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Effect of Service Quality on Customer Retention in The Banking Industry in Nigeria with Focus on United Bank for Africa Plc, Makurdi

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ABSTRACT

This study investigates the effect of service quality on customer retention within the banking industry in Nigeria, focusing on United Bank for Africa Plc, Makurdi. Guided by Assimilation Theory, the research employed a survey design, collecting data from 105 respondents through a census sampling technique. The data collection instrument, a questionnaire, was validated using expert content validity and factor analysis, with reliability estimated by a Cronbach Alpha coefficient of 0.848. Binary logistic regression was utilized to analyze the data and test the hypotheses. The results show that Network Service (NWS) does not significantly predict customer retention, as indicated by a coefficient of -1.333 and a non-significant p-value of 0.270. In contrast, Value-added Service (VAS) with a coefficient of 4.367 and a p-value of 0.021, and Customer Service (CUS) with a coefficient of 4.038 and a p-value of 0.038, both significantly contribute to customer retention. The constant in the model, with a coefficient of 1.615 and a non-significant p-value of 0.207, suggests that when all predictor variables are zero, the odds of customer retention are substantially higher. The findings underscore the pivotal roles of VAS and CUS in enhancing customer retention, suggesting that improving these aspects can significantly benefit United Bank for Africa Plc. The research concludes that while Network Service does not significantly impact customer retention, Value-added Service and Customer Service are crucial in improving customer retention rates at United Bank for Africa Plc. It was recommended among others that United Bank for Africa Plc should invest in enhancing their Value-added Services, including personalized banking solutions, loyalty programs, and additional financial products tailored to customer needs. The bank should also prioritize and improve Customer Service operations, ensuring staff are well-trained to be responsive, empathetic, and efficient, and implementing feedback mechanisms to continually monitor and enhance service quality.

Key word: Customer Retention, Network Service, Value-added Service, Customer Service, Deposit Money Bank.

1.0 INTRODUCTION

Competitive global markets, technological developments, a dynamic economic environment, and frequent changes in customer tastes and preferences are among the

challenges organizations face today. In today's fast-paced and competitive world, companies are losing a significant number of customers not because of the price they offered to those products, but because of the quality of those products or the poor service they provide(Safi & Awan, 2018).

A service-oriented organization's survival depends on providing quality service. In order for an organization to outperform its competitors, they must pay close attention to the quality of their service. It provides a technique for bridging the gap between nearly identical services offered by several firms, particularly in a competitive market (Safi & Awan, 2018).

Due to the specific nature of the service, which combines intensive contact with customers whose needs differ and require customized solutions, customer retention is vital in the banking sector. A key factor towards success, customer retention is considered one of the most important and serious issues (Babatunde & Salawudeen, 2017). It is vital that an economy develops through banking services. The ever-changing technology and expectations of bank customers have caused banks to experience operating difficulties in recent years (Murerwa & Tarus, 2021). Since most banks offer essentially the same services, product variation is very difficult in the constantly changing banking sector. To enhance customer loyalty and fulfillment, banks should differ from other banks by providing top-quality services (Uwabor, Anetoh, Ugwuonah, & Ezenta, 2021).

Statement of the Problem

Increasing competition among Nigerian banks poses numerous challenges for the banks. In order to retain customers, several strategies are developed, and the quality of service is regarded as an important success factor. Having to assess the quality of services provided to customers in order to retain and attract them is a necessary part of customer retention. Most Nigerian deposit money banks are adversely affected by network failures and system interruptions, which cause service delivery times to be delayed, thus forcing customers to spend long periods in the bank's premises. A lack of accessibility to ATM machines, network outages, and power outages are complaints from customers. In some cases, customers stopped using banks' services because they spent more hours in line, their complaints weren't handled quickly, and they were not informed prior to going for their deliverables (cheque books, withdrawal forms, pay in books, regular SMS alerts) whether they had to provide their identification cards. The customers were not informed of any increase in service charges and rates, which has caused them a lot of frustration. It is against this backdrop the study seeks to examine the effect of service quality on customer retention in the banking industry in Nigerian with focus on United Bank for Africa Plc, Makurdi.

Objectives of the Study

The main objective of the study is to examine the effect of service quality on customer retention in the banking industry in Nigeria with focus on United Bank for Africa Plc, Makurdi. The specific objectives of the study include:

i. To ascertain the effect of network service on customer retention in United Bank for Africa Plc, Makurdi
ii. To determine the effect of value-added service on customer retention in United Bank for Africa Plc, Makurdi
iii. To evaluate the effect of customer service on customer retention in United Bank for Africa Plc, Makurdi

Research Questions

The study is anchored on the following research hypotheses:

H_{01}: Network service has no significant effect on customer retention in United Bank for Africa Plc, Makurdi.

