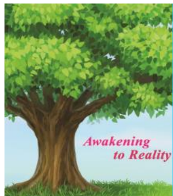

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Effect of Corporate Governance on Customer Retention in Commercial Banks in Kenya

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ABSTRACT

The purpose of this study was to find out the effect of strategic management practices on customer retention in Commercial Banks in Kenya. Specific objective formed the basis of the study namely: To establish the effect of, strategic corporate governance practice on customer retention in the commercial banks in Kenya and the theory used was Agency theory. The total number of banks registered with the Central Bank of Kenya is forty-three (43) hence a survey method was used. The questionnaires were distributed to all banks and the managers and the department heads were requested to fill in. The total numbers issued was 123 questionnaires and 117 were returned, giving a response rate of 86%. The questionnaires were coded and fed into the SPSS. The data was then analyzed using descriptive statistics such as mean and standard deviation. Inferential statistics was used including ANOVA, correlation, multiple regression method. Qualitative data was used to put into categories based on themes that would be aligned to research objectives and would be integrated in the discussion of the findings. The findings of the study show that strategic corporate governance practice were significant on Customer Retention. Therefore, it was concluded that to increase customers the strategic management practices must be adopted. Banks should ensure that strategic corporate governance practice become their watchword. This will enhance efficiency and profitability and encourage an environment for the cultivation of other attributes of corporate governance. It should also promote accountability, transparency, healthy ethics, integrity and participation of stakeholders. Internal discipline and a strong operational agenda rooted in corporate governance, strong leadership, strengthened by moral questions bordering on integrity to carry out functions as appropriate should be put in place. This study gave managers invaluable; insights on how to plan allocate and enhance capabilities in ways that allowed them to achieve commercial banks objectives in dynamic and competitive environment using strategic management practices and customer retention strategy. Therefore, since strategic management practice could be of value, they were well advised to pursue customer retention as well as at a suitable level of strategic management practices.

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Introduction

Corporate governance under the corporate value, there should be a review of performance of the firm's board of directors and top management. Even though strategic management involves everyone in the organization, the board of directors holds top management primarily responsible for the strategic management of the firm. According to Hunger *et al.,* (2011), a board of directors involved in strategic management to the extent that it carries out the three tasks of monitoring, evaluating and influencing , and initiating and determining. The recent decade has witnessed an increased attention of stakeholders and regulatory bodies to the corporate governance practices, fostered by the publication of OECD corporate governance principles (2004) and Sarbanes-Oxley Act (2002), which were in turn triggered by scandals in Euro, WorldCom and Parmalat. These events undermined investor confidence and thus created obstacles to transferring capital to its best use. One of the solutions to this issue was corporate governance.

Tanna *et al.,* (2011), OECD considers governance as an important element of the economic efficiency. Based committee on banking supervision BCBS (2006), BCBS (2011) echoes this statement: "Enhancement to the framework and mechanism for corporate governance should be driven by such benefits as improved operational efficiency, greater access to funding at a lower cost, and as improved reputation." Research does suggest that active board involvement in strategic management is positively related to a corporation's financial performance and its credit rating. Highly involved boards tend to be very active. They take their tasks of monitoring, evaluating and influencing, and initiating and determining very seriously; they advise when

necessary and keep management alert. Thus the stakeholders tend to have confidence in the organization as well as the employees and the clients. Customer retention is now regarded as important because it has become increasingly difficult for firms to assume that there exists an unlimited customer base. According to Reichheld and Sasser (2010), it costs five times more to gain a new customer than to retain an existing customer as the acquisition costs are lowered in the long run which means that customer retention is related to the profitability of a firm. Hunt, (2008), Customer retention is a positive attitude of the customer towards the organization and a willingness to stay with the organization. Malopo and Mukwada (2011) ascertained that firms are all out to foul attempts by customers to switch retailers and indirectly retain them.

A customer who expresses a positive attitude towards an organization and is willing to stay with it is more likely to stay. The main purpose of retention is to prevent competent employee from leaving the organization as this could have adverse effect on productivity and service delivery (Ng'the, Iravo and Namusonge, 2012) and this can be applied to retention of customers in an organization. Thus Customer retention has become more important than customer acquisition. Defending and protecting customer base should be the upper most jobs in these challenging economic times. Although in certain instances, companies still spend 10 to 20 times (or more) on acquiring new customers as they spend on keeping existing ones.

All successful companies must learn how to retain customers even when the customer appears satisfied (Omotayo *et al.,*2008). Some unsatisfied customers may choose not to defect, because they do not expect to receive that better service delivery elsewhere and vice versa. As such service providers should understand why customers choose to stay and should not assume that it is a positive conscious choice, (Reichheld *et al.,* 2010). This is because they may be lured away by attractive offers by competitors when they experience dissatisfaction incidents (Jones *et al.,* 2003). There are strong arguments for management to carefully consider the range of factors that increase customer retention rate (Omotayo, 2008).

Winer (2001) argues that in building successful rational exchanges with the customer, there is a need to understand customer behaviors and to focus on those customers who can deliver long term profits to the firm. However, no firm can hold on to all its customers and aim at full customer retention (Egan, 2004). This is due to several factors; one factor is for example the fact that in highly competitive markets, customers may switch either temporarily or permanently to another product or service. Egan (2004) further argues that it is unprofitable to attempt to achieve total retention of the customers as the cost of doing so is likely to be prohibitive. Hence, it's simply important to retain and maintain the customer strategically.

Strategic corporate governance practice on the other hand, Byrne (2002) pointed out that following the abuses of recent times, executives were learning that trust, integrity, and fairness do matter and were crucial to the bottom line. Byrne (2002) also noted that in the post-Enron, post-bubble world, the realization that many companies played fast and loose with accounting rules and ethical standards and which allowed performance to be disconnected from meaningful corporate values, has led to a re-evaluation of corporate goals, values and purpose.

Hershberger *et al.,* (2004) also argued that as the new realities of corporate governance set in, the substance. If organizations concentrate on acquiring those virtues which are most useful in the business world, then it will have made great material progress since it attempts to improve employees who, in turn, help the institution to be more profitable. With effective strategic corporate governance practice based on core values of integrity and trust (reputational value) companies will have competitive advantage in attracting and retaining talent and generating positive reactions in the business field which not only affect customer loyalty but also employee loyalty.

Effective strategic corporate governance practice can be achieved by adopting a set of principles and best practices. A great deal depends upon fairness, honesty, integrity and the manner in which companies conduct their affairs. Companies must make a profit in order to survive and grow; however, the pursuit of profits must stay within ethical bounds. Companies should adopt policies that include environmental protection, whistle blowing, ethical training programs and so on. Such compliance mechanism helps develop and build corporate image and reputation, gain loyalty and trust from consumers and heightens commitment to employees. Ethical compliance mechanisms contribute to stability and growth since it instills confidence; management, leadership, and administration are essentially ethical tasks.

Objective

The specific objectives which guided the study was:

To determine the effect of strategic corporate governance practice on customer retention in the commercial banks in Kenya.

Research Hypotheses

The study was guided by the following hypotheses;

H_{O2} There is no relationship between strategic corporate governance practice and customer retention in the commercial banks in Kenya.

