

**THE CONTRIBUTION OF SERVICE QUALITY TO CUSTOMER'S  
RETENTION IN SOCIAL SECURITY SCHEMES**

**A CASE OF NSSF-MBEYA**

**THE CONTRIBUTION OF SERVICE QUALITY TO CUSTOMER'S  
RETENTION IN SOCIAL SECURITY SHEMES  
A CASE OF NSSF – MBEYA**

**By**

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**A Dissertation Submitted as Partial of Fulfillment of the Requirement for the  
Award of the Masters Degree of Business Administration in Corporate  
Management (MBA\_CM) of Mzumbe University.**

**2018**

**CERTIFICATION**

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled ‘*The Contribution of Service Quality to Customer’s retention in Social Security schemes- A case of NSSF Mbeya*. In partial fulfillment of the requirement for the award of the degree of Master of Business Administration in Corporate Management (MBA\_CM) of Mzumbe University.

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## **DEDICATION**

I would like to dedicate this dissertation to my lovely wife Thaurat Possy, my lovely Son Hatif Mussa Mdaki and my Lovely daughter Hyrah Mussa Mdaki who fought tooth and nail to make sure that I complete my study successfully, their daily prayers enabled me to complete my Master's Degree program at Mzumbe University.

May the almighty Allah bless them all!

## **ABBREVIATIONSANDACRONYMS**

GEPF	-	Government Employees Provident Fund
ILO	-	International Labor Organization
ISO	-	International Standard Organization
LAPF	-	Local Authority Pensions Fund
LGA	-	Local Government Authorities
NHIF	-	National Health Insurance
NSSF	-	National Social Security Fund
PPF	-	Parastatal Pension Fund
PSPF	-	Public Service Pension Fund
PSSSF	-	Public Service Social Security Fund
SPSS	-	Statistical Package for Social Science
WCF	-	Workers Compensation Funds
RAS	-	Regional Administrative Secretary
TQM	-	Total Quality Management

## **ABSTRACT**

The study aimed to investigate the contribution of Service Quality to customer's retention in social security schemes, whereby it examined the effect of empathy on customer's retention, assessed the effect of tangibility toward customer retention as well as examined the effect of responsiveness towards customer's retention in social security schemes in Tanzania. NSSF Mbeya Region was taken as study area due to facts that, NSSF is a giant scheme with large membership base, while Mbeya region is one among the region that are growing fast economically, consist of members from different sectors, informal as well formal sector. Respondents for our study were contributing NSSF's Members. This study contributed the existing literatures in social security industry in Tanzania, provided a clear understanding to policy makers of social security industry on perception of beneficiaries, service provided and customer retention in general so as to enhance reformation of social security operations in general, as well findings provided a clear understanding to NSSF and other social security schemes a valuable information regarding customer's retention, as well added reference materials for future researches. There were some difficulties encountered during the study as some of the contributing members were reluctant to cooperate and provide required information, some refrained with no any specific reason. Structured Questionnaires, and observation were used to collect data from Simple random sampling methods using the Slovin Formula from a sample size of 100 Members. The questionnaires included 4 variables of empathy, 7 variables of tangibility and 4 variables of responsiveness, all factors of independent variables were measured against dependent variable on liner regression analysis. The results demonstrate that customers are satisfied with the services quality offered by NSSF; as well the study found Service Quality has direct effects on customer's retention. The implication of this finding was that customers place a high reliable on Service Quality. The results obtained should be useful to NSSF Management and Management of other social schemes with respect on how to deal with customers in order to reduce customer's churn rate or defection, retaining a customer is equal to retain value of organization which eventually lead to organization profit maximization and cost reduction.

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# **CHAPTER ONE**

## **INTRODUCTION AND BACKGROUND TO THE PROBLEM**

### **1.1 Introduction**

This chapter presents a background of the study, statement of the problem, objective of the study and significance of the study, scope of the study and limitation of the study.

### **1.2 Background to the Problem**

According to Armstrong and Kotler (2008), it is important for firms and organizations to implement the right marketing strategies in order to succeed. Traditionally, firms, institutions, organizations and companies focused their marketing strategies around attracting new customers and increasing their market share. However, due to globalization, most industries and markets are becoming more and more competitive forcing significant changes in the way firms do business (ibid). In order to retain customers in any organization/ sector characterized by high competition, there is a need to meet each individual customer's needs and expectations (ibid). Gummesson (2002) argues that it is the value of the customers' experiences with the product/service that is important, therefore, customers' needs are important to consider when delivering products and services.

Service Quality has been identified as the major factors that stimulate and retain customers in any business. These in turn make customers to deeply hold commitment to re-buy a preferred product or service consistently in the future, thereby causing repetitive return of customers to purchase/ gate the same product or service, despite of situational influences and marketing efforts done by competitors that may results into having the potential switching behavior of customers (Oliver, 1997). Due to the growing anxiety of the rise in the competitive marketing environment among social security schemes, service providers in social security schemes make a move not only on the provision of quality services, but also to retain customers so as to be able to provide constant and long term donation into organizational profit maximization (Othman and Owen, 2014). On the other hand, service quality is defined as the consumers' judgment about a firm's overall excellence or superiority (Gronroos, 1984). What happens and

perceived by customers in the interaction process will obviously have critical impact on customers' evaluation of service quality. Thus, service quality, customer value and order to remain competitive in business and hence grow.

Cook, (2004) argued that the institutions or companies that demonstrate excellent customer services, satisfy customer and value them record increase for about 72% profit per employee compared to similar organizations with poor customer service, Poor customer valuation and dissatisfied customers. It is also an advantage for the scheme to attract new customers than to retain existing customers. So, achieving high levels of customer retention is the function of quality service. Hence, organizations that consistently provide good service to their customers enjoy higher retention levels and greater profitability due to increased customers (Wicks and Roethlein, 2009).

Al-Hawari and Hartley (2005) conceptualized that customer service qualities have a significant influence on success of an institution. Thus, a good quality of service gives a competitive advantage to any business. The social security schemes try to create conducive environments for easy access to their customers. In view of various literatures from different scholars, evaluation of service quality on customer retention in social security schemes is a worthwhile topic to study so that customer retention in social security schemes is enhanced for the future. Furthermore, Ehigie (2006) suggests that, there is a significant positive relationship between customer satisfaction and customer loyalty/retention. Therefore, in most financial firms, customer satisfaction has proved as a mediator between service quality and customer loyalty. The overall evaluation of a specific service firm that results from comparing that firm's performance with the customer's general expectations of how firms in that industry should perform (Parasuraman *et al.*, 1998). Walsh, Gilmore and Carson (2004) and Menon and O'Connor (2007) in their studies found that factors that are responsible for influencing customer retention in the banking sector includes knowledge ability, communication, personalization, empowerment, technology, fees and ethical behavior. Thus, customer retention is defined as a process or set of steps taken to reduce customer churn rate or defection. Whenever a company retains a customer, it is retaining their lifetime value, that is, the value of their future relationship with its business. Therefore,

retaining customers means retaining lifetime value of the customers in terms of their spending power as well as their power to influence another customer who can prove to be potential customers for the business. Many studies in developed countries and developing countries focused on issues of quality services to customer loyalty (Ehigie (2006) Parasuraman *et al.*, 1998, Walsh, Gilmore and Carson (2004) and Menon and O'Connor (2007) Al-Hawari and Hartley (2005). However, there are insufficient studies based on the contribution of service quality on customer retention in social security industry that have been done in Tanzania particularly in Mbeya region. Therefore, the study intended to assess the contribution of service quality towards customer retention in social security schemes particularly in NSSF Mbeya Region

### **1.3 Statement of the Problem**

The concepts of service quality have been highly measured and used in marketing texts and activities, during previous decades. Marketing researchers have praised the advantages of satisfaction and quality, and have mentioned them as indices of an organization competitive benefit (Ruyter, 1997).