H_{02}: Value-added service has no significant effect on customer retention in United Bank for Africa Plc, Makurdi

H_{03}: Customer service has no significant effect on customer retention in United Bank for Africa Plc, Makurdi?

2.0 REVIEW OF RELATED LITERATURE

Concept of Service Quality

Increasing customer loyalty, competitive advantage, and long-term profitability are all directly related to quality in service delivery firms (Khan & Abdullah, 2019). Customers and service providers interact continuously to provide services. Despite being superior non-touchable services, these services require tangible resources and any valuable instruments that will assist clients in solving their problems (Nikou & Khiabani, 2020).Essentially, service quality comes from the difference between what clients expect of the service provider and what they perceive as being provided (Saleh *et al.* 2021).Customers' satisfaction is an important indicator of service quality, since it is a crucial prerequisite to competitiveness and maintaining satisfying relationships with them (Ali & Anwar, 2021).

Dimensions of Service Quality

However, network service, value-added service, and customer service are considered to be dimensions of service quality for the purposes of this study.

i. Network Service

Application network services provide users with access to network applications and data from remote locations, branches, or offices. The servers that run these services are usually used to provide these services (Diokpa, 2020).

ii. Value-added Services

Providers offer value-added services (VAS) in addition to their existing services, although they aren't actually part of their activities. A service provider's revenue can be significantly increased by such value-added services(Maharani, 2020).

iii. **Customer Service**

An organization's customer service department deals with any questions, concerns, or complaints a customer has before, during, or after purchasing a product or service. Customer loyalty is achieved by providing outstanding customer service. Businesses provide customers with customer service from the moment they contact them through the months and years afterward. A good customer service experience does not only involve guiding your customers through troubleshooting, usage, and decision-making, but also being a reliable, knowledgeable partner (Banu & Mohamed, 2019).

Customer Retention

Building long-term relationships with clients is the principle of customer retention. The goal of customer retention is for the client and the organization to maintain an ongoing business relationship. (Gerpott, Rams & Schindler, 2021). Zineldin (2020) Describes customer retention as a commitment to do business on a predictable basis with a particular organization. Recognizing and fulfilling client needs will enhance customer retention in organizations. When a customer's retention is increased, the customer becomes more retentive. In order to improve customer retention, a shift in the value system of the customer is the only way to make it possible (Jabnoun & Al-Tamimi, 2023).

Relationship between Service Quality and Customer Retention

Service quality and customer loyalty are closely linked, according to several researchers. To increase competitive power and create competitive advantage, quality of service is vital to an organization's success. Customer satisfaction is closely related to the quality of service, so improving service quality will increase customer satisfaction as well. Customers will be more likely to remain committed to a service provider if they are more satisfied. Customers will be more tolerant of service failures and will speak positively of the organization when they are more satisfied (Ogbeide, Adesuyi & Adeoye, 2023).

Naik, Gantasala, and Prabhakar (2010) Customer satisfaction in retail units is significantly and positively affected by service quality. Shanka (2012) In Ethiopian private banks, service quality has a positive effect on customer satisfaction. In addition, Khan and Fasih (2014) Customers' satisfaction and loyalty were positively correlated with service quality. Muyeed (2012) Increasing bank income and market share requires improving service quality, which is the key factor for customer satisfaction. A study by Jabnoun and Al-Tamimi (2013) Study showed that customer retention is affected by the quality of service provided by banks. According to the study, customer retention is

enhanced when banking services, such as ATMs, are accessible. Yang *et al.,* (2014) It has been argued that providing customers with reliable services is the most important factor. A possible exception to this is some of the values associated with significant dimensions, but all four companies showed high reliability.

Walfried*et al.,* (2010) The reliability of a company is determined by its ability to keep promises and to do it right. It has been reported that customer retention is significantly correlated with service quality (Caruana, 2012) Responding to customer needs and providing prompt service is a determinant of responsiveness. Customer service is about providing prompt assistance and delivering prompt service to customers. Public service customer satisfaction and perceived service quality are likely to be positively affected by customer willingness to help (Kandampully& Butler, 2021).

Theoretical Framework

This study adopted the assimilation theory which is considered most relevant to the work.

Assimilation Theory

Assimilation theory was introduced by Anderson (1973).According to the assimilation theory, performance may fall short of customer expectations, but the discrepancy will be disregarded-assimilation will take place and it will be considered acceptable regardless of the discrepancy. A discrepancy between expected and perceived performance also contributes to satisfaction, according to the theory. A similar perception of product performance will tend to be assimilated or adjusted by consumers based on prior expectations if there is a small discrepancy.