H_{A2} There is a relationship between strategic corporate governance practice and customer retention in the commercial banks in Kenya.

Literature Review

Agency Theory

The study of corporate governance originally arose out of agency theory. This is a perspective that attempts to explain the relationship between the principals (e.g., shareholders) and agents (e.g., executives) of an organization. According to agency theory, the principal hires or delegates an agent to perform work. In this kind of relationship, one party acts on behalf of the other party. From the perspective of agency theory, the relationship between the principal and the agent is further complicated by the fact that it exists in an environment of information asymmetry, uncertainty, and risk. For example, when the principal hires the agent, he or she only knows what the agent has said about his or her capabilities on a resume, a notoriously imperfect document. However, the agent also does not have as much information about the job or task to be performed as does the principal.

Separation between ownership and control of corporations characterizes the existence of a firm. The design of mechanisms for effective corporate control to make managers act in the best interest of shareholders has been a major concern in the area of corporate governance and finance (Allen and Gale, 2001), and continuing research in agency theory attempts to design an appropriate framework for such control. In a corporation, the shareholders are the

principals and the managers are the agents working on behalf of, and for the interests of, the principals. In agency theory, a well-developed market for corporate controls is assumed to be non-existant, thus leading to market failures, non-existence of markets, moral hazards, asymmetric information, incomplete contracts and adverse selection among others. Various governance mechanisms have been advocated which include monitoring by financial institutions, prudent market competition, executive compensation, debt, developing an effective board of directors, markets for corporate control, and concentrated holdings. Developing an effective board of directors remains an important and feasible option for an optimal corporate governance mechanism.

In Corporate governance, Agents or managers may not always act in the best interest of shareholders when the control of a company is separate from its ownership. In June 1959, Simon Herbert (quoted in Baysinger and Hoskisson, 1990) proclaimed that managers might be "satisfiers" rather than "maximisers," that is, they tend to play it safe and seek an acceptable level of growth because they are more concerned with perpetuating their own existence than with maximising the value of the firm to its shareholders. But shareholders delegate decision-making authority to the agent (CEO) with the expectation that the agent will act in their best interest.

A comprehensive theory of the firm under agency arrangements was developed by Jensen and Meckling (1976), who show that the principals (the shareholders) can assure themselves that the agent will make the optimal decisions only if appropriate incentives are given and only if the agent is monitored. Incentives include such things as stock options, bonuses and prerequisites which are directly related to how well the results of management's decisions serve the interests of shareholders. Monitoring consists of bonding the agent, systematic reviews of management prerequisites, financial audits, and placing specific limits on management decisions. These involve costs, which are an inevitable result of the separation of corporate ownership and control. Such costs are not necessarily bad for shareholders, but the monitoring activity they cover needs to be efficient.

Individual directors have personal liability if the company can be shown to have been trading "wrongfully" (trading whilst insolvent), continuing to trade when there was no reasonable prospect of its being able to pay its debts, illegally, carrying out activities contrary to laws and regulations, e.g. Emron, AWB. Independence of thought is demanded of all directors when on a board and this requires that they pursue discriminating questions until they get satisfactory answers that they and other board members understand. Pursuing the company's interests above all else should be their priority. Directors' competence, independence of imagination and thought plus the skill to run an effective enterprise, will determine an organization's success.

Corporate governance is a broad term used to refer to the processes, policies, regulations, and customs by which a corporation is directed, administered, and controlled. Corporate governance specifies the responsibilities and rights of the various stakeholders in the organization. In a narrow sense, corporate governance articulates the relationship of the company to its immediate stakeholders (e.g., employees, stockholders). In a broader sense, it articulates the relationship of the organization to society. The concept of corporate governance is one of the core areas of economic sociology. The sociological study of corporate governance is often concerned with the relationship not only between principals and agents in a corporation, but also the relationship between all stakeholders and the mediating processes, among these the result in an effective organization. Most corporations are set up to accomplish something. In some cases, it is to earn enough income so that they can do some good in the world. In other cases, the main motive is profit, particularly in terms of dividends paid out to shareholders who invest in the corporation. In general, shareholders do not invest in corporations for altruistic motives; they want a return on their investment. If the risk is too great to the shareholders, they pull out their investment.

To help ensure that the interests of the shareholders are being guarded, corporations put into place various mechanisms to see that their goals are being met. Corporate governance is a broad term used to refer to the processes, policies, regulations, and customs by which a corporation is directed, administered, and controlled. Corporate governance specifies the responsibilities and rights of the various stakeholders in the organization. In a narrow sense, corporate governance articulates the relationship of the company to its immediate stakeholders (e.g., employees, stockholders). In a broader sense, it articulates the relationship of the organization to society.

Agency theory one can point to the profound impact that its assumptions have had in both characterising and seeking to reform corporate governance practices. One of the reasons for the success of this theory is that it has kept a similar distance from actual board practices as those who are keen to understand and influence what goes on in boards – investors and those regulatory authorities who act principally on their behalf, as this belief has become embodied in boards in the attempt to constrain and align self-interest towards investor interests, it has had the effect of producing or a least promoting the very self-interested opportunism that it fears. (Walsh and Seward,1990) characterizes as a 'theory of interest, motivation and compliance'. As applied to corporate governance it is the shareholder who is cast as the 'principal' and the problem, following the separation of ownership and control (Berle and Means 1932), is how the principal can ensure that his 'agents' – company directors – serve the shareholders' interests rather than their own. As these assumptions have been read onto corporate governance, and informed its reform in recent decades, they have resulted in what are now an almost universal set of techniques and practices designed to control the conduct of executives both within the corporation and externally (Walsh and Seward 1990).

Conceptual Framework

A conceptual framework refers to a graphical representation of the theorized interrelationship of the variables of a study (Odhiambo & Wiaganjo, 2014) whereas according to Mugenda (2008), a conceptual framework describes the phenomenon under study and presents the researchers idea in a diagrammatic form about the variables.

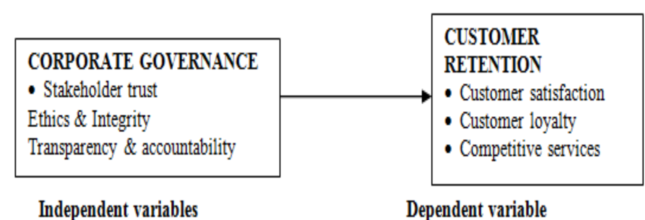

Figure 1.1. Conceptual framework of the study.

Empirical Review

Review of variable

Corporate governance concept has attracted a good deal of public interest in the contemporary times, for the reason its seeming prominence on the economic well-being of organizations and society in general. Corporate governance has been described as the principles and values that guide an organization in the way it conducts its day-to-day business as well as how stakeholders communicate with one another. Corporate governance is also about running an organization in a way that guarantees that its owners or stakeholders receive a fair return on their investment, while the expectation of the stakeholders are also met (Chima,2015). In the recent times, one of the key concepts developed by business and financial experts is corporate governance (Oso *et al*., 2012).