In business customers satisfaction is a tactic of increasing profit, and this profit can only be generated by having a satisfied and loyal customer base. As the world dwelling into globalization the intensity of competition has augmented to an outlying mark. The booming firms define their strategies in customer-oriented compoment Kotler (2000)

According to Kotler (2000), the success of the product offering depends upon the value and satisfaction it delivers to the buyers, however its fulfillment of the expected needs of the customer after the consumption of the delivered product or service.

Customers becomes very vital in business during the marketing era of 1950s when companies could produce what they can sell and not just selling what they can produce as it was during the production era. During the consumption era the focus on customer/consumers has increased more as the consumption era also shifts to post-consumption: where organization are obliged to render more service in addition to what they provide as to offer to their customers (Armano, 2009)

Most scholars and practitioners in the field of customer satisfaction such as Brown et al (1991); Cronin and Taylor (1992); Gronholdt et al (2000) have strongly stressed on the need for management of utility companies to ensure that they formulate and implement appropriate policies which will lead to more customer satisfaction in terms of quantity and quality of services they buy and consume, then this will significantly reduce customers complaints, increase selling profit and performance of the organization, enable the organization to be in good position to expand its business. However, if large number of customers is increasingly dissatisfied with the quantity and quality of the organization, this will significantly reduce the selling and profit performance of the organization. In this case customer satisfaction is very crucial in the evolution of performance of the organization.

On the other hand, service loyalty is one of the most important structures in service marketing, due to its effect on customers' repeated purchases (customer retention), and in fact, those loyal customers who purchase repeatedly are considered as the base of any business (Caruana,2002).

In order to meet customers demand and expectation from this consumption era, Social security schemes in Tanzania have to formulate and implement appropriate policies which will lead more to customer satisfaction in terms of service quality offered to customers, they have to analyze from the customers 'perspective in order to understand their needs so as to meet their expectation and demand from the service offered. Service quality has become an important tool for service provider, who establishes a high level of service quality will satisfy her customers eventually putting an organization on edge of competitive advantages which leads to, profitability, reduced cost. Customer satisfaction is very important concepts that companies must understand which in turn leads to customer loyalty and retention. Therefore, Service quality is the major concerns for customer retention in social security schemes and is the focus in this study because it plays an important role to most service firms including social security schemes in Tanzania. Hence it is a basis of marketing strategies for companies and a key strategic issue for the business success (Spathis, Petridou and Glaveli, 2004).

Social security schemes as part of Service industry have become the victims of customer loyalty; as we are aware that loyalty is an integral part of doing a business. Limitation of customer loyalty, without proper implementation of appropriate policies which will lead more to customer satisfaction in terms of service quality and other factors in social security industry in general tends to disturb customers a lot, which leads them to shift from one social security scheme to other for the sake of looking for quality service and satisfaction.

To combat the existing problem the Government decided to introduce the Social Security Regulatory Authority (SSRA) which its main functions include to regulate and supervise all social security schemes in Tanzania for the safeguard and interest of its members (Customers) but still the problem persists.

#### **1.4 Research Objectives**

The Objective of this study was to investigate the influence of Service Quality on Customer's retention in social security schemes; a case of NSSF Mbeya

##### **1.4.1 General Objective**

The general objective of this study was to examine the contribution of Service Quality to Customer's retention in Social security schemes, a study of NSSF – Mbeya Region.

##### **1.4.2 Specific Objectives**

This study was guided by the following specific objectives;

- i. To examine the effect of Empathy toward customer's retention.
- ii. To assess the effect of Responsiveness towards customer's retention.
- iii. To examine the effect of Tangibility towards customer's retention.

#### **1.5 Research Questions**

The general research question of this study establishes the extent to which service quality influences customer retention?

The specific research questions of this study are attributes related to customer retention more specifically in the study areas.

- i. What extent does empathy relates to customer's retention?
- ii. What effect does responsiveness has on customer's retention?
- iii. What effect does tangibility has on customer retention?

### **1.6 Significance of the Study**

The findings of this study added significant contributions to the existing literature on social security schemes in Tanzania. Since this is an area that has great potential of further growth and will attract further academic research, the findings assisted in providing reference materials for future researchers.

Policy makers who work for social security schemes in Tanzania got a clear understanding on the perception beneficiaries, services provided and customer's retention. This contributed a form of benchmark for best practice which enabled them to come up with policies that can enhance reformation in the social security schemes and their operations.

The findings as well assisted the government of Tanzania to know the factors that affecting the performance of National Social Security funds. This enabled the government to put in place any appropriate regulations to enhance the sustainable performance of social security schemes.

The study is expected to provide NSSF, Government and other Social security schemes with the valuable information regarding customer's retention.

The study contributed to the existing literature on the consequences of customer retention as well provided insight to social security schemes on the influence of service quality to customer's retention

### **1.7 Limitations of the Study**

Limitations of the study were factors or conditions beyond the control of the researcher, which hindered one from obtaining the required data and took place restrictions on the conclusions of the study (Kombo and Tromp, 2006). The time allocated for the study was too short to conduct it in a wide geographical area (i.e., covering other NSSF branches in different regions of Tanzania) and so only NSSF Mbeya with its branches

were selected. The process of data collection had some limitations to the extent that some of respondents were reluctant to cooperate in provision some of information, few of them wanted to be paid before they can be interviewed, while others refrained with no specified reasons.

### **1.8 Ethical Considerations**

Cohen *et al.* (2000) and Morrison, (1993) stipulates that ethical principles in the conduct of research included acquiring research clearance and the informed consent of the participants as well as maintaining confidentiality. Before interviews the researcher had to fully give explanations on the objectives of this study to all the respondents. Research clearance provided by the authority before commencing the study, consultations made with the Mbeya Regional Administrative Secretary (RAS) and the NSSF Branch manager, the study was introduced and permission granted for carrying out the exercise in the selected NSSF Branches of Mbeya Region.

In addition, their consent was sought and their rights to confidentiality were assured before interviewing them.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter presents different literatures that show meaning of different concepts/variables that were used in the study, the description of the variables, the measurement of the research variables, relationship among research variables and similar studies from different areas. The presentation of literature review enables the researcher to come up with theoretical conceptual framework of the study.

#### **2.1 Definition of Key Concepts**

##### **2.1.1 Empathy**

It is defined as the caring, it is ability emotionally understanding what other person is going through, it puts yourself on someone's shoe and share his/her feelings. Its individualized attention the firm provides to its customers. The essence of empathy is conveying, through personalized or customized service, the way customers are communicated, the approach towards them and the care that customers are feel unique and special. Customers want to feel understood by and important to firms that provide services to them. Personnel at small services firms often know customers by name and build relationships that reflect their personal knowledge of customer's requirement and preferences

##### **2.1.2 Tangible**

It is defined as the appearance of the physical facilities, equipment, personnel and communication material. All of these provide physical representations or images of the services that customers' particularly new customers will use to evaluate service quality. Services industries that emphasize tangibles in their strategic include: hospitality services where the customer visits the establishment to receive the service. Although tangibles are often used by service companies to enhance their image, provide continuity and signal quality to customers, most companies combine tangibles with another dimension to create service quality strategy for the firm, It means things which

are physically observed by the customers it include: personnel, Sitting facilities, ventilation, visibility of the office, physical facilities, materials and appearance able and skilled personnel, as well as security for customers belongings as parking etc. Tangible provide customers to evaluate the capability of the service provider (Zeithmal, 2003)

### **2.1.3 Responsiveness**

Is the willingness to help customers, accompanied by courtesy, quick response, and a speedy resolution of the customers concern and provide prompt service. This dimension emphasizes attentiveness and promptness in dealing with customers request, questions, complaints, and problems, responsiveness is communicated to customers by length of time they have to wait for assistance.