Scholars have criticized the theory in the past. Anderson (1973) argues that Cardozo's (1965) methodological flaws were found in the attempt to reconcile the two earlier theories. Different researchers have attempted to empirically test this theory, but with mixed results. Olson and Dover (1979) and Anderson (1973) Assimilation theory is supported by some evidence. However, when discussing both studies, based on expectation measurements alone, (Oliver 1980) argues that there are perceptual differences between satisfaction and dissatisfaction. This study is relevant to assimilation theory because it indicates that if a customer accepts performance within his or her latitude (range), even if it falls short of expectation, the discrepancy will be ignored - assimilation will take place, and the performance will be considered acceptable. Contrast will prevail and the difference will be exaggerated (even if the product is close to expectation) if performance falls within the latitude of rejection (no matter how close to expectation it is).

Empirical Studies

Ali and Gardi (2023) An analysis of how hotel service quality affects customer satisfaction in the hospitality industry in Iraq was conducted. A major objective of the study was to examine how customer satisfaction is influenced by service quality. This study was analyzed using a quantitative method. Data distribution and collection is done by random sampling. The population of the study were 111. Customer satisfaction has a positive relationship with empathy, responsiveness, assurance, and tangible dimensions, but a negative relationship with reliability. There was a positive correlation between hotel satisfaction and other service quality dimensions based on the findings of the study. There are four variables considered in this study, but they are related to those examined in the current study.

Hany (2023) analyzed the relationships between the quality of e-service and the satisfaction of e-customers in Egyptian banks. In this study, 140 surveys were collected from respondents in Cairo City, Egypt, who use online banking services in different banks. Analyzing and presenting data was done using factor analysis and regression analysis. The quality of e-services and customer satisfaction have been shown to influence each other significantly. There was a significant correlation between e-service quality and e-customer satisfaction, but not empathy, based on the regression analysis. Despite being related, the two studies focused on different companies.

Omodele and Onyeiwu (2019) analyzed the effect of electronic banking on customer satisfaction in Nigeria. Research was conducted using a descriptive survey design. 93 respondents were sampled. Questionnaires were the main research instrument. Tests of hypotheses were conducted using descriptive statistics, Pearson correlation, and regression analysis. Results revealed a significant relationship between customer satisfaction and the various dimensions of electronic banking service quality, with electronic banking service quality impacting customer satisfaction significantly. It was revealed in the study that, service quality significantly affects customer satisfaction, which is relevant to the current study despite its different scope.

Osotimehin*et al.*, (2019) examined customers' perceptions of service quality in the Nigerian telecommunications sector Ogun State. In the study, 250 undergraduate students were randomly selected from two public universities in Ogun State, South-West Nigeria, to receive a questionnaire. Descriptive statistics were used to analyze the data. Hypotheses were tested using one Sample Test statistic. According to the study, service quality has a significant and positive relationship with customer satisfaction as well as customer loyalty and it has also been found to be a major determinant of choosing a telecommunication service provider in Nigeria. Further, the study showed that customers' satisfaction levels are influenced by the quality of service they receive from their service providers, including prompt service delivery, reliability, improved service, and availability of effective and efficient customer care. As compared to the present study,

which is focused on the hospitality industry, the previous study was oriented towards communication.

Gambo (2017) study examined how customer satisfaction is influenced by service reliability among Nigerian domestic air passengers. A five-point Likert scale was used for the study to assess the effectiveness of the study. There were five different scoring options: much better than expected, much better than expected, just as expected, worse than expected, and much worse than expected. Based on stratified random sampling techniques, 400 respondents were selected. According to the study, domestic airlines in Nigeria do not significantly correlate check-in process with customer satisfaction. However, the study concluded that customer satisfaction is significantly related to service reliability.

Adebisiand Lawal (2017) applied a service quality framework to pharmaceutical firms in Nigeria, examining the impact of tangible, reliability, responsiveness, assurance, and empathy on customer loyalty. A representative sample of 400 respondents was surveyed using a questionnaire.

In a regression analysis to test hypotheses, findings showed that tangible, reliable, responsiveness, assurance and empathy are all positively associated with customer loyalty. This study replicated the five dimensions of service quality from the prior study (tangible, reliability, responsiveness, assurance, empathy).

3.0 RESEARCH METHODOLOGY

Research Design

To achieve the study's objectives, a survey research design was used. Based on sampled respondents, survey research was chosen in order to obtain information on customers' satisfaction and retention in banking.

Population of Study

A total of 105 employees of United Bank for Africa (UBA) Plc, Makurdi participated in this study. Bank employees at all levels are targeted.

Sample Size and Sampling Technique

Study participants were selected using a census sampling technique. In this study, a small and manageable population was studied using this method. As a result, the sample size is 105 employees at the bank. The study used both primary and secondary sources of data.