In line with this, Oso *et al*., (2012) reported that in the past two decades, corporate governance concept had been identified as key to the survival of business organizations globally. Corporate governance specifies the distribution of rights and responsibilities among different participants in the corporation e.g. board, managers, shareholders and other stakeholder, and spells out the rules and procedures for making decisions on corporate affairs. It's about the full set of protecting and managing conflicts and working relationship between the board, top management teams, staff and other stakeholders.

In the study on Ghanian banking industry, Bokpin (2013) finds that larger boards contribute to higher profit efficiency but slightly worsen cost efficiency whereas Mamatzakis and Bermpei (2015) find that banks with smaller boards and unitary leadership structure are more efficient. Fernandes and Fich (2016) show that outside directors with greater board tenure in their banks were more efficient during the 2007-2008 financial crises. Very low duration and frequent changes in the board structure maybe harmful for bank performance because board members are likely to have lower commitment and fewer opportunities to get insights into strategy and vision. On the other hand, very long duration may lead to a decrease in board independence and entrenchment. Hence moderate duration should be adopted for the smooth running and implementation of tasks in order to achieve the set organizational goals.

Corporate governance helps an organization operate effectively, efficiently, mitigate risks and safeguard against mismanagement. Corporate governance makes an organization more accountable transparent and responsible, thus enhancing its performance (Kiliko, Atandi & Awino 2012). Organizations with good Corporate Governance tend to attract a larger number of stakeholders since they ensure reasonable return on investments (Mallin, 2010). According to ICPSK (2014), corporate governance is a set of rules that define the relationship between stakeholders, management and the board of directors of an organization.

Corporate governance has attracted a lot of interest because of its perceived positive impact on performance of organizations and society in general. Wanyama and Olweny (2013), absence of good corporate governance has been a major cause of failure and stagnations of many well performing companies including WorldCom, Enron and Uchumi, Nakumatt among others. The government, industry regulators, professional bodies and other players have developed rules, codes and guidelines on corporate governance.

These rules specify the rights and obligations of various stakeholders on the business enterprises and are aimed at ensuring fair, transparent and accountable business environment and therefore improve corporate performance. Banks play an important role of financial intermediaries. Their efficiency is essential for financial stability, whereas inefficiency may have a ripple effect on the economy Qian and Young (2015). It is therefore relevant to understand whether sound corporate governance may improve the financial institution to look efficient. Until recently, the financial services industry was not put under particular constraints in terms of corporate governance.

Apart from the general principles required by Sarbanes-Oxley Act and NYSE and Nasdaq listing requirements from all publicly traded companies, regardless of the sector and greater oversight of executive compensation stipulated by the 2010 Podd-Frank Act, there were no specific rules guiding bank Governance (BCSBS, 2014). In the myriad of regulating changes BCBS (2010) document enhancing principles of corporate governance in banking was like a drop in the ocean, unlikely to produce drastic effects, although these efforts slightly contributed to restoring consumer confidence in the financial industry, (Ernst & Young 2014). Global survey reported that 78% of respondents increased or maintained their trust in banks (BCBS 2014).

Given that public sector organizations are more dependent than others on legitimacy and on financial resources, the formal implementation of structures such as strategic management may be used as a sign of efficiency and good governance to respond to institutional or environmental pressure in order to secure legitimacy from constituents and resources from the institutional environment. Modernizing company law (2002) that, 'the basic goal for directors should be the success of the company. In the collective best interests of shareholders, but that directors should also recognize, as circumstances require, the company's need to foster relationships with its employees, customers and suppliers, its need to maintain business reputation, and its need to consider the company's impact on the community and working environment.

Management should anticipate these developments, satisfy consumer needs and protect consumer interests. Byrne (2002) noted that in the post-Enron, post-bubble world, the realization that many companies played fast and loose with accounting rules and ethical standards which allowed performance to be disconnected from meaningful corporate values, is leading to a re-evaluation of corporate goals, values and purpose. If organizations concentrate on acquiring those virtues which are most useful in the business world, then it will have made great material progress since it attempts to improve employees who, in turn, help the institution to be more profitable.

Effective corporate governance based on core values of integrity and trust (reputational value) companies have competitive advantage in attracting and retaining talent and generating positive reactions in the environment – if a firm has ethical behaviour in today's business environment, it engenders not only customer loyalty but employee loyalty. Effective corporate governance can be achieved by adopting a set of principles and best practices. A great deal depends upon fairness, honesty, integrity and the manner in which companies conduct their affairs.

Companies must make a profit in order to survive and grow; however, the pursuit of profits must stay within ethical bounds. Companies should adopt policies that include environmental protection, whistle blowing, ethical training programs and so on. Such compliance mechanism helps develop and build corporate image and reputation, gain loyalty and trust from consumers and heightens commitment to employees. Ethical compliance mechanisms contribute to stability and growth since it instils confidence; management, leadership, and administration are essentially ethical tasks. The focus of the virtues in governance is to establish a series of practical responses which depend on the consistent application of core values and principles as well as commitment to ethical business practice (Hershberger and Holden, 2004). Given the nature of banking business and the antecedents of the operators such as unrecoverable loans, unethical bank practices, illiquidity, etc of Nigerian banks, corporate governance is fundamental to the nation's finances stability Afrinvest, (2010).

Customer Retention

Retention of loyal customers is very significant that is serving as a factor for increasing long run success of corporations. Companies try to involve and satisfy their customers by creating loyalty to develop long term relationships among them (Ahter *et al.,* 2011). Customer retention is regarded as important because it has become increasingly difficult for firms to assume that there exists an unlimited customer base. Ganesh (2010) argues that companies that retain a high percentage of customers can improve their reputation, and easily attract new customers in the future. Customer retention is one of the most important factors leading a company to increased profitability and revenue.

Customer satisfaction is as important for the customer retention but not sufficient (Jones *et al*., 2010). Previous studies argue that the customer satisfaction is the factor affecting the customer retention in some different levels. Emmah *et al*., (2015) stipulates in their study that retaining customers is key and gives a competitive edge in the banking industry. Anand Sharma *et al*.,(2014) found in their study that customer loyalty is very significant in creating and retaining competitive advantage in service industry specifically in sectors like the banking in India. One strategic focus that banks can implement to remain competitive would be to retain as many customers as possible (Ro king, 2005). It is through strategic management that a firm will be able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment.

Rizwan *et al*., (2014) argued that service quality, trust and reputation are positively influences customer's loyalty. The impact of service quality on customer loyalty stalks from positive relation between services and quality and factors such as reputation and trust. Improvement in service quality leads to the increase in customer loyalty. They further said that, service quality should be given more importance while formulating strategies for developing customer loyalty. Customer retention is a positive attitude of the customer towards the organization and a willingness to stay with the organization. A customer who expresses a positive attitude towards an organization and is willing to stay with it is more likely to stay. Further importance of customer retention emerges from the fact that acquiring new customers is much more expensive than keeping existing ones, (stone *et al.,* 1996). Thus Customer retention has become more important than customer acquisition. Defending and protecting customer base should be job one in these challenging economic times.