It involves answering questions, or attention to problems, responsiveness also captures the notion of flexibility and ability to customize the services to customer needs to make the dimension of responsiveness a company must certain view the process of services delivery and handling request from the customer's point of view rather than from company's point of view. Standard for speed and promptness that reflects the company's view of internal process requirements may be very different from the customer's services requirement for speed and promptness. Therefore, the companies need well-staffed customer's services department as well as responsive front-line people in all contact position.

### **2.1.4 Reliability**

It is the ability to perform the promised services dependably and accurately such as acting according to the promises and declaration. The enterprises can be able to execute the agreed services provided correctly and reliably i.e. the company delivers on its promises, service provision, problem resolution, and pricing. Customers want to do business with companies that keep their promises, particularly their promises about the core service attribute. Organization with reliability delivers on its promises.

### **2.1.5 Assurance**

It is defined as the employee's knowledge and courtesy and ability of the firm and its employees to inspire trust and confidence. It is particularly important for service organizations to ensure assurance as the customers perceive as involving in high risk and about which they feel uncertain about their ability to evaluate outcomes.

Trust and confidence are embodied in the person who links the customers to the company such as securities brokers, insurance agent, lawyer, or counselors in such a services context the company seeks to build trust and loyalty between key contact people and individual customers

### **2.1.6 Service Quality**

According to Kurniawan (2010) Service Quality is the results of an evolution process in which customer compare their expectation of the service delivery and its outcome against what they expect. The success of any organization is measured to its flexibility to adopt and quickly respond to market changes with more efficient satisfaction and customer retention. According to Allred and Adams (2000) Service quality are the results of human interaction between service provider and the client/customer. Its realized that successfully leverage service quality as a competitive edge, they initial have to identify correctly the antecedents needs of what the customer perceives as service quality. Booms and Mohr (1994, p. 97) define service quality as 'the consumer's overall impression of the relative inferiority or superiority of the organization and its services, Parasuraman, Zeithaml and Berry (1985, p. 48) defined service quality as 'a function of the differences between expectation and performance along the quality dimensions'. Roest and Pieters' (1997) define that service quality is a relativistic and cognitive discrepancy between experience-based norms and performances concerning service benefits. (Caruana, 2002) Service quality is defined as the degree of discrepancy between customers' normative expectation for service and their perceptions of service performance. (Parasuraman *et al.*, 1985).

The definition of service quality was further developed as “the overall evaluation of a specific service firm that results from comparing that firm’s performance with the customer’s general expectations of how firms in that industry should perform. While other researchers (e.g. Cronin and Taylor, 1994; Taylor & Cronin, 1994) view service quality as a form of attitude representing a long-run overall evaluation.

Definitions of service quality hold that this is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Lehtinen & Lehtinen, 1982; Lewis & Booms, 1983, Gronroos, 1984; Parasuraman *et al.*, 1985; 1988).

**Variability:** it is difference which comes in at the level of delivery of service due the difference in human behavior of those offering services and the consumer. Also, individual units of service production tend to be unique, especially when compared with non-service processes such as mass production. This is because it is a distinguishing characteristic of service that reflects the variation in consistency from one service transaction to the next. The performance of the service often varies from producer to producer and from customer to customer. Similarly, it differs from day to day since uniform quality is difficult to assure because what the firm intends to deliver may be entirely different from what the consumer receive. Without doubt, this is because of different circumstances which may hinder the performance of the service to be effective and efficient as planned and done by the organization. Equally, this can be due to different service which customers need; also, this may lead to variability of the services (Booms & Bitner (1981).

Most services cannot be counted, measured, inventoried tested and verified in advance as it cannot be touched as service is an act or performance that one part can offer to another that is essentially intangible. Service does not result in the ownership of anything and therefore due to the intangibility in nature it cannot be touched or sensed counted, measured, and inventoried in the same manner as physical goods due to its intangibility in nature (Parasuraman *et al.*, 1990).

**Intangibility:** it is a distinguishing characteristic of services that makes them unable to be touched or sensed in the same manner as physical goods. Most of the services are intangible because they are performance rather than objects. The intangibility of service is performance/ experience they cannot be displayed, sampled, tested or evaluated before purchase/consumption (Parasuraman *et al.*, 1990).

**Inseparability:** services are produced, sold and consumed in one place at the same time customers have to be present during production and consumption. Service cannot be separated from its place of production as it cannot be done by involving one-party. So service is inseparable as it must involve the concerned parties and therefore during service provision two parties must be involved in the process in order for the service to be effective and efficient (Zeithaml *et al.*, 1985).

**Perishability:** Service cannot be inventoried as service are produced and consumed at the same time implying, they cannot be sorted for later usage. Service cannot be kept in stock, they are produced and consumed and if not consumed their value is lost unused. Service cannot be returned by the customer as service are produced sold and consumed in one place at the same time and the activities done must involve two parties and therefore service cannot be stored for future use. (Zeithaml & Bitner, 2003)

### **2.1.7 Customer Retention**

Nowadays customer retention is of prime importance as it is necessary to understand what an organization should do to retain its customer. Retention can be defined as the continued possession, use or control of something. The main purpose of a corporation behind practicing customer retention strategy is to reduce customer defections. Customer retention starts when an organization has the first contact with the client, and it continues throughout the lifetime. The goodwill of the organization increases if the organization can retain and attract the customers and exceeds their expectations (Singh, 2006) Customer retention also refers to the number of relationships which an organization can maintain on a long-term basis. It is a very natural and simple concept that if the customers are feeling delighted satisfied and communicated regularly; they will keep coming back to the organization. The cost of acquiring anew customer is

several times more than that of retaining an existing customer. There are varieties of strategies and tools are available for retaining the customer, among these tools, the most necessary tools are providing quality products and services (Terblanche and Hofmeyr, 2005) Customer retention also refers to the number of relationships which an organization can maintain on a long-term basis. It is a very natural and simple concept that if the customers are feeling delighted satisfied and communicated regularly; they will keep coming back to the organization. The cost of acquiring anew customer is several times more than that of retaining an existing customer. There are varieties of strategies and tools are available for retaining the customer, among these tools, the most necessary tools are providing quality products and services (Terblanche and Hofmeyr, 2005)

**Loyalty:** If a service provider is able to satisfy his customers' needs better than its competitor's, eventually it creates loyalty to that customers, as high customer loyalty is mostly caused by high customer satisfaction. So effective satisfaction must be able to create loyalty among customers (Oliver,1999).

**Purchase behavior:** The purchase behavior of customer can be identified by the customer's tendency of repetition purchasing of the same product or service. The purchase behavior of the customers assures that the customers are satisfied with the product or service given by the organization concerned and that the customer does not see reason of buying or receiving from another organization (Zaithmal, 2003)

### **2.1.8 Social Security Schemes Overview**

During primitive era, man was protecting himself against wild animals, hunger and shelter, before the development of societies, primitive man wandered from place to place hunting for food. Security lay in his ability to overcome his prey and protect himself against any adversary. When he became too old and/or weak from ill health, ability to protect himself and overcome his prey becomes low. With the development of societies, came different community structures, namely village, clan, extended family and nuclear family. All these structures provided security for their members, but the one structure which covered an appreciable number of people, maintained intimate

relations and provided most visible protection based on principles of solidarity, was the extended family. In the extended family sick people, old people and orphanage were not given first priority on protection (Hauli 1994).

The extended family system provided all kinds of protection including those which are provided by modern schemes. The benefits include old age, Invalidity, Sickness, Survivors, Maternity and family assistance. These societal structures were not limited to Africa as they were only varying in degree when compared to those existed in Europe, Asia, America and other places wherever there was a human existence (Mkullo, 1994).

After the Industrial Revolution which came as a result of introduction of machines, the competition between factory produced goods and family producers became very stiff whereby the factory goods were less expensive compared to those produced by the family; therefore, people were forced to abandoned their family business and forced to move to the city to search for Jobs, the situation weakened the economic base of the rural society and ultimately to the complete loss of contact between the urban migrant and their extended family. Eventually, the urban jobless had nowhere to turn to (Hauli, 1994).