Instrument of Data Collection

Data collection is the method of gathering relevant information for use in addressing the research questions and hypotheses raised. For the purpose of this study, the primary method of data collection was employed. The primary data assisted in obtaining the exact information needed for the research. These were obtained through administration of a well structured questionnaire to the respondents aimed at revealing

knowledge, attitudes, perceptions, etc. which are embodied on the respondents and which cannot be ascertained through the survey of existing documents.

Validity of Instrument

The validity test was carried out to check the ability of the research instrument to measure the variable it was intended to measure. Both content and construct validity was employed. While content validity was tested through the expert contributions in the field, construct validity was tested with the use of factor analytical tool that considered Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity. To establish the validity of the instrument, a pre-test study was carried out with thirty percent of the total sample of the study and the result of the pre-test study was subjected to exploratory factor analysis as presented in the following tables. Thirty percent of the study sample i.e. 1/3 of one hundred and five (105) which is thirty two (32) respondents from the study area were used for the pre-test study.

Table 1: Kaiser-Meyer-Olkin and Bartlett's test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		951
Bartlett's Test of Sphericity	Approx. Chi-Square	3.018
	df	6
	Sig.	001

Source: Author's Computation, using SPSS Version 26.0 2024

The validity of the instrument used to measure the effect of service quality on customer retention at United Bank for Africa Plc, Makurdi, is strongly supported by the results in Table 1. The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy is 0.951, indicating an excellent level of sampling adequacy and suggesting that the data is suitable for factor analysis. Additionally, Bartlett's Test of Sphericity shows an approximate Chi-Square value of 3.018 with 6 degrees of freedom and a significance level of 0.001, which confirms that the correlation matrix is significantly different from an identity matrix, implying that the variables are related and appropriate for structure detection. These results collectively validate the instrument, affirming that the constructs of customer retention, network service, value-added service, and customer service are effectively measured and suitable for the study's objectives. The KMO result in this analysis surpasses the threshold value of 0.50 as recommended by Hair, Anderson, Tatham, and Black (1995). Therefore, we are confident that our sample and data are adequate for this study.

Table 2: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.340	33.508	33.508	.340	33.508	33.508	1.305	32.627	32.627
2	1.158	28.946	62.455	1.158	28.946	62.455	1.193	9.827	62.455
3	803	0.068	82.523						
4	699	7.477	00.000						
Extraction Method: Principal Component Analysis.									

Source: Author's Computation, using SPSS Version 26.0 2024

***Legend**: CRT = Customer Retention, NWS = Network Service, VAS = Value-added Service, CUS = Customer Service*

The results from Table 2 provide important insights into the study on the effect of service quality on customer retention in the banking industry, focusing on United Bank for Africa Plc in Makurdi. The Principal Component Analysis (PCA) indicates that two components were extracted, each with eigenvalues greater than 1. The first component has an initial eigenvalue of 1.340, explaining 33.508% of the variance, while the second component has an eigenvalue of 1.158, explaining an additional 28.946% of the variance. Together, these two components account for a cumulative variance of 62.455%. This substantial cumulative variance suggests that the constructs used in the study—customer retention (CRT), network service (NWS), value-added service (VAS), and customer service (CUS)—capture the majority of the variability in service quality and customer retention.

In the context of instrument validity, the high total variance explained by the first two components supports the reliability and robustness of the measurement instrument. The rotation sums of squared loadings further confirm that the variance explained by the two components is stable, with the first component explaining 32.627% and the second 29.827%. These results indicate that the constructs of CRT, NWS, VAS, and CUS are significant and distinct dimensions of service quality that contribute to customer retention. Retaining these constructs is crucial as they represent key aspects of the service quality experienced by customers at United Bank for Africa Plc, and omitting any of them could result in an incomplete understanding of the factors driving customer retention.

Given the high explanatory power of the two components, it is essential to retain all constructs in the analysis. Each construct—customer retention, network service, value-added service, and customer service—likely represents a unique and important dimension of service quality. The eigenvalues and explained variance indicate that these constructs collectively provide a comprehensive picture of how service quality impacts customer retention. By retaining all constructs, the study ensures a thorough evaluation of the

service quality factors that influence customer loyalty and satisfaction. This approach not only strengthens the validity of the findings but also provides actionable insights for improving customer retention strategies at United Bank for Africa Plc in Makurdi.