Customers have taken control of the exchange of goods and services. A company stuck in the ways of the past (unwilling to relinquish control, taking customers for granted, putting short-term profits ahead of their reputation), should think otherwise. Banks play an important role of financial decisions, their efficiency is essential for financial stability, whereas inefficiency may have a ripple effect on the economy (Quian *et al.,* 2015). In banks governance board of directors play an important role, monitoring managers and advising them in the elaborations and implementation of strategies. Steffens *et al.,* (2008) identified the network level as another level of strategic planning in the banking industry. On this level banks cooperate with other organizations and built a collective strategy.

Clearly then, one positive consequence of satisfaction, i.e., customer retention, can help the firm gain competitive advantage and an expansion of their market share as customers willingly get service from banks as well as refer others to the organization. In addition, long term relationship with customers often means a greater resulting profitability as their economic positions improve over time. Indeed, it has been argued by some authors that customer retention is particularly relevant to the financial services sector where the building and maintenance of long term relationships is a key component of improved business performance (Ennew *et al*.,2007).

In a further step Bacher (2007) defines profit Endeavour as the primary objective for banks and defines secondary objectives and mandatory constraints to form the framework for the definition of a vision and the corporate strategy. While the restricting constraints are complementary to the general objectives in a long-term perspective, they compete against the profit endeavor in a short-term perspective (Bacher 2007).

Aruka (2015) indicated that all the dimensions of service quality had the positive and significant influence on customer loyalty in retail banking. In Kenya, where the banking industry is getting competitive, retaining customer has become essential; customer retention has undeviating impact on the market share of the organization. The banking industry has grown from few institutions primarily involved in deposit acceptance and trade finance into a complex multi-player market where large number of banks are operating with various technology, products and services activities. This has created a competitive environment which is geared towards working more at increasing market share in terms of retaining customers. However, any bank can only survive, compete effectively and protect its market share in the midst of the current competition in the banking industry, if it will take all necessary steps strategically to invest and retain its customers.

Methodology

Research Design

The study adopted a mixed design where both quantitative and qualitative approaches which were used to determine the effects of Strategic Management Practices on Customer Retention in Commercial Banks in Kenya. A qualitative approach was used to collect data in form of words rather than numbers. It provided verbal descriptions rather than numerical (Mugenda and Mugenda, 2014.

Quantitative approach strives for precision by focusing on items that could be counted into predetermined categories and subjected to statistical analysis (Simiyu, 2012). The study used these two approaches to supplement each other (Kombo *et al.,* 2006). The researcher used this approach because data collected using the questionnaire was quantitative which was analyzed using the SPSS. Qualitative approach on the other hand involved interpretation of phenomena without depending on numerical measurements or statistical methods. Interviews from Branch Managers and the sales force provided qualitative data. These approaches were used successfully in the study on "Determinants of Academic staff retention in the public universities" (Nge'the, 2013). According to Saunders *et al*., (2009), Probability sampling (or representative sampling) is most commonly associated with survey-based research strategies where the researcher needs to make inferences from sample population to answer question or to meet the objectives.

A survey is an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables (Gay, 1992). It is appropriate where large populations are involved which are geographically spread and was also the case in this study. Survey design was also appropriate for this study because it allowed collection of information for independent and dependent variables using interviews and questionnaires (Orodho, 2003).

Target Population

Since commercial banks in Kenya are 43, the target population comprised of all commercial banks as listed by Central Bank of Kenya, 2017 list, which shows the classification of banks in Kenya as shown in Table 1.1

Table 1.1. Target Population.

Classification of Banks	Target Population
GoK & State Corporation owned Banks	03
Foreign owned Banks	12
Mortgage finance Institution	01
Commercial Banks	27
Total	**43**

Source: CBK 2016

Population in this study was the larger group from which the sample was drawn from, the population of the study was made up of all the commercial banks in Kenya, comprising of Commercial banks registered with the Central bank. For this study, target population comprised of the banks as per the Central Bank of Kenya list of (2016). Lately some banks have run down but are under receivership. Such banks were not included in the population. From a population of 43 banks, the researcher targeted all the banks in the survey as indicated in Table 1.1.

Sampling Frame

The sampling frame describes a list of all population units from which the sample was selected (Cooper & Schindler, 2013). It is a physical representation of the target population and comprises all the units that are potential members of a sample (Kothari, 2013). There were 43 Banks in Kenya and this formed the sampling frame of the study. The sampling enabled the researcher to come up with adequate purposive sample. Sampling frame describes a list of all population units from which the sample was selected (Cooper & Schindler, 2013). It is the representation of the target population and comprises of all the units that are potential members of a sample.

The sampling frames of this study comprised of 43 banks in Kenya and were obtained from the data base of Central Bank of Kenya (CBK 2016). The total population of study comprised of Branch Managers, Front Office (Retail and Business Managers), Back Office (Operations manager and Assistant operations manager), Personal selling (Relationship Manager and corporate), Sales Manager and finally the Sales force from forty-three (43).

Sample Size and Sampling Technique

This section describes the procedure that was used to obtain representative samples that were used in the study, and systematically describes the procedures used in selecting the samples. Sigel (2003) defines a sample as a set of entities drawn from a population with the aim of estimating characteristics of the population; it is a fraction of population selected such that the selected portion presents the population adequately. A sample in this study is a portion of the population of interest. Sampling is an element of data collection or a section of a population that is selected for a research process (Sekaran & Bougie, 2010). The purpose of sampling is to secure a representative group which will enable the researcher to gain information about a population. In determining the sample size, Slovin's formula was used to calculate the sample size
(at 95% confidence level and P=0.05) as follows as shown by equation 1.1:

$$n = \frac{N}{1 + N(e)^2}$$ ……………………………..Equation 1.1

Where:
n=is the desired sample size
N=is the population size
e= is the margin of error at 95% confidence level

A sample size of 41commercial banks was arrived at as follows:

$$n = \frac{43}{1 + 43(0.05)^2}$$

A sample size of 39 Banks was arrived at as follows:

$$\frac{43}{1.1075}$$

n=43/ (1+1.1075)
n=39……………………………………………Equation 1.2

With a total population of 43 registered banks in Kenya, the sample size was 39. The researcher applied the multi-stage sampling frame of choosing 3 respondents for every bank.

Table 1.2. Sample Size.

Classification of Banks	Population Total	Sample Size	Pop Sampled	No. of Respondents
GoK & State Corporation owned Banks	03	03	3	09
Foreign owned Banks	12	11	3	33
Mortgage finance Institution	01	0.9	3	03
Commercial Banks	27	24	3	72
Total	**43**	**38.9**		**117**

Source: CBK (2016)

Table 1.2 shows the sample size of study and distribution of questionnaires to three managers in each of the sampled bank. In the first stage (Phillips, 2012) states that purposive sampling is a sampling technique that allows a researcher to use cases that have the required information with respect to the objective of the study. Cases of the subject are therefore hand-picked because they are informative or they process the

required characteristics, thus the personnel of this study were selected based on purposive sampling.

The sampling of the respondents is indicated in Table 1.2. A sample size of 39 banks ensured that possible non-response was catered for to maintain the respondent of 117 personnel from the 43 banks. The sample of banks was selected deliberately to enable the researcher to get a richer representation of the population. The procedure was adopted in order to make the sample more representative of the population (Kothari & Garg, 2014). Simple random sampling allocation was done to ensure that every bank out of the 43 banks got a chance to be selected as shown in Table 3.2 above. The selection of the number of three respondents was based on Fwaya, Odhuno, Kambona and Othuon (2012) whose study population was made up of hotel managers. Therefore, this study chose 3 respondents as knowledgeable from every Bank sampled out of the 41 to make 123 respondents.

