsibility (CSR) on customer trust and commitment. This discrepancy may indicate that CSR initiatives in Mbarara are either underdeveloped or less prioritized by customers compared to other factors. Similarly, while Al Sayyed et al. (2015) highlight the critical role of perceived service quality and trust, the current results suggest these elements are merely adequate in Mbarara's banking sector rather than exceptional.

Haruna's (2015) insights on pricing and physical environment offer further context for these findings. The neutral-to-slightly-positive satisfaction scores could reflect suboptimal pricing strategies or insufficient attention to physical banking spaces. Given the small effect size in this study, targeted improvements in these areas might yield significant satisfaction gains.

The study's key contribution lies in demonstrating that while Mbarara's banks meet minimum expectations (evidenced by statistically significant results), substantial room for improvement remains. Integrating these quantitative findings with prior qualitative research suggests several strategic opportunities:

Digital Transformation: Following Almurshidee's (2018) recommendations, greater investment in e-banking solutions could enhance convenience and satisfaction.

Service Quality Enhancement: As Al Sayyed et al. (2015) propose, elevating perceived service quality and trust could push satisfaction beyond its current marginal levels.

Holistic Customer Experience: Addressing Haruna (2015) identified factors such as pricing and physical environment could shift satisfaction from adequate to strongly positive.

The study's limitations, including a small sample size, warrant caution in generalizing the results. However, the alignment between these findings and established customer satisfaction theories suggests meaningful patterns. Future research with larger, more diverse samples could further validate these insights and offer more targeted recommendations for Mbarara's banking sector and similar regions. Hence, while Mbarara's banks are fulfilling basic customer expectations, they have yet to fully leverage the opportunities highlighted in broader literature to boost satisfaction and loyalty. Strategic focus on service quality, digital innovation, CSR, and physical environments could help close this gap.

To assess the level of customer loyalty in the banking sector in Mbarara City, Uganda

From the findings responses of 53.7% and 41.5% agree that high trust levels show loyalty which is in line with Sarfraz et al (2012), who stated that customers identify with the organization as it gives them comfort. The findings also showed that 58.5% and 29.3% agreed that repeat purchase is a level of customer satisfaction, which is in agreement with Sarfraz et al (2017) who state that a customer who has satisfaction or cumulative satisfaction becomes a basis of weighing repeat purchase, hence loyalty.

The findings of this study on customer satisfaction in Mbarara's banking sector, when examined alongside existing literature, present a nuanced understanding of customer loyalty and satisfaction dynamics. While the study reveals marginally positive customer satisfaction ($M=3.13$, $p=.038$) with a small effect size ($d=0.20$), suggesting that banks are meeting basic expectations but not exceeding them, broader literature provides deeper insights into why this may be the case and how banks can enhance both satisfaction and loyalty.

Sarfraz et al. (2017) argue that customer loyalty is strengthened when customers identify with an organization, as it fosters comfort and aligns with their individual needs. They also highlight the role of commitment continuance and cumulative in sustaining loyalty, where continuance commitment suggests that customers may remain attached due to circumstantial constraints rather than genuine satisfaction. This perspective aligns with the current findings, where satisfaction levels in Mbarara's banking sector are only marginally positive, possibly indicating that customers stay with banks out of necessity rather than a strong emotional or psychological attachment.

Further, scholars such as Ofori et al. (2017) emphasize the importance of positive customer perceptions in driving word-of-mouth referrals and market expansion. Their assertion that retaining existing customers is far more cost-effective than acquiring new ones underscores the need for banks to prioritize relationship-building strategies. Given the neutral-to-slightly-positive satisfaction levels in Mbarara, banks may be missing opportunities to convert satisfied customers into loyal advocates. If customers perceive service quality as merely adequate rather than exceptional, they are less likely to actively promote the bank, limiting its growth potential.

Hasiri and Afghanpour (2016) add another layer by distinguishing between utilitarian and psychological drivers of loyalty. They argue that while meeting customer needs is essential, loyalty is often rooted in emotional and psychological connections rather than functional benefits alone. This is particularly relevant in banking, where services are largely homogeneous, as noted by Magasi (2016). If Mbarara's banks focus solely on functional service delivery without fostering emotional engagement, they risk losing customers to competitors offering similar or marginally better services.