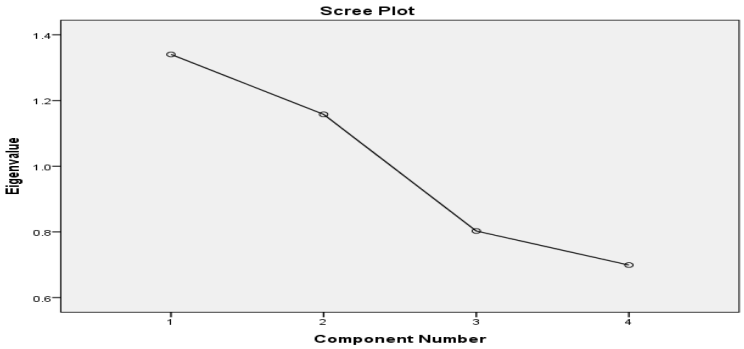


Figure 1: Scree Plot
Source: Author's Computation, using SPSS Version 26.0 2024

The Scree Plot shows the initial Eigenvalues. Note that both the scree plot and the eigenvalues support the conclusion that these five variables can be reduced to three components. Note that the scree plot slopes downward after the third component. However, the third component is very poorly defined, relating only to second variable. The Scree plot shows that after the first three components, differences between the eigenvalues decline sharply (the curve flattens), and they are less than 1.0. This again supports a two-component solution. However, as earlier stated, it is important to retain all the components.

Reliability of Instrument

This is the consistency between independent measurements of the same phenomenon. It is the stability, dependability and predictability of a measuring instrument. It is also the accuracy or precision of a measuring instrument. To determine the reliability of the instrument from the result of the pre-test study carried out in the study area using one third of the sample, the Cronbach Alpha Coefficient test statistics was computed.

Table 3: Reliability Statistics

S/No	Variables	Cronbach's Alpha
1.	Customer Retention (CRT)	0.820
2.	Network Service (NWS)	0.835
3.	Value-added Service (VAS)	0.890
4.	Customer Service (CUS)	0.845
Overall Cronbach		**0.848**

Source: Author's Computation, using SPSS Version 20.0, 2021

***Legend**: CRT = Customer Retention, NWS = Network Service, VAS = Value-added Service, CUS = Customer Service*

The Cronbach's Alpha values presented in Table 3 demonstrate the high reliability of the instrument used to measure the effect of service quality on customer retention at United Bank for Africa Plc, Makurdi. The individual Cronbach's Alpha values for Customer Retention (CRT), Network Service (NWS), Value-added Service (VAS), and Customer Service (CUS) are 0.820, 0.835, 0.890, and 0.845, respectively. The overall Cronbach's Alpha for the instrument is 0.848. These values indicate strong internal consistency across the constructs, with all values exceeding the acceptable threshold of 0.7, signifying that the items within each construct are reliably measuring the same underlying concept.

Given these high reliability scores, it is essential to retain all constructs in the study. Each construct CRT, NWS, VAS, and CUS—captures a unique and critical dimension of service quality that potentially impacts customer retention. For example, the high Alpha value of 0.890 for Value-added Service (VAS) suggests that this construct is particularly well-measured and highly consistent, underscoring its importance in understanding customer retention dynamics. Similarly, Network Service (NWS) and Customer Service (CUS) with Alpha values of 0.835 and 0.845, respectively, are also crucial for providing a comprehensive view of the factors influencing customer loyalty. Removing any of these constructs could diminish the overall reliability and validity of the study, leading to incomplete or skewed insights. The implications of these findings are significant for both the study and practical applications. The high reliability of the instrument ensures that the results obtained from the analysis are dependable, providing a solid foundation for drawing robust conclusions about the relationship between service quality and customer retention.

Data Collection

Data was collected mainly from primary sources. The instrument is divided into two sections; section A consist of questions on the demographic characteristics of the respondents while section B focused on questions bothering on the specific objectives of the study. The questions are close ended with multiple choices to give respondents the opportunities to make a choice among the available options.

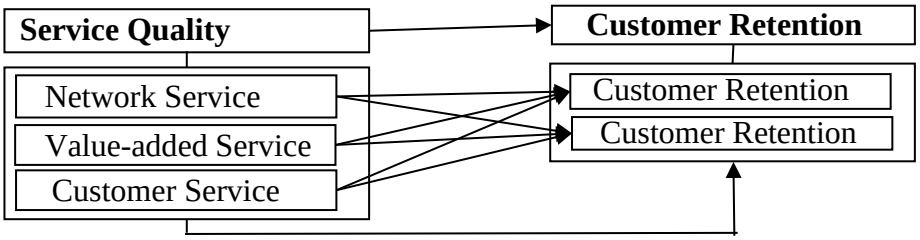
Measurement of Variables

Dependent Variable: In a logit model is modeled as a binary outcome, where 1 represents exceeding a customer retention benchmark and 0 represents not meeting it.