The growth of population on urban jobless in a country like England led to the enactment of the poor laws in the sixteenth century. These laws which were prosecuted by Parish Overseas, sought to provide relief for the aged, sick, and the infant poor. It also provided work for able bodied at the workhouse. However, the laws did not bring any significant relief as they were dehumanizing and humiliating people (Hauli, 1994). The poor laws were followed by the formation of Worker's associations and trade guilds which were aimed at providing protection and security through the principle of solidarity.

In all these movement, society made one fundamental error; there was an illusion that rational man would, of his own desire, save enough to take care of any contingencies that may befall him during or after his working life. This was not possible. To date salaries/wages have never been enough to enable workers put aside

something on their own for the purpose of paying hospital bills or to cover substantial loss of income. The most important outcome of the series of events to date was the realization of the need for community action in the provision of protection against the consequences of illness, old age, death of the bread winner and other misfortunes. This resulted in pressure being put on Governments, through those who could catch the ears of the authorities, to enact various laws catering for the social security protection of workers and citizens in general. The late eighteenth century saw a rapid growth in voluntary and charitable help, example there were the charity organization society for the relief of mendacity and prevention of crime (Hauli, 1994). The development of social security in Britain has been influenced by the findings of social research since the late nineteenth century. At this time, pioneering social researchers began to investigate the extent and causes of poverty. In 1886, Charles Booth estimated that about one third of those in East of London were living in poverty (Booth, 1889). He found that unemployment was the major cause of poverty, but the low-paid work was also an important factor. Another pioneering study was carried out in New York in 1899 by Seebohm Rowntree. He made a distinction between primary poverty and secondary poverty, where income was adequate to meet basic needs but deprivation was caused because some money was being spent on non-essential items (Rowntree, 1901).

Various movement were formed in different periods including Labour exchange in 1909, National Insurance Act of 1911, and Widows, Orphans and Old age contributory Pensions Act of 1952 (Stephen & Karen, 1999).

Clive Bailey (1999) indicates that, in English speaking African countries, particularly among the former British colonies there was a relatively uniform framework for the social security system. In countries like the United Republic of Tanzania one could typically find the following provisions which date from the colonial or immediate post- independence period together with their major weaknesses:

(i) A non-contributory defined benefit pension scheme for permanent public servants and members of the armed forces.

Weakness: The absence of a contributory fund combined with economic difficulties has resulted in a failure in most countries to maintain the real value of pensions.

(ii) A provident fund for private sector employees and non-pensionable public servants including employees of state-owned enterprises which was effectively a compulsory savings scheme based on earnings related to contributions paid by members and their employers.

Weakness: Lump sum payments do not provide adequate long-term income security and contributions invested have often failed to produce a positive return.

(iii) A range of other benefits such as workers compensation, sick pay, maternity leave, severance payments were provided directly by employers under a legal obligation.

Weakness: This has tended to result in friction between employers and workers and in some instances of evasion or discrimination.

(iv) A public health care system providing generally free access to health care requirements.

Weakness: Economic difficulties and structural adjustment programmes have resulted in an inability for public health care systems to deliver adequate health care. In addition, the percentage of the labor force covered by such provisions has remained low (often less than 10 percent of the population) with the majority of the labor force who work on their own account or in the informal sector excluded from coverage (Bailey, 1999).

Many countries have in recent years undertaken reforms to address these weaknesses. In Tanzania, the Government has recognized the need for reform to take place within a national strategy to ensure coordination and consistency of social protection is correctly done. There are several strands to the reform process, during colonial period the following schemes were formed:

- i. The Government Employees Provident Fund of 1942.
- ii. The Local Authority Provident Fund of 1944.
- iii. The Workman's compensation of 1949

iv. The Government Pension of 1954.

Hauli (1994) explains that after independence there were substantial reviews for those laws because they seemed to cover only certain categories of persons. The post-independence protection laws include: -

- i. Severance Allowance Act of 1962;
- ii. National Provident Fund Act of 1964, as amended in 1975 and extended in the National Social Security Fund (NSSF) in 1998
- iii. Parastatal Pension Fund (PPF) Act No.14 of 1978;
- iv. Political Leaders Pension Act of 1981;
- v. Public Service Retirement Act of 1999; and
- vi. National Health Insurance Fund Act No.8 of 1999.

By 2003, National social security policy provided five social security schemes, but later on there were seven mandatory social security institutions providing social security services in Tanzania and one provident fund as indicated below:

- i) National Social Security Fund (NSSF) - covers employees of private sector and non-pensionable parastatal and Government employees;
- ii) Public Service Pension Fund (PSPF) - provides protection to employees of central Government and other executive agencies of the Government.
- iii) Parastatal Pension Fund (PPF) - offers social protection to employees from the private and parastatal organizations
- iv) Local Authority Pensions Fund (LAPF) - covers employees of local Government.
- iv) Government Employees Provident Fund (GEPF) - which offers provident fund benefits to non-pensionable Police and Prison officers.
- v) National Health Insurance (NHIF) - provides health insurance coverage to pensionable employees of the central and local Government.
- vii) The Zanzibar Social Security Fund (ZSSF) - covers employees in both

public and private sectors in Zanzibar.

All these movements are the concern of the Government to make sure that the Social Security schemes provides the best services and products to meet the purpose of social protection in the society (URT, 2003).

Provision of social protection to mankind began because societies are part and parcel of human existence. Since time immemorial social security has been provided in different forms depending on the environment of a given society, coverage was directed to the same category of people regardless of their environment. The groups covered were the elderly people, children, orphans, widows and sick people. The people were provided with the basic needs such as food, shelter, and medical care although the provision given was not sufficient (Hauli, 1994). Customers in social security firms expected to receive quality and timely services when they visit Social security Fund. Customer service is the provision of service to customers before, during and after a purchase. Everyone in the organization is providing one or all of these- perhaps they recognize which ones perhaps not. Kurtenbach (2000) explains that those who are successful in customer service rank their customers experience as the top priority. Ettore (2001) is of the view that, concentrating on current customer's information can and should be obtained to better understand their view of the service provided.

The quality of service provided determines the level of satisfaction of the customer even though what is seen as quality by one customer may not necessarily be quality to another customer satisfaction is a measure of how products and services are supplied by a company meet or surpass customer expectation. In a competitive marketplace where a business competes for customers, customer's satisfaction plays as a key differentiator and increasingly has become a key element of business strategy. (Herbert, 2004) Customer satisfaction is an asset that should be monitored and managed just like any physical asset as it leads to customer's retention, retaining customer has an influence on purchasing behavior which has positive influence on company's turnover, retained customer brought evidence that 'the value of a customer' increases with time hence decrease the cost of liaison and support while

increase the turnover, a retained customer has a positive word of-mouth recommendation, as well reduces the migration rate of customer, cost of acquiring a new customer is 5 to 10 times cost of maintaining existing customer.

In a competitive market place, understanding customer needs become crucial; therefore, companies in this case, have moved from product-centric to customer-centric positions. Customer satisfaction is influenced by the type of service provided. (Olsen, 2002) Satisfaction is a challenge particularly in the security funds-based service as customers can easily switch from one security funds to another of a better service. In today's fast-paced and increasingly competitive market, the bottom line of a firm's marketing strategies and tactics is to make profits and contribute to the growth of the company. Service quality, customer satisfaction, customer loyalty and customer retention are global issues that affect all organizations, be it large or small, profit or non-profit, global or local. (Kang, 2002). Many companies are interested in studying, evaluating and implementing marketing strategies that aim at improving services quality and maximizing share of customers in view of the beneficial effects on the financial performance for the firm

Service quality, customer satisfaction and loyalty have long been recognized as playing a crucial role for success and survival in today's competitive market. Not surprisingly, considerable research has been conducted on these concepts. Notably, the service quality and customer satisfaction concepts have been linked to customer behavioral intentions like purchase and loyalty intention willingness to spread positive word of mouth, referral, and complaint intention by many researchers (Olsen, 2002; Kang, Nobuyuki & Herbert, 2004; Söderlund & Öhman, 2005). The most commonly found studies were related to the antecedents, moderating, mediating and behavioral consequences' relationships among these variables – customer satisfaction, service quality, customer loyalty hence customer's retention, however, there have been mixed results produced.