The challenge of sustaining loyalty despite satisfaction is further highlighted by Merrin et al. (2013) and Tweneboah-Koduah and Farley (2015), who note that even satisfied customers may switch banks if alternatives provide comparable or superior value. This reinforces the current study's implication that Mbarara's banks must go beyond basic satisfaction to cultivate deeper loyalty. Strategies such as personalized customer engagement, consistent service excellence, and emotional branding areas not fully explored in the current study could help bridge this gap.

Therefore, while the study confirms that Mbarara's banks meet baseline customer expectations, the broader literature suggests that achieving true loyalty requires more than transactional satisfaction. Banks must integrate psychological and emotional elements into their service delivery, enhance perceived value, and build strong relational bonds with customers. Future research could explore these psychological drivers in Mbarara's

study context to provide actionable insights for banks aiming to transform passive satisfaction into active, long-term loyalty.

To assess the influence of customer satisfaction on customer loyalty in the banking sector in Mbarara City, Uganda

The regression analysis demonstrates a strong and statistically significant relationship between customer satisfaction and customer loyalty in Mbarara's banking sector, with the model explaining 57.7% of the variance in customer loyalty ($R^2 = 0.577$). This indicates that customer satisfaction is a powerful predictor of loyalty. The ANOVA results ($F(1,39) = 154.09$, $p < .001$) confirm the overall significance of the model, while the coefficient analysis reveals that each one-point increase in satisfaction leads to a 0.72-point increase in loyalty ($B = 0.719$, $p < .001$). The standardized beta coefficient ($\beta = 0.760$) shows a very strong effect size, and the significant constant term (0.961 , $p < .001$) suggests some baseline loyalty exists independent of satisfaction levels. The standard error of estimate (0.416) indicates that the model's predictions are reasonably precise, reinforcing the robustness of these findings.

These results align with previous research in various banking aspects, supporting the universal importance of customer satisfaction in fostering loyalty. Studies such as those by Bisimwa, Nuwagaba, and Musigire (2019) in Bukavu and Karim (2020) in Bangladesh have similarly found that perceived service quality and trust significantly enhance satisfaction, which in turn strengthens loyalty. Joshi (2023) confirmed in Nepal that satisfaction mediates the relationship between service quality and loyalty. Christanto and Santoso (2022) observed in Yogyakarta that satisfaction mediates service quality, corporate image, and loyalty. Additionally, Alzaydi (2023) highlighted in Saudi Arabia that multi-channel integration quality strengthens the link between service quality, satisfaction, and loyalty, emphasizing the role of seamless customer experiences. Research in Ghana's post-crisis banking sector (2021) further reinforced that improving satisfaction is important for rebuilding customer trust and loyalty, while Chikazhe, Makanyeza, and Chigunhah (2021) noted that satisfaction's impact on loyalty can vary depending on different contextual factors.

Given the strong predictive power of satisfaction on loyalty, banks in Mbarara should prioritize strategies that enhance customer satisfaction, such as improving service quality, building trust through transparency, enhancing multi-channel integration, and personalizing services to meet individual customer needs. The findings confirm that customer satisfaction is a fundamental driver of loyalty in Mbarara's banking sector, with a strong, statistically significant, and practically meaningful effect. These results are consistent with global banking research, reinforcing the idea that satisfied customers are more likely to remain loyal. Banks that invest in service quality, trust-building, and customer-centric strategies are likely to see higher retention rates and long-term profitability. Future research could explore additional moderating factors, such as competitive intensity or digital banking adoption, that may influence the satisfaction-loyalty relationship in this region.

Recommendations

The study recommends the following.

- Banks should always do a follow-up with their customers to know the current status of why they have not been visiting banks
- Innovations such as automatic teller machines, mobile banking, and call centres should be introduced to ease banking issues and solve customer problems.
- The banking sector should also always come up with customer days where the management meets them to air their views on what they need addressed

Areas for further studies

For further studies, the following areas are suggested

- Factors that hinder customer satisfaction of customers in the banking sector.
- The influence of technology on boosting customer satisfaction and customer loyalty
- The emergence of savings and credit Societies on loyalty to commercial banks

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