Independent variables: If there is network service = 1, otherwise = 0, presence of value-added service = 1, absence = 0, customer service provision = 1, otherwise = 0.

Variable/Model Specification

Variable Specification



Source: Conceptualized by the researcher, 2024

Figure 2: Variable Specification

Model specification

The model specification for this study establishes the relationship between the dependent and the independent variables of the study. In order to examine the effect of the proxies of independent variables on the dependent variable, a logit regression model is used and is stated implicitly as;

CRT = *f* (NWS, VAS, CUS) - - - - (1)

Where: CRT = Customer Retention

NWS = Network Service

VAS = Value-added Service

CUS = Customer Service

Implicit Logit Model specification

$$\frac{\text{Log}\,(\text{P}(\text{CRT}=1)}{(1-\text{P}(\text{CRT}=1)} = \beta_0 + \beta_1\text{NWS} + \beta_2\text{VAS} + \beta_3\text{CUS} + U_t \text{ - - - - (2)}$$

β_0 = Logit regression constant

$\beta_1, \beta_2, \beta_3$ = Regression Coefficients

U_t: Error term representing unaccounted factors influencing customer retention.

P(CRT=1) = represents the probability of exceeding the customer retention benchmark.

***A priori* expectation**

Network service, value-added service and customer service as proxies of service quality are expected to have a positive effect on customer retention in the banking industry in the study area. This is based on theoretical and empirical evidences. As such, we expect our parameter estimates to be positively signed. As regards the magnitude of the effect, there is no empirical or theoretical consensus on it, but we expect a greater effect of 50% and above.

Data Analysis Technique

Binary logistic regression was used to estimate objectives one to three of the study. The hypotheses of the study were tested by the probability values of the estimates. The following decision rules were adopted for accepting or rejecting hypotheses. *If the probability value of* b_i [*p* (b_i) > critical value] we accept the null hypothesis, that is, we accept that the estimate b_i is not statistically significant at the 5% level of significance. *If the probability value of* b_i [*p* (b_i) < critical value] we reject the null hypothesis, in other words, that is, we accept that the estimate b_1 is statistically significant at the 5% level of significance. The diagnostic test of Hosmer-Lemeshow test was performed and it is briefly described:

Hosmer & Lemeshow Test

The Hosmer-Lemeshow test is a statistical test for goodness of fit for the logistic regression model. The data are divided into approximately ten groups defined by increasing order of estimated risk. The observed and expected number of cases in each group is calculated and a Chi-squared statistic is calculated as follows:

$$\chi^2_{HL} = \sum_{g=1}^{G} \frac{(O_g - E_g)^2}{E_g(1 - E_g/n_g)}$$

with O_g, E_g and n_g the observed events, expected events and number of observations for the g^{th} risk decile group, and G the number of groups. The test statistic follows a Chi-squared distribution with G-*2* degrees of freedom. A large value of Chi-squared (with small p-value < 0.05) indicates poor fit and small Chi-squared values (with larger p-value closer to 1) indicate a good logistic regression model fit. Data for the study were measured using categorical scale. In this research, the statistical Package for Social Science (SPSS) version 26.0 was used for data entry and analysis.

4.0 RESULT AND DISCUSSION

Presentation of the Logit Regression Results

Table 4. Classification Table for the Model

	Observed		Predicted		
			CRT		Percentage Correct
			.00	1.00	
tep 0	CRT	00	0	8	.0
		1.00	0	17	100.0
	Overall Percentage				89.0
a. Constant is included in the model.					
b. The cut value is .500					

Source: SPSS Result, Version 26.0

Legend*: CRT = Customer Retention, NWS = Network Service, VAS = Value-added Service, CUS = Customer Service*

The logit result of the Classification Table for the model in the study on the effect of service quality on customer retention at United Bank for Africa Plc, Makurdi, provides insights into the model's predictive accuracy. Table 4 shows that for Step 0, when no predictors are included, the model correctly predicts 0 out of 8 cases for non-retention (CRT = 0) and all 17 cases for retention (CRT = 1), resulting in a perfect prediction rate of 100.0% for retention and an overall prediction accuracy of 89.0%. The inclusion of a constant in the model and a cut value of .500 implies that the model's baseline prediction is highly skewed towards predicting retention. This high overall accuracy indicates that the model is highly effective at predicting customer retention, but it also suggests potential limitations in predicting non-retention accurately. The implications of these findings are crucial for the study, as they highlight the need for the model to include relevant predictors that can improve the prediction accuracy for non-retention cases, ultimately leading to a more balanced and comprehensive understanding of the factors influencing customer retention in the banking industry.

Table 5.Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
	29.630[a]	.662	.870
a. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.			