As many industry sectors mature, competitive advantage through high quality service

is an increasingly important weapon in business survival. The NSSF has certainly not been exempted from increased competition or rising consumer expectations of quality. NSSF is undergoing a dramatic transformation and experiencing heightened competition. NSSF have been working harder to provide quality services purposely to satisfy its members, such efforts among others NSSF in its corporate plan objective has committed to improve members' benefits and improve customer services as stipulated to its vision and Mission.

The NSSF always tries to improve benefits offered to its members. The following strategies have been deployed:

- i. Adjusting/indexing the existing benefit
- ii. Introducing supplementary benefits.

NSSF always planned and improving services offered to its customers by reducing registration period, payment processing period and time taken to update members' records. The following strategies have been used:

- i. Improve process efficiency;
- ii. Implement business continuity management; and
- iii. Improvement of Management Information System (MIS)

The fact is that NSSF is regarded as a low credence service and the quality of the services are difficult to prove until customers patronize the NSSF. Moreover, the quality of the service that customers encounter may be different each time they re-visit that particular security fund, thus influencing the level of satisfaction and eventually affecting their customer loyalty as well as retention.

Given these important issues that need to be addressed, the main purpose of this study was to examine the influence of service quality to customer retention in the NSSF context. Specifically, this study aims at examining the nature and strength of effects between service quality, customer satisfaction and customer 'retention. The predictive influence of service quality towards customer's retention will be analyzed.

## **2.2 Theoretical Literature on Service Quality**

### **2.2.1 Assimilation Theory**

Assimilation theory is based on Festinger's (1957) dissonance theory. This Dissonance theory states that consumers are willing to make some kind of cognitive comparison between expectations about the product or services and the perceived product performance. This view of the consumer post-usage evaluation was introduced into the satisfaction.

According to Anderson (1973), consumers seek to avoid dissonance by adjusting perceptions about a given product or services to bring it more in line with expectations. Consumers can also reduce the tension resulting from a discrepancy between expectations and product performance either by distorting expectations so that they coincide with perceived product performance or by raising the level of satisfaction by minimizing the relative importance of the disconfirmation experienced.

### **2.2.1 Criticism**

Payton et al (2003) argues that Assimilation theory has a number of shortcomings. First, the approach assumes that there is a relationship between expectation and satisfaction but does not specify how disconfirmation of an expectation leads to either satisfaction or dissatisfaction.

Second, the theory also assumes that consumers are motivated enough to adjust either their expectations or their perceptions about the performance of the product

### **2.2.2 Contrast Theory**

Contrast theory was first introduced by Hovland, Harvey and Sherif (1987). Dawes et al (1972) define contrast theory as the tendency to magnify the discrepancy between one's own attitudes and the attitudes represented by opinion statements.

Contrast theory presents an alternative view of the consumer post-usage evaluation Process than was presented in assimilation theory in that post-usage evaluations lead to results in opposite predictions for the effects of expectations on satisfaction While assimilation theory posits that consumers will seek to minimize the discrepancy between expectation and performance, contrast theory holds that a surprise effect occurs leading to the discrepancy being magnified or exaggerated.

According to the contrast theory, any discrepancy of experience from expectations will be exaggerated in the direction of discrepancy. If the firm raises expectations in his advertising, and then a customer's experience is only slightly less than that promised, the product/service would be rejected as totally un-satisfactory. Conversely, under-promising in advertising and over-delivering will cause positive disconfirmation also to be exaggerated.

**i. Criticism**

Several studies in the marketing literature have offered some support for this theory. The contrast theory of customer satisfaction predicts customer reaction instead of reducing dissonance; the consumer will magnify the difference between expectation and the performance of the product/service

**ii. Negativity Theory**

This theory developed by Carlsmith and Aronson (1963) suggests that any discrepancy of performance from expectations will disrupt the individual, producing negative energy; Negative theory has its foundations in the disconfirmation process. Negative theory states that when expectations are strongly held, consumers will respond negatively to any disconfirmation. Accordingly, dissatisfaction will occur if perceived performance is less than expectations or if perceived performance exceeds expectations.

**2.3 Empirical Literature Review**

In the mid of 1980s, the British Airways had a major programme on staff training investment, calling it "putting people first". The main objective of that training programme was to assist its staffs to focus on satisfying customers as were seems as customer satisfaction was a competing tool over its rivals. This was done after the British Airways marketing research findings reveals that staffs' attitude towards and treatment of customers had a strong effect on sales (Nigel et al., 2003). The more satisfied customer the more durable the relationship. Customer satisfaction act as catalyst to customer's retention.

In the last decade and a half, firms have started focusing on relationship marketing as a core marketing strategy for establishing a long-term and profitable relationship with the

customers that is beneficial for both the company and the customers. Walsh, Gilmore and Carson (2004), in their study over the banks found that banks perform activities related to relationship marketing for attracting, retaining and interacting with their more profitable clients. Thus, according to them, customer retention can be defined as 'zero defection' or 'no-switching' of the profitable customers of the organizations to their competitors (Sigala, 2008).

On the other hand, Menon and O'Connor (2007) define customer retention as the longevity of customer's relationship with the firm. Walsh, Gilmore and Carson (2004) and Menon and O'Connor (2007) in their studies found that factors that are responsible for influencing customer retention includes knowledge ability, communication, personalization, empowerment, technology, fees and ethical behavior. Thus, customer retention is defined as a process or set of steps taken to reduce customer churn rate or defection. Whenever a company retains a customer, it is retaining their lifetime value, that is, the value of their future relationship with its business. Therefore, retaining customers means retaining lifetime value of the customers in terms of their spending power as well as their power to influence another customer who can prove to be potential customers for the business.

However, the main question is how companies can retain their customers? The answer is, by understanding the customer journey, that is, the lifecycle of a customer. Through this way, a company can identify its weaknesses and strengths to deliver better services to the customers. So, before retaining customers, it is essential for the companies to understand why their customers are exiting to their industry peers (Hau and Ngo, 2012)

The customer today dictates the market. The primary focus of service quality is the customer. It is aimed at satisfying customer needs. Demirbag, Tatoglu, Tekinkus, and Zaim (2006) have indicated that customer satisfaction is increased by the participation of all employees in Total Quality Management (TQM). A successful organization recognizes the need to put the customer first in every decision made. In service design and during the development process, the customer should be closely involved and should provide inputs at every stage of the process, so as to avoid waste, defects and quality problems (Flynn, Schroeder, & Sakakibaba, 1994). It has also been concluded by