Findings

Factor Analysis Results of Customer Retention

The major purpose of factor analysis is to summarize data so that relationships and patterns can be easily interpreted and understood. It is normally used to regroup variables into limited set of clusters based on shared variance (Young and Pearce, 2013). Factor analysis was employed to identify the major measures driving the study variables that were measured using multiple construct items. Table1.3 presents the relevant results.

Table 1.3. Customer Retention Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.610	46.097	46.097	4.610	46.097	46.097
2	1.124	11.238	57.335	1.124	11.238	57.335
3	.905	9.051	66.386			
4	.794	7.935	74.321			
5	.633	6.327	80.648			
6	.594	5.943	86.592			
7	.511	5.106	91.698			
8	.316	3.164	94.861			
9	.276	2.762	97.623			
10	.238	2.377	100.000			

Extraction Method: Principal Component Analysis

Factor analysis was done on the customer retention variables where the constructs were subjected to a variance test through the principle component analysis which was thus used for data reduction and interpretation of large set of data. All the measures of customer retention were subjected to factor analysis and the results showed that there were two factors extracted explaining customer retention which accumulated to 57.335% of the total variance in this construct. Factor 1 was the highest with 46.097, while factor 2 had 11.238%. These two factors had their Eigen values greater than 1 and had the greatest effect on the customer retention as they explained about 57.335 of the total variance as shown in Table 1.3.

The results revealed that the two major factors driving of strategic management practice on customer retention in commercial banks cumulatively accounted for 57.3 percent of the total variance in this construct. This meant that the 57.3 percent of the common variance shared by the ten variables could be accounted for by the two factors.

Customer Retention Component Matrix Results

Table 1.4 depicts the rotated component factor loadings for customer retention measures. A confirmatory factor analysis was done for the dependent variable, customer retention.

Table 1.4. Customer Retention Rotated Component Matrix.

Opinion statement	Component	
	Competitive service	Customer Loyalty
1.Strategies are put in place ahead of trends in order to satisfy the customers.	.703	-
2.The banks have targets to enable them get customers	.856	-
3.Strategic plans are in place to enable the sustainability of the existing customers (retention)	.815	-
4.Strategic programs are in place to help grow (increase) customers	.727	-
5. The bank has no high turnover of customers from the bank	-	.842
6. The management creates an environment that fosters customer loyalty.	-	.672

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

The results of this analysis are presented in Table 1.4 and six out of ten factor loadings were above 0.4 and positive. These results validate that customer retention in this study had two indicators (customer retention linked with competitiveness and customer retention linked with response to customer loyalty) and they represent one main factor which was of customer retention. Table 1.4 indicates the correlation of each variable with each factor. Component 1 was competitive service which had the first four constructs and Component 2 was customer loyalty which had the second two constructs.

All the variables of competitive service had a factor loading of higher than 0.4 as shown in Table 1.4. Rusuli *et al*., (2013), showed that each individual variable must have value of at least, 0.4m above. Therefore, the component values indicate that they are highly interrelated with each other.

Descriptive Results of Customer Retention

In this section, descriptive data on Table 1.5 shows responses on the given statements regarding the dependent variable customer retention. The researcher had three parameters to determine the customer retention namely; customer satisfaction, customer loyalty and competitive services. In the analysis, the researcher expected to establish the influence of Strategic management practices on customer retention in commercial banks in Kenya. Customer Retention was finally assessed by two measures namely, competitive service and customer loyalty. Descriptive data shown on Table 1.5 presents the relevant results on a scale of 1 to 5 (where 5= strongly agree and 1= strongly disagree).

Table 1.5. Descriptive Results of Customer Retention.

Measurement	Competitive Service	Customer Loyalty
Mean	4.325	4.141
Cronbach's Alpha	0.833	0.768

Key: Ranked on a scale:1.0-1.7(strongly disagree); 1.8-2.5(disagree); 2.6-3.3(neutral);3.4-4.1(agree); and 4.2-5.0(strongly agree) Overall Cronbach Alpha=0.08005 Overall Mean=4.233

Cronbach's alpha was used to test the Reliability of customer retention linked with competitive service and customer retention linked with customer loyalty respectively (Ali *et al*., 2015). Table 4.13 presents the results on Cronbach's alpha and mean the scores of customer retention linked with competitiveness and customer retention linked with customer loyalty respectively. From Table 4.13, the first component/dimension of customer retention linked with competitive service whereby the findings indicated that competitive service had a coefficient of 0.833 while customer loyalty had a coefficient of 0.768.

Customer retention measures (competitive service and customer loyalty) depicted Cronbach alpha of 0.8005 which was above the suggested value of 0.7 hence the study was reliable. It was observed that Strategies had been put in place ahead of trends in order to offer competitive service which satisfy the customers leading to loyalty which then assist the banks to retain customers thus enabling the banks to have targets as indicated by a mean score of 4.325.

This finding is supported by Fasha (2007) in the study of the impact of service quality on customers' satisfaction and retention in Tanzanian commercial banks. This is also in line with Radomir colleagues (2010) who found that a customer service determines customer satisfaction which lead to customer loyalty and in the long run customer retention. The findings are consistent with those of Mutua (2011), that commercial banks in Kenya embraced customer satisfaction practices to a great extent. Malik *et al*., (2011) carried out a study on hotel service quality and brand loyalty. The study concluded that customers' perceptions regarding hotel brand quality dimensions such as 'tangibles' 'reliability' and 'empathy' contributed to build their brand loyalty.

Malopo & Mukwanda (2011) argued that retained customers tend to have higher levels of perceived service quality which subsequently results in improving firms' performance whereas, Khaligh *et al*., (2012) investigated the impact of CRM on customer loyalty and retention in the telecom industry in Iran. Finding shows that commitment and vision of the management system highly required for a successful CRM implementation, the structure of the strategy should be based on flexibility and explicity of the policies especially pricing policies. These factors are very important to increase customer loyalty and benefit of the firm.

Strategic plans are also in place to enable the sustainability of the existing customers through strategic programs which are in place to help grow (increase) customers. This is in line with the findings of (Anani, 2013), who found that service quality and switching barriers were significantly and positively associated with customer retention. Msoka and Msoka (2014) investigated the determinants of customer retention in commercial Banks in Tanzania. The study discovered that academics need to incorporate quality of products provided by the banks together with pricing of banks products in customer relation model. In this view, customer retention is extremely vital for business to remain competitive and Emmah *et al*., (2015) stipulated in their study that retaining customers is key in giving a competitive edge in the banking industry.

The bank has no high turnover of customers since the management creates an environment that fosters customer loyalty as depicted by the second component/dimension of customer retention linked with customer loyalty which had a mean score of 4.141 and Cronbach's Alpha of 0.768. Customer retention measures depicted Cronbach's alpha of above the suggested value of 0.7 hence the study was reliable. This finding was supported by Afsar *et al*., (2010) who attempted to find factors of customer loyalty with the banking industry in one of the developing countries which is Pakistan. The study revealed that effect of satisfaction and trust on commitment was positive as well as significant and the greater the satisfaction, the greater the commitment and the greater the trust, the greater was the commitment.