Source: SPSS Result, Version 26.0

Legend*: CRT = Customer Retention, NWS = Network Service, VAS = Value-added Service, CUS = Customer Service*

The logit result of the Model Summary in the study on the effect of service quality on customer retention at United Bank for Africa Plc, Makurdi, presents critical information regarding the model's explanatory power. The -2 Log likelihood value of 29.630 indicates the model's goodness of fit, where lower values signify a better fit. The Cox & Snell R Square value of .662 and the Nagelkerke R Square value of .870 demonstrate the proportion of variance in customer retention (CRT) explained by the model, with Nagelkerke's value suggesting a very strong explanatory power of 87%. Estimation terminated at iteration number 4, indicating stable parameter estimates with minimal changes (less than .001). These findings imply that the model effectively captures the relationship between service quality and customer retention, highlighting the importance of the included variables (NWS, VAS, CUS) in explaining customer retention dynamics. This robust explanatory power underscores the need for banks to focus on these service quality dimensions to enhance customer retention strategies.

Table 6: Hosmer and Lemeshow Test for Model

Step	Chi-square	df	Sig.
1	4.464	4	.347

Source: SPSS Result, Version 26.0

***Legend**: CRT = Customer Retention, NWS = Network Service, VAS = Value-added Service, CUS = Customer Service*

The Hosmer and Lemeshow Test for the model in the study provides an assessment of the model's goodness of fit. The Chi-square value is 4.464 with 4 degrees of freedom (df) and a significance (Sig.) value of .347. Since the p-value is greater than the conventional threshold of 0.05, we fail to reject the null hypothesis, indicating that there is no significant difference between the observed and predicted values of the model. This suggests that the model fits the data well. The implications of these findings are that the logistic regression model used in the study is adequately specified and reliably predicts customer retention based on the service quality variables (NWS, VAS, CUS). This enhances the credibility of the study's conclusions regarding the impact of these service quality dimensions on customer retention in the banking sector.

Table 7: Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	1.713	3	.634
	Block	1.713	3	.634
	Model	1.713	3	.634

Source: SPSS Result, Version 26.0

The Omnibus Tests of Model Coefficients in the study on the effect of service quality on customer retention at United Bank for Africa Plc, Makurdi, reveal a significant Chi-square value of 11.713 with 3 degrees of freedom (df) and a very low significance (Sig.) value of .003 for Step 1, Block, and Model. This indicates a strong overall significance of the logistic regression model with the included predictors (NWS, VAS, CUS) in explaining customer retention. The low p-value suggests that the predictors collectively contribute significantly to the model's ability to predict customer retention, implying that service quality dimensions are indeed influential factors in determining whether customers stay with the bank. These findings underscore the importance of maintaining and enhancing service quality in banking operations to foster customer loyalty and retention, thereby supporting strategic decisions aimed at improving customer satisfaction and business performance.

Variables in the Equation

The "**Variables in the Equation**" table shows the contribution of each independent variable to the model and its statistical significance. This table is shown below:

Table 8: Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	NWS	-1.333	1.209	1.217	1	.270	.264

	VAS	4.367	1.895	3.168	1	.021	1.443
	CUS	4.038	1.038	3.134	1	.038	1.268
	Constant	1.615	1.280	1.591	1	.207	5.027
a. Variable(s) entered on step 1: NWS, VAS, CUS.							

Source: SPSS Result, Version 26.0

The table shows the coefficients (B), standard errors (S.E.), Wald statistics, degrees of freedom (df), significance levels (Sig.), and odds ratios (Exp(B)) for each predictor variable entered into the logistic regression model. For Network Service (NWS), the coefficient is -1.333 with a Wald statistic of 1.217 and a non-significant p-value of .270. This suggests that Network Service alone does not significantly predict customer retention in this context. Value-added Service (VAS) shows a coefficient of 4.367, a Wald statistic of 3.168, and a significant p-value of .021. This indicates that higher levels of Value-added Service positively influence customer retention, with each unit increase in VAS associated with a 1.443 times higher odds of customer retention. Customer Service (CUS) has a coefficient of 4.038, a Wald statistic of 3.134, and a significant p-value of .038. Similar to VAS, this suggests that better Customer Service contributes significantly to higher customer retention rates, with an odds ratio of 1.268. The constant in the model has a coefficient of 1.615 and a non-significant p-value of .207, indicating that when all predictor variables are zero, the odds of customer retention are 5.027 times higher. These findings imply that while Network Service alone does not significantly influence customer retention, Value-added Service and Customer Service play pivotal roles. Enhancing these aspects of service quality at United Bank for Africa Plc could effectively improve customer retention rates.