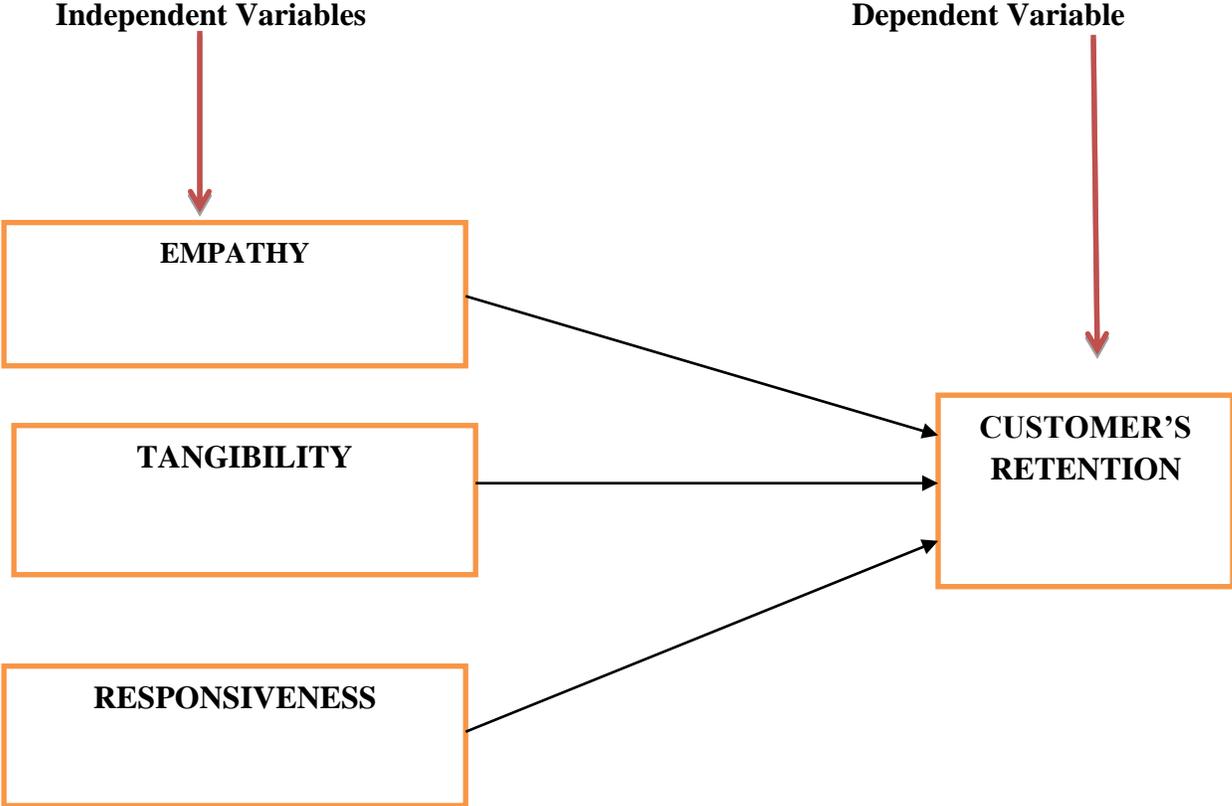
Ugboro and Obeng (2000) that TQM is an approach used in directing organizational efforts toward the goal of customer satisfaction. Consumers demand high quality levels of services at reasonable prices to achieve value and customer satisfaction

**2.7 Conceptual Frameworks**

Is a network association among variable relevant to the problem. This is an important step as it helps to translate concepts into actions and thereby provide a better differentiation between different organizations. Most of the academic researcher uses conceptual framework to clarify its research question and aims. Conceptual framework tends to connect all aspects of the research from the statement of the problem, purpose, literature review, methodology used, data collection and analysis.

The conceptual frame work for this study is a diagrammatic presentation of variables to be studied as depicted in the figure 2.1

**Figure 2. 1 Conceptual Frame Work**



Source: Researcher (2018)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter provides an overview of the research methodology used in this study. The chapter described the study area and research design adopted. It then provided a detailed description of the sample and the sampling procedures used as well the techniques used in data collection and the methods for data analysis

#### **3.1 The Study Area**

This Study conducted at NSSF Mbeya. NSSF is selected as the study area because it is giant Scheme with highest membership size, granted an opportunity of getting more information's from different category of members within the fund, as it comprises large number of members from formal sector as well as informal sectors. It allowed easily interaction and getting reliable information concerning the study and other factors that influencing in selection of this topic.

#### **3.3 Research Design**

As explained by De Vaus (2001) that social research needs a design or a structure before data collection or analysis can commence with the function of ensuring that the evidence obtained enables us to answer the initial question as unambiguously as possible. The study therefore used descriptive study. This design provided a researcher an opportunity to obtain an up-close, in-depth, and detailed examination of a subject as well as its related contextual conditions. Accordingly, the approach facilitated an exploration of a phenomenon within its context using a variety of data sources. Also, the approach ensured that the topic of interest was well explored, and that the essence of the phenomenon was revealed

#### **3.5 Sampling and Sample Size**

Sampling is done when the population is large dispersed, hence impossible to collect data on the whole population. Therefore, sampling involved choosing a sub-group of the population which is called sample. Accordingly, simple random sampling technique and stratified sampling were employed to select the respondents. While purposive sampling

was used to select key informants, stratified random sampling was used to select the branch customers in the study area. Therefore, this research involved a total of 100 respondents who obtained from Purposive sampling and simple random sampling methods using the Slovin Formula for sample size as explained in the sub-heading below.

### 3.5.1 Simple random Sampling

This study therefore used non-probability sampling techniques whereby, simple random sampling was used for used for NSSF contributing members.

The sample size for the key informants is determined through the Slovin's formula in computing sample size;

$$\text{Sample size } n = \frac{N}{1+N(e)^2}$$

Where by n = sample size

N = Targeted population, in this study total population is 14 staff

e = level of significance at 0.1 (10%)

Therefore, using above formula;

Total of NSSF Staff from Mbeya region = 14

Total NSSF Contributing members from Mbeya region =12,843

Total population = 12,857

$$\begin{aligned} \text{Sample size for the key informants in this study will be;} &= \frac{12,857}{1+12,857(0.1)^2} \\ &= 100 \text{ (sample size)} \end{aligned}$$

$$\text{For NSSF Staff} = 100 \times \frac{14}{12,857} = 0.1$$

$$\text{For NSSF Contributing members} = \frac{100 \times 14}{12,857} = 99.89 \text{ approximately } 100$$

Therefore, a total of 100 respondents were used in this study, but only 99 managed to provide the information.

### **3.6 Data Collection Tools**

Creswell (2008) contends that there is no single technique that can be claimed to be better than the other in data collection. They all depend on what is being studied and/or what is to be found out. No single instrument considered to be adequate in collecting valid and reliable data. In this study therefore, both primary and secondary data were used. During the fieldwork, only one instrument was used to facilitate data collection. This was structured questionnaire. The structured questionnaires were administered to the NSSF contributing members.

#### **3.6.1 Questionnaires**

The questionnaires that were used in this study had both open and closed ended questions designed to gather information on the influence of Service quality on customer retention in the social security schemes. The questions however, covered the demographic and socio-economic profile of the respondents, the effect of sympathy, the effects of tangibility and the effect of responsiveness factors on customer retention. The questionnaires were administered to the sampled customers in the study area.

The technique was suitable because most of respondents were free to put forward their views on different aspects in this study without an interaction with the researcher. Moreover, the technique gathered most of the information required for the purpose of this study.

#### **3.6.2 Field Observation**

This method was purposely done in order to obtain information on the influence of service quality on customer retention in NSSF. Moreover, it was done in order to obtain information on customers' relationship with the scheme in terms of the sympathy, tangibility and responsiveness to the quality of the services provided.

The technique also assisted much to observe the phenomena in their natural setting, sometimes, the information that were gathered through questionnaires could not

correspond to what prevailed in the field. Therefore, by comparing the information to be obtained from direct observation and other research technique and different sources helped to fill the gap in the knowledge gathered.

Generally, several phenomena were observed such as the customer care services, customer motivation, staff dressing as well as the overall environment of the scheme both inside and outside. These phenomena contributed to analyze the effect of sympathy, the effect of tangibility and the effect of responsiveness factors on customer retention to the scheme in the study area.

### **3.7 Secondary Data and Primary Data**

Secondary data was obtained from various sources such as branch annual reports. These data provided an initial overview of the extent of the problem in the study area. Primary data will include respondents' bio-data, information on the effect of sympathy, effect of tangibility and the effect of responsiveness factors in influencing customer retention in the social security schemes

### **3.8 Methods of Data Analysis and Data Presentation**

Data were analyzed using quantitative statistical techniques. The results were presented in Tables.

#### **3.8.1 Quantitative Data Analysis**

Quantitative data analysis involves coding, classification, cleaning and entering data into the computer software program me.