When a customer is dissatisfied, the management takes it upon them to rectify the situation. Kingshuk & Mounita (2014) argued that customer satisfaction increases the existing customer loyalty, repurchase process. The customer satisfaction is an important factor for the customer retention but not a sufficient (Jones *et al*., 2010). The findings were consistent with the findings of Cho *et al*., (2013) when investigating the impact of customer relationship management on customer relationship management on customer satisfaction and loyalty. The finding stated that behavior of the employees is significantly related and contributed to customer loyalty compared to other elements of CRM. Schulz and Omweri (2012) in their study on the effect of Business image on customer retention in hotels in Eldoret concluded that top management and staff are involved in creating a positive image, use of technology, provision of quality services and customer concern by the personnel improved the image of the establishment. Bartholome (2013) carried out an assessment of CRM strategies used by tourist hotels in Dar-es-saalam and found out that successful CRM strategies can contribute to customer retention through customer loyalty, superior service, better information gathering and organizational learning.

Ondidi (2012) in Homa bay, Kenya revealed that it was possible to increase customer loyalty by about 4.6% through manipulating quality of the service. The study contributes to the validation of the determinants of customer loyalty. Auka (2013) investigated the relationship between service quality dimensions and customers' loyalty in retail banking in Kenya. The results indicated that all the dimensions of service quality had the positive and significant influence on customer loyalty in retail banking. Zafar (2012) in his study found that the customer satisfaction influences the customer commitment and enhances customer loyalty. High customer satisfaction will influence commitment which then affects loyalty.

Table 1.6. Summary of hypothesis tests.

Objective	Hypothesis	Statistical tests	Interpretation
To find out the role of corporate governance on customer retention in the banking industry.	H_{O2} There is no relationship between corporate governance and customer retention in the banking industry	Pearson's product correlation coefficient (r)	Range = +1 to-1 R= .700 is strong positive relationship R= .300 is a weak relationship

Factor Results of Strategic Corporate Governance Practice

The study sought to determine the effect of Strategic Corporate Governance Practice on Customer retention in Commercial Banks in Kenya. Strategic Corporate Governance Practice was assessed by three sub-variables namely stakeholder trust, ethics & integrity and transparency & accountability and ten constructs were tested for factor analysis.

Table 1.7. Strategic Corporate Governance Practice Variance Explained.

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.384	43.842	43.842	4.384	43.842	43.842
2	1.187	11.871	55.712	1.187	11.871	55.712
3	.991	9.907	65.619			
4	.815	8.150	73.769			
5	.734	7.340	81.109			
6	.629	6.294	87.403			
7	.466	4.660	92.064			
8	.340	3.399	95.462			
9	.251	2.509	97.972			
10	.203	2.028	100.000			

Extraction Method: Principal Component Analysis

The component matrix in Table 1.7 indicates the correlation of each variable with each factor and factor analysis was done on the effect of corporate governance on customer retention using principal component analysis, rotation method, promax with Kaiser Normalization. Two critical factors explained the variance for corporate governance. The first factor had an Eigen value of 43.842 and the second factor had an Eigen value of 11.871. The two factors explained cumulative variation of 55.712%. Factor one was the highest with 46.842 while factor two had 11.871 of the total variance. These two factors had their Eigen values greater than one and had the greatest influence on strategic corporate governance practice as they explain about 55.712 of the total variance as shown in Table 1.7

Table 1.7 presents the components concerning strategic corporate governance variable. Factor one was identified as ethics and integrity and second factor as transparency and accountability.

Strategic Corporate Governance Practice Component Matrix Results

Table 1.8. Component Matrix for Strategic Corporate Governance Practice.

Opinion Statement	Component	
	Ethics & Integrity	Transparency & Accountability
1.The board sets the direction and shapes the strategy as well as pivot between the board, CEO, and external stakeholders.	.802	-
2.The board has better means of addressing pressure when facing a crisis.	.736	-
3.There is improvement on external transparency and accountability to the customers hence their retention.	-	.568
4.Bank operates on fairness, honesty, integrity and the manner in which the bank conducts its affairs,	.500	-
5.The Board accounts for all assets and liabilities of a bank.	-	.662
6.The Board gives accurately balanced accounts of the financial position of the organization at any time and avoids any accounting irregularities.	-	.825

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

Table 1.8 depicts the rotated component factor loadings for of strategic corporate governance Practice. Component 1 was ethics & integrity which had the first three constructs and 2 was transparency & accountability which had the second three constructs. All the variables of customer retention had a factor loading of higher than 0.4 as shown in Table 1.8. Rusuli *et al.*, (2013), showed that each individual variable must have value of at least, 0.4m above.

An elaborate factor weighting and analysis for corporate governance was done. The results revealed that out of ten, four were found to be less than the threshold value of 0.4 and therefore dropped. This was in consonance with Cooper and Schinder (2013) who asserted that factor loadings for data with a value of 0.4 or more are considered for further analysis whereas factors for data with weight of less than 0.4 should be dropped. Therefore, the component values indicate that they are highly interrelated with each other.

Descriptive Results of Strategic Corporate Governance Practice Results

Strategic Corporate Governance Practice was assessed by two measures namely, ethics & integrity and transparency & accountability. Descriptive data shown on Table 1.9 presents the relevant results on a scale of 1 to 5 (where 5= strongly agree and 1= strongly disagree). Table 1.9 shows responses on statements regarding the effect of strategic corporate governance practice on customer retention. Strategic Corporate Governance Practice was assessed by two measures namely, ethics & integrity and transparency & accountability.

Table 1.9. Descriptive Results of Corporate Governance.

Measurement	Ethics & Integrity	Transparency & Accountability
Mean	4.277	4.262
Cronbach alpha	0.721	0.711

Key:Ranked on a scale:1.0-1.7(strongly disagree); 1.8-2.5(disagree); 2.6-3.3(neutral);3.4-4.1(agree); and 4.2-5.0(strongly agree) Overall Cronbach alpha=0.716 Overall Mean=4.269

The reliability test for ethics and integrity and transparency and accountability was performed to establish whether the coefficients for the variable factors qualified them for subsequent analysis or not. Table 1.9 presents the reliability and mean score results. The findings indicated that ethics and integrity had a coefficient of 0.721 while transparency and accountability had a coefficient of 0.711. Strategic corporate governance measures (ethics and integrity, transparency and accountability) depicted Cronbach alpha of 0.716 was above the suggested value of 0.7 hence the study was reliable.

It was observed that the board has a better means of addressing pressure when facing a crisis and sets the direction and shapes the strategy as well as pivot between the board, CEO, and external stakeholders. The bank also operates on fairness, honesty, integrity and the manner in which the bank conducts its affairs by a mean score of 4.277. This finding is in line with Letting (2011) who carried out a study on board of directors attributes, strategic decision-making and corporate performance of firms listed on the NSE whereas Muriithi (2005) conducted research on the relationship between corporate governance mechanisms and performance of firms quoted on the NSE while Manyuru (2005) researched on corporate governance and organizational performance the case of companies quoted at the NSE.