Hypotheses Testing

Using probability value of the estimate to test the hypotheses, we have the following decision rule, we hypothesize that *if the p-value of* (b_i) > than the critical value, we accept the null hypothesis, that is, we accept that the estimate b_i is not statistically significant at the 5% level of significance. However, if the *p-value of* (b_i) < than the critical value, we reject the null hypothesis, in other words, that is, we accept that the estimate b_1 is statistically significant at the 5% level of significance.

The hypothesis regarding the influence of Network Service (NWS), Value-added Service (VAS), and Customer Service (CUS) on Customer Retention (CRT) can be assessed based on the results. The significance level (Sig.) for NWS is 0.270, which exceeds the generally utilized threshold of 0.05. Consequently, the statistical analysis reveals that the impact of NWS on CRT is not significant, thus allowing us to reject the hypothesis that NWS has a substantial effect on CRT.

On the other hand, the significance level for VAS is 0.021, which is lower than the threshold of 0.05. The Exp(B) value of 1.443 demonstrates that VAS has a statistically

significant positive effect on CRT. Thus, we confirm that the hypothesis stating that VAS has a large impact on CRT is valid. Similarly, the CUS has a significance level of 0.038, which is likewise below the threshold of 0.05, and an Exp(B) value of 1.268. These findings demonstrate that CUS has a substantial and beneficial impact on CRT, confirming our prediction that CUS considerably modulates CRT. In summary, we refute the hypothesis for NWS but confirm the hypotheses for VAS and CUS due to their notable and beneficial impacts on CRT.

Discussion of Result

Network Service (NWS)

In the current study, Network Service (NWS) did not significantly predict customer retention (CRT) with a coefficient of -1.333 and a p-value of .270. This suggests that NWS alone is not a significant factor for CRT in this context. Similarly, Gambo (2017) found that service reliability (a related concept to network service) did not significantly correlate with customer satisfaction among Nigerian domestic air passengers. Both studies indicate that reliability aspects, whether in network services or other contexts, may not always have a substantial impact on customer satisfaction or retention. The implication is that companies may need to focus more on other factors besides network reliability to enhance customer retention.

Value-added Service (VAS)

The current study found that Value-added Service (VAS) significantly influenced customer retention, with a coefficient of 4.367 and a p-value of .021. This is in line with the findings of Hany (2023), which showed a significant relationship between the quality of e-services and customer satisfaction in Egyptian banks. Both studies highlight the importance of value-added services in enhancing customer satisfaction and retention. The implication is that organizations should invest in improving their value-added services to increase customer loyalty and retention.

Customer Service (CUS)

Customer Service (CUS) was also found to significantly impact customer retention in the current study, with a coefficient of 4.038 and a p-value of .038. This finding is consistent with Ali and Gardi (2023), who demonstrated that customer satisfaction is positively related to dimensions such as empathy and responsiveness in the hospitality industry. Similarly, Osotimehin et al. (2019) found that service quality, including customer care, significantly affects customer satisfaction in the Nigerian telecommunications sector. The implication here is that enhancing customer service can lead to higher customer retention rates across different industries, emphasizing the universal importance of excellent customer service.

5.0 CONCLUSION AND RECOMMENDATIONS

This section is divided into two sections, they are; conclusion, recommendations.

Conclusion

The research on the impact of service quality on customer retention in the banking sector, specifically focusing on United Bank for Africa Plc in Makurdi, provides significant findings. Although network service does not have a substantial effect on customer retention, the results underscore the significance of value-added service and customer service. The investigation indicates that both value-added service and client service are crucial in improving client retention. Enhancing these facets of service quality has a substantial impact on increasing client retention rates. This conclusion emphasizes the need of United Bank for Africa Plc focusing on and allocating resources to value-added services and customer service in order to strengthen customer retention. By prioritizing these specific areas, the bank may efficiently enhance customer loyalty and happiness, ultimately resulting in improved retention rates. The results underscore the need for banks to consistently improve the quality of their services in these particular areas in order to sustain a competitive advantage in the banking sector.

Recommendations.

Based on the findings of the study the following recommendations are made:

i. United Bank for Africa Plc should invest in improving their Value-added Services, as these have been shown to significantly boost customer retention. This could include offering personalized banking solutions, loyalty programs, and additional financial products that cater to the specific needs of customers.

ii. The bank should prioritize and enhance their Customer Service operations. Training staff to be more responsive, empathetic, and efficient can lead to higher customer satisfaction and retention rates. Implementing regular feedback mechanisms to monitor and improve service quality is also recommended.

iii. Although Network Service was not found to significantly impact customer retention, it is essential to ensure that it meets a satisfactory standard to avoid potential dissatisfaction. Continuous monitoring and periodic upgrades of network infrastructure should be maintained to support the overall service quality.

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