Raw data were cleaned, coded, verified and analyzed by using Statistical Package for Social Sciences (SPSS) version 16.0. The SPSS was employed to manipulate and analyze data on the effect of sympathy, tangibility, and responsiveness factors in influencing customer's retention in the social security scheme in the study area. Descriptive statistical analysis was used to produce, frequencies and percentages alongside charts of different types. The results were presented in tables.

**CHAPTER FOUR**  
**RESEARCH FINDINGS ANALYSIS AND DISCUSSION**

**4.0 Introduction**

This chapter represents discussion on the data found from the research done; it's divided into two mains division. The first division represents socio-economic characteristics of respondents. The social characteristics are sex, age, educational level and occupation of respondents on the investigation of the contribution of quality service in customer retention in social security schemes in Tanzania, a case study NSSF Mbeya Region. The second division represents the findings on the assessment of quality service towards customer retention.

**4.1 Socio-Economic Characteristics of Respondents**

**4.1.1 Sex of the Respondents**

The study intended to ask for opinion from both women and men on the investigation of the contribution of quality service in customer retention in social security schemes in Tanzania, a case study NSSF Mbeya Region. Whereby study shown that the majority of the respondents were male 56.6 who made the total of 56.6% of total respondents, where by minority were Female 43 who made a total of 43.4% of total respondents.

**Table 4.1 Respondents Distribution by Sex. (99)**

**What is your Sex**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	56	56.6	56.6	56.6
Valid Female	43	43.4	43.4	100.0
Total	99	100.0	100.0	

**Source;** Researcher's Field Data Analysis (2018)

#### 4.1.2 Age of Respondents

The study intended to ask for opinion from different age of fund's members from both sexes so as to fulfill the requirement of the research on the investigation of the contribution of quality service in customer retention in social security schemes in Tanzania, a case study NSSF Mbeya Region. Where by ages were categorized as follows; Age between 18- 30 years were 49 which is equivalent to 49.5% of total respondents, 31-40 years were 26 which is equivalent to 26.3% of total respondents, 41-50 years were 17 which is equivalent to 17.2% of total respondents and lastly were above 50 years were 7 which is equivalent to 7.1% of total respondents.

**Table 4.2 Respondents Distribution by Age (99)**

What is your age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-30	49	49.5	49.5	49.5
31-40	26	26.3	26.3	75.8
41-50	17	17.2	17.2	92.9
50>	7	7.1	7.1	100.0
Total	99	100.0	100.0	

Source; Researcher's Field Data Analysis (2018)

#### 4.1.3 Marital Status of the Respondents

The collected data shows that 43 of respondents were single which is equivalent to 43.4% of total respondents, while 44 respondents were married and made an equivalent of 44.4% of total respondents, widow ranked with 5 of the respondents which is equivalent to 5.1% of total respondents and the remaining 7 respondents were divorced which as well made an equivalent to 7.1% of total respondents as shown in the table below.

**Table 4.3 Respondents Distribution by Marital Status (99)**

**What is your Marital Status**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Single	43	43.4	43.4	43.4
Married	44	44.4	44.4	87.9
Widow	5	5.1	5.1	92.9
Divorced	7	7.1	7.1	100.0
Total	99	100.0	100.0	

**Source;** Researcher’s Field Data Analysis (2018)

**4.1.4 Educational Level of the Respondents**

According to the data collected, the study involved different respondents with different level of education as follows, primary school 13 equivalent to 13.1% of the respondents, secondary school 33 equivalent to 33.3%, certificate 14 equivalent to 14.1% of the respondents, Diploma 6 equivalent to 6.1% of the respondents, Degree 18 equivalent to 18.1% of the respondents, Master Degree 11 equivalent to 11.1% PHD’s holders were 3 which is equivalent to 3% of the respondents, and 1 was non educated who makes 1% of the total respondents.

**Table 4.4 Respondents Distribution by Education Level****What is your Educational Level**

	Frequency	Percent	Valid Percent	Cumulative Percent
Primary School	13	13.1	13.1	13.1
Secondary School	33	33.3	33.3	46.5
Certificate	14	14.1	14.1	60.6
Diploma	6	6.1	6.1	66.7
Valid Degree	18	18.2	18.2	84.8
Master Degree	11	11.1	11.1	96.0
PHD	3	3.0	3.0	99.0
Other	1	1.0	1.0	100.0
Total	99	100.0	100.0	

**Source;** Researcher's Field Data Analysis (2018)

**4.1.5 Occupation of the Respondents**

The study intended to ask opinion for different occupation from respondents who are NSSF members, where by the results shown as follows; employed were 56 which is equivalent to 56.6% of the respondents, business were 19 which is equivalent to 19.2% of the respondents and none were 24 which is equivalent to 24.4% of the respondents as shown in the table below.

**Table 4.5 Respondents Distribution by Occupation (99)****What is your Occupation**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Employed	56	56.6	56.6	56.6
Business	19	19.2	19.2	75.8
None	24	24.2	24.2	100.0
Total	99	100.0	100.0	

**Source;** Researcher's Field Data Analysis (2018)

#### 4.1.6 Experience of Respondents with the Fund

The study intended to see how long the member live with the NSSF fund in Mbeya Regional, where by time spent by member with fund where categorized in two groups of more than 5 years and below than 5 years, and results were as follows; members below 5years were 54 which is equivalent to 54.5% of the respondents and members above 5 years were 45 which is equivalent to 45.5% of the respondents.

**Table 4.6 Respondents Distribution by Experience with Fund (99)**

**What is your Experience with Fund**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Below 5 years	54	54.5	54.5	54.5
Above 5 years	45	45.5	45.5	100.0
Total	99	100.0	100.0	

**Source;** Researcher’s Field Data Analysis (2018)

#### 4.1.7 The Average Time Spend to Attend Customer

The study intended to see how long the member can take with NSSF staff to get service, where by time spent by member with fund staff where categorized into three groups, first of 0 minutes to Five minutes, secondly of 5minutes to 10 minutes, and lastly of 10 minutes and above. The results obtained from the respondents were as follows; - members spent 0-5 minutes were 33 which is equivalent to 33.3% of the respondents, members spent 5-10 minutes were 50 which is equivalent to 50.5% of the respondents and members spent 10 minutes and above were 16 which is equivalent to 16.2 of the respondents.

**Table 4.7 Respondents Distribution by average time spent with Fund staff (99)**

What average time spend with scheme staff

	Frequency	Percent	Valid Percent	Cumulative Percent
0-5 minutes	33	33.3	33.3	33.3
Valid 5-10 minutes	50	50.5	50.5	83.8
more than 10 minutes	16	16.2	16.2	100.0
Total	99	100.0	100.0	

Source; Researcher's Field Data Analysis (2018)

#### 4.1.8 Strategy the Scheme Apply in Managing Customers Queue

The study intended to see how best the member can be comforted while waiting the service from NSSF staff, the strategy were categorized into two groups, firstly is Standing in line and secondly is Sitting in Queue, the results obtained from the respondents were as follows;- members waited service while standing in line were 8 which is equivalent to 8.1% of the respondents while members who waited service while sitting in queue were 91 which is equivalent to 91.9% of the respondents.

**Table 4.8 Respondents Distribution by strategy Fund use in managing queue (99)**

What strategy in managing queue

	Frequency	Percent	Valid Percent	Cumulative Percent
Standing in line	8	8.1	8.1	8.1
Valid Sitting in queue	91	91.9	91.9	100.0
Total	99	100.0	100.0	

Source; Researcher's Field Data Analysis (2018)

#### 4.1.9 The contribution of quality service factors towards customer's retention in social security schemes

The study discovered that quality service in security schemes is affected by several factors; as it's a bit complex to measure quality service as it is, we decided to look on the factors which contribute the quality service and below are those factors explained one after another.