Jebet (2001) conducted a study of corporate governance practices among the quoted companies in Kenya. More, recently Mwangi (2013) researched on the effects of corporate governance on the financial performance of listed

companies at NSE. According to Kemboi (2012), corporate governance is of great concern in the world today because of its influences on the effectiveness and relevance of an organizations strategy. Kemboi (2012) argues that, in order to protect stakeholders' interests and attain expected performance, organizations should integrate corporate governance practice into their corporate strategies.

Del Baldo (2012) observed that the concept by corporate governance gained prominence because of the stock market crashed in different parts of the world and in the aftermath of failure of some corporations (Eron and WorldCom) are due to financial scandals which caused the loss of trust in systems that were in place and therefore it became very difficult for parastatals to ignore their ethical responsibilities and good corporate governance practice. Therefore, CBK (2016) the board and staff will always act in a transparent and accountable manner when handling all affairs of the bank both internally and with external parties so as to uphold the banks image at all times.

In addition, the bank will uphold high standards of ethics, integrity and honesty as guided by the constitution, act in an ethical manner as guided by the leadership and integrity Act and the public officers Act and observe high moral standards. The board gives accurately balanced accounts of the financial position of the organization at any time and avoids any accounting irregularities. The board also accounts for all assets and liabilities of a bank. Thus there is improvement on external transparency and accountability to the customers hence their retention and this is depicted by a mean sore of 4.262 hence, this study is in line with, findings supported by the views of (Ongore & Kobonyo, 2011) which stated that governance practice ensured that parastatals were being held accountable and taking account of their existence.

Further findings lent support to Mackenzie (2007) who stated that a strong governance practice pillar and policies needed to be increasingly considered as part of the responsibility of parastatal boards. Therefore, ethics & integrity and transparency & accountability are mechanisms that actualize customer retention. These results are consistent with the studies of Jamali, Hallal and Abdalla (2010) who established that the retention of customers was motivated by honesty, loyalty and satisfaction.

Strategic Corporate Governance Practice Correlation Results

Correlation analysis was used to establish the nature and the strength of the association between strategic corporate governance practice measures (ethics & integrity and transparency & accountability) and customer retention measures (competitive service and customer loyalty) in commercial banks in Kenya with Karl Pearson correlation coefficient (rho) analysis which gives a statistic that lies between -1 and +1.

Table 1.10 shows a correlation analysis with varied degree of interrelationship between Strategic corporate governance (ethics & integrity and transparency & accountability) and Customer retention (competitive service & customer loyalty) of commercial Banks in Kenya. The Pearson correlation coefficient was generated at 0.01 significance level (2-tailed). The output indicates a strong positive relationship between strategic corporate governance (ethics & integrity and transparency & accountability) and Customer Retention (competitive service) of commercial Banks in Kenya, (ethics & integrity p=0.460 and transparency & accountability p=0.375).

Table 1.10. Strategic Corporate Governance Practice Correlation Results.

		Competitive Service	Customer Loyalty	Ethics &Integrity	Transparency &Accountability
Competitive Service (CS)	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	100			
Customer loyalty(CL)	Pearson Correlation	.350**	1		
	Sig. (2-tailed)	.000			
	N	100	100		
Ethics & Integrity (EI)	Pearson Correlation	.460**	.357**	1	
	Sig. (2-tailed)	.000	.000		
	N	100	100	100	
Transparency & Accountability(TA)	Pearson Correlation	.375**	.273**	.656**	1
	Sig. (2-tailed)	.000	.006	.000	
	N	100	100	100	100

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

A strong relationship also exists between ethics & integrity and transparency & accountability on customer loyalty. (Ethics & integrity p=0.357 and transparency & accountability p=0.273). The p-value <0.01 which is significant at 0.01 level as the correlation matrix indicates. Strategic corporate governance is therefore a very important factor on customer retention in commercial banks in Kenya. The results are in agreement with findings of BCBS (2015) that banks play an important role of financial intermediaries. Their efficiency is essential for financial stability, whereas inefficiency may have a ripple effect on the economy (Qian and Yeung, 2015). It is therefore, relevant to understand whether sound corporate governance may improve banking efficiency. In banks governance boards of directors play an important role, monitoring managers and advising them in the elaboration and implementation of strategies. Thus it can be noted that success of customer retention depended on the relationship with strategic corporate governance practice.

Therefore, the strategic corporate governance practice measures (ethics & integrity and transparency & accountability) are key factors in customer retention (competitive service and customer loyalty) of commercial banks. Strategic Corporate governance practice is therefore an important factor on customer retention in commercial banks in Kenya. These results were echoed by Kapoor and Sandhu (2010) who argued that accountability and transparency which are component of corporate governance are key to conducting business in a responsible manner.

Strategic Corporate Governance Practice Goodness-of-Fit Model Results

The results on Table 1.11 showed that Strategic Corporate Governance practice measures i.e. ethics & integrity and transparency & accountability had exemplary power on competitive services in commercial banks as it accounted for 22.1% of its variability (R square=0.221) on model 1, hence the model is a good fit for the data. This implies that there is a positive relationship between (strategic corporate governance practice measures ethics & integrity and transparency & accountability) and competitive service in commercial banks in Kenya.

Table 1.11. Strategic Corporate Governance Practice Model Summary on Competitive Service.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.470[a]	.221	.205	.55022

a. Predictors: (Constant), Transparency & Accountability, Ethics & Integrity.

The results on Table 1.11 showed that Strategic Corporate Governance practice measures i.e. ethics & integrity and transparency & accountability had exemplary power on customer loyalty in commercial banks as it accounted for 13.0% of its variability (R square=0.130) on model 2, hence the model is a good fit for the data. This implies that there is a positive weak relationship between (strategic corporate governance practice measures ethics & integrity and transparency & accountability) and customer loyalty in commercial banks in Kenya.

Table 1.12. Strategic Corporate Governance Practice Model Summary on Customer Loyalty.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.360[a]	.130	.112	.67136

a. Predictors: (Constant), Transparency & Accountability, Ethics & Integrity

Strategic Corporate Governance Practice ANOVA Results

Table 1.12 below presents the analysis of variance of the study on strategic corporate governance practice measures (Transparency & Accountability, Ethics & Integrity) and competitive service of commercial banks in Kenya. The results reveal that a significant relationship exists between corporate governance (ethics & integrity, transparency & Accountability and competitive service in commercial banks in Kenya with an (F=13.744, p-value of 0.000), as indicated in model 1. The p-value is less than 0.05, thus indicating that the predictor variable explains the variation in the dependent variable which is strategic corporate governance practice measures (ethics & integrity, transparency & Accountability) on competitive service in commercial banks in Kenya. If the significance value of F was larger than 0.05 then the independent variables would not explain the variation in the dependent variable (Lakew & Rao, 2009)

Table 1.13. Corporate Governance Anova[a] –Competitive Service.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.322	2	4.161	13.744	.000[b]
	Residual	29.366	97	.303		
	Total	37.688	99			

a. Dependent Variable: Competitive service

b.Predictors:(Constant), Transparency & Accountability, Ethics & Integrity

Table 1.13 below presents the analysis of variance of the study on strategic corporate governance practice measures (Transparency & Accountability, Ethics & Integrity) and customer loyalty of commercial banks in Kenya. The results reveal that a significant relationship exists between corporate governance (ethics & integrity, transparency & Accountability and customer loyalty in commercial banks in Kenya with an (F=7.241, p-value of 0.001), as indicated in model 2. The p-value is less than 0.05, thus indicating that the predictor variable explains the variation in the dependent variable which is strategic corporate governance practice measures (ethics & integrity, transparency & Accountability) on customer loyalty in commercial banks in Kenya. If the significance value of F was larger than 0.05 then the independent variables would not explain the variation in the dependent variable (Lakew & Rao, 2009)

Table 1.14. Corporate Governance Anova[a] on Customer Loyalty.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.527	2	3.264	7.241	.001[b]
	Residual	43.720	97	.451		
	Total	50.248	99			

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant), Transparency & Accountability, Ethics & integrity

Regression Results of Strategic Corporate Governance Practice and Competitive Service

To determine the influence of strategic corporate governance practice measures i.e. ethics and integrity, transparency and accountability on competitive service of commercial banks in Kenya, the following hypotheses were stated;

Hypothesis Two

H_{O2} There is no significant effect on strategic corporate governance practice on customer retention (competitive service) in commercial banks in Kenya.

Table 1.15. Regression Coefficients of Strategic Corporate Governance Practice on Competitive Service.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.705	.508		3.358	.001
	Ethics & Integrity	.469	.149	.374	3.152	.002
	Transparency & Accountability	.149	.136	.130	1.093	.277

Regression analysis was conducted to empirically determine whether Strategic corporate governance practices i.e. ethics & Integrity, had a significant influence on competitive services in commercial banks in Kenya. Table 1.15 displays the regression coefficient results of the independent variable i.e. strategic corporate governance Practice measures (ethics & Integrity, Transparency & Accountability). The results reveal that the explanatory power of corporate governance measures on the variability of competitive service was that, Ethics & Integrity have significant relationship (supported by β=0.374, p-value=0.002 and Transparency & Accountability (supported by β=0.130, p-value=0.277), are not statistically significant in explaining customer retention in commercial banks in Kenya. This implied that the null hypothesis is rejected since β≠0 and p-value<0.05 but for transparency and accountability it failed to reject because p-value >0.05. The regression model is summarized as shown in equation 1.3 below:

$Y=-1.705+0.469X_2$…………………………………… (1.3)

Where,

Y=Competitive service

X_1=Ethics & Integrity

The influence of strategic corporate governance practice measures (ethics & integrity) is therefore significant indicating that the greater the levels of strategic corporate governance by commercial banks, the greater the competitive service generated from the board. Thus the higher levels of strategic corporate governance practice among commercial banks are associated with increased satisfaction, loyalty which is translated in customer retention.

Regression Results of Strategic Corporate Governance Practice on Customer Loyalty

To determine the influence of strategic corporate governance practice measures i.e. ethics and integrity,

transparency and accountability on customer loyalty of commercial banks in Kenya, the following hypotheses were stated;

H_{O2}There is no significant effect on strategic corporate governance practice on customer retention (customer loyalty) in commercial banks in Kenya.

Regression analysis was conducted to empirically determine whether Strategic corporate governance practices (customer loyalty) i.e. ethics & Integrity, Transparency & Accountability had a significant influence on customer retention in commercial banks in Kenya.

Table 1.16. Regression Coefficients of Strategic Corporate Governance Practice-Customer Loyalty.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.710	.619		2.761	.007
	Ethics & Integrity	.451	.182	.311	2.482	.015
	Transparency & Accountability	.091	.166	.069	.549	.585

Table 1.16 displays the regression coefficient results of the independent variable i.e. strategic corporate governance Practice. The results reveal that the explanatory power of corporate governance on the variability of customer retention was Ethics & Integrity (supported by β=0.311, p-value=0.015 and whereas Transparency & Accountability (supported by β=0.069, p-value=0.585) are not statistically significant in explaining customer retention in commercial banks in Kenya. This implied that the null hypothesis is rejected i.e. since β≠0 and p-value<0.05. The regression model is summarized as shown in equation 1.4 below:

$Y= -1.710+0.451X_1$………………………………… (1.4)

Where,

Y=Customer Loyalty

X_1=Ethics & Integrity

To check for the significance of the overall multiple regression model, an F test was performed and the regression equations were found to be valid and significant as a competitive service and the findings were as follows:

{F (2, 97) =13.744, P-value<0.000} when customer retention was measured as competitive service (table 1.13)

{F (2, 97) = 7.241, P-value<0.000} when customer retention was measured as customer Loyalty (table 1.14)

The decision rule was reject H_0: βi=0(i=1,2,3,4) if the regression coefficient is significantly different from zero and subsequently accept the alternative hypothesis Ha: β≠0(i=1,2,3,4). Using the model, the null hypothesis that there is significant effect of corporate governance on customer retention in commercial banks in Kenya was rejected. This is because the standardized regression coefficients about interaction between ethics and integrity and transparency and accountability and customer retention linked with response to competitive service, were significantly and statistically different from zero.

The findings of this study lend support to Del Baldo (2012) who observed that the concept of corporate governance gained prominence because of the stock market crashes in different parts of the world and in the aftermath of failure of some corporations (such as Eron and World Com) due to financial scandals which caused the loss of trust in systems that were in place and therefore it became very difficult for parastatals to ignore their ethical responsibilities and good corporate governance practice.

Conclusion

Effect of Strategic Corporate Governance Practice on Customer Retention in the Commercial Banks in Kenya

The study results indicate that strategic corporate governance practice had a significant and positive effect on customer retention. The regression results reveal statistically significant positive linear relationship between strategic corporate governance practice and customer retention in commercial banks in Kenya. Research findings revealed that ethics & integrity had an effect on customer retention in commercial banks in Kenya.

The ethics & integrity were the indicators of customer retention in commercial banks in Kenya. This means that when a bank is ethical and there is integrity in its operations, the retention of customer is enhanced. It is important to note that the bank's board need to give accurately balanced accounts of the financial position of the bank at any given time and avoiding any accounting irregularities. This will increase the stakeholder's confidence in the bank and gain their loyalty which leads to retention of customers. It can therefore be concluded that corporate governance (ethics and integrity) greatly had an effect on customer retention in commercial banks in Kenya.

Recommendation

Effect of Strategic Corporate Governance Practice on Customer Retention in the Commercial Banks in Kenya

The second aspect of the study findings was in regard to corporate governance on customer retention in commercial banks in Kenya. Banks should ensure that Strategic Corporate Governance Practice become their watchword. This will enhance efficiency and profitability and encourage an environment for the cultivation of other attributes of corporate governance. Strategic Corporate Governance Practice should also promote accountability, transparency, healthy ethics, integrity and participation of stakeholders. Internal discipline and a strong operational agenda rooted in corporate governance, strong leadership, strengthened by moral questions bordering on integrity to carry out functions as appropriate should be put in place in the banking industry.

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