**Table 4.9 Respondents Distribution by Chariness to Customers (99)**

How do you consider adequacy of chariness

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Satisfied	58	58.6	58.6	58.6
Satisfied	35	35.4	35.4	93.9
Valid Dissatisfaction	4	4.0	4.0	98.0
Very dissatisfaction	2	2.0	2.0	100.0
Total	99	100.0	100.0	

**Source;** Researcher's Field Data Analysis (2018)

From the above graph, the results from respondents were as follows;- chariness to customer was categorized to very satisfied, satisfied, dissatisfaction and very dissatisfaction whereby results shown, very satisfied were 58 which is equivalent to 58.6% of the respondents, satisfied were 35 which is equivalent to 35.4% of the respondents, dissatisfaction were 4 which is equivalent to 4% and lastly very dissatisfaction were 2 which is equivalent to 2% of the respondents.

**Table 4.10 Respondents Distribution by Communication to Customers (99)**

How do you consider adequacy of Communication

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Satisfied	63	63.6	63.6	63.6
Satisfied	29	29.3	29.3	92.9
Valid Dissatisfaction	7	7.1	7.1	100.0
Total	99	100.0	100.0	

**Source;** Researcher's Field Data Analysis (2018)

From the above graph, the results from respondents were as follows;- communication to customer was categorized to very satisfied, satisfied, dissatisfaction and very dissatisfaction whereby results shown, very satisfied were 63 which is equivalent to 63.6% of the respondents, satisfied were 29 which is equivalent to 29.3% of the respondents, dissatisfaction were 7 which is equivalent to 7.1% and lastly very dissatisfaction were no respondent chose that.

**Table 4.11 Respondents Distribution by Politeness to Customers (99)**

**How do you consider adequacy of politeness**

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Satisfied	59	59.6	59.6	59.6
Satisfied	30	30.3	30.3	89.9
Dissatisfaction	4	4.0	4.0	93.9
Very Dissatisfaction	3	3.0	3.0	97.0
None	3	3.0	3.0	100.0
Total	99	100.0	100.0	

**Source;** Researcher's Field Data Analysis (2018)

From the above graph, the results from respondents were as follows;- politeness to customer was categorized to very satisfied, satisfied, dissatisfaction and very dissatisfaction whereby results shown, very satisfied were 59 which is equivalent to 59.6% of the respondents, satisfied were 30 which is equivalent to 30.3% of the respondents, dissatisfaction were 4 which is equivalent to 4% of the respondents, very dissatisfaction were 3 which is equivalent to 3% of the respondents, and 3 of the respondents did not pick anything which is equivalent to 3% of the respondents.

**Table 4.12 Respondents Distribution by Approachability to Customers (99)**

**How do you consider adequacy of approachability**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Very Satisfied	70	70.7	70.7	70.7
Satisfied	20	20.2	20.2	90.9
Dissatisfaction	7	7.1	7.1	98.0
Very Dissatisfaction	2	2.0	2.0	100.0
Total	99	100.0	100.0	

**Source;** Researcher’s Field Data Analysis (2018)

From the above graph, the results from respondents were as follows;-approachability to customer was categorized to very satisfied, satisfied, dissatisfaction and very dissatisfaction whereby results shown, very satisfied were 70 which is equivalent to 70.7% of the respondents, satisfied were 20 which is equivalent to 20.2% of the respondents, dissatisfaction were 7 which is equivalent to 7.1% and lastly very dissatisfaction were 2 which is equivalent to 2% of the respondents.

**Table 4.13 Respondents Distribution by Ventilation Factor (99)**

**How Satisfactory are you on ventilation of Funds office?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Very Satisfied	82	82.8	82.8	82.8
Satisfied	17	17.2	17.2	100.0
Total	99	100.0	100.0	

**Source;** Researcher’s Field Data Analysis (2018)

From the above graph, the results from respondents were as follows;- ventilation factor at NSSF offices was categorized to very satisfied, satisfied, dissatisfaction and very dissatisfaction whereby results shown, very satisfied were 82 which is equivalent to

80.2% of the respondents, satisfied were 17 which is equivalent to 17.2% of the respondents, no respondent chose dissatisfaction as well as very dissatisfaction.

**Table 4.14 Respondents Distribution by Sitting Facilities Factor (99)**

**How Satisfactory are you on sitting facilities of the Fund?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Satisfied	70	70.7	70.7	70.7
Satisfied	20	20.2	20.2	90.9
Dissatisfaction	5	5.1	5.1	96.0
Very Dissatisfaction	2	2.0	2.0	98.0
None	2	2.0	2.0	100.0
Total	99	100.0	100.0	

**Source;** Researcher’s Field Data Analysis (2018)

From the above graph, the results from respondents were as follows;- sitting facilities factor at NSSF offices was categorized to very satisfied, satisfied, dissatisfaction and very dissatisfaction whereby results shown, very satisfied were 70 which is equivalent to 70.7% of the respondents, satisfied were 20 which is equivalent to 20.2% of the respondents, dissatisfaction were 5 which is equivalent to 5.1% of the respondents, very dissatisfaction were 2 which is equivalent to 2% of the respondents, and 2 of the respondents did not pick anything which is equivalent to 2%.

**Table 4.15 Respondents Distribution by Lighting Factor (99)**

**How Satisfactory are you with lighting?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Satisfied	68	68.7	68.7	68.7
Satisfied	17	17.2	17.2	85.9
Dissatisfaction	11	11.1	11.1	97.0
None	3	3.0	3.0	100.0
Total	99	100.0	100.0	

**Source;** Researcher’s Field Data Analysis (2018)

From the above graph, the results from respondents were as follows;- lighting factor at NSSF offices was categorized to very satisfied, satisfied, dissatisfaction and very dissatisfaction whereby results shown, very satisfied were 68 which is equivalent to 68.7% of the respondents, satisfied were 17 which is equivalent to 17.2% of the respondents, dissatisfaction were 11 which is equivalent to 11.1% of the respondents, no respondents picked very dissatisfaction were 3 of the respondents did not pick anything which made 3% of the respondents.

**Table 4.16 Respondents Distribution by Security Factor (99)**

**How Satisfactory are you on security of the office?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very Satisfied	75	75.8	75.8	75.8
Satisfied	19	19.2	19.2	94.9
Dissatisfied	5	5.1	5.1	100.0
Total	99	100.0	100.0	

**Source;** Researcher's Field Data Analysis (2018)

From the above graph, the results from respondents were as follows; -security factor was categorized to very satisfied, satisfied, dissatisfaction and very dissatisfaction whereby results shown, very satisfied were 75 which is equivalent to 75.8% of the respondents, satisfied were 19 which is equivalent to 19.2% of the respondents, dissatisfaction were 5 which is equivalent to 5.1% of the respondents, no respondents picked very dissatisfaction.

**Table 4.17 Respondents Distribution by attention factor (99)**

**How Satisfactory are you on attention from Fund staff?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Very Satisfied	64	64.6	64.6	64.6
Satisfied	33	33.3	33.3	98.0
None	2	2.0	2.0	100.0
Total	99	100.0	100.0	

**Source;** Researcher’s Field Data Analysis (2018)

From the above graph, the results from respondents were as follows; - attention factor was categorized to very satisfied, satisfied, dissatisfaction and very dissatisfaction whereby results shown, very satisfied were 64 which is equivalent to 64.6% of the respondents, satisfied were 33 which is equivalent to 33.3% of the respondents, no respondent picked dissatisfaction which is equivalent to 0% while 2 respondents did not pick anything and made to equivalent of 2% of the respondents.

**Table 4.18 Respondents Distribution by prompt service delivery attribute (99)**

**How Satisfactory are you on service delivery?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Very Satisfied	54	54.5	54.5	54.5
Satisfied	33	33.3	33.3	87.9
Dissatisfaction	11	11.1	11.1	99.0
Very Dissatisfaction	1	1.0	1.0	100.0
Total	99	100.0	100.0	

**Source;** Researcher’s Field Data Analysis (2018)

From the above graph, the results from respondents were as follows; - prompt service delivery factor was categorized to very satisfied, satisfied, dissatisfaction and very dissatisfaction whereby results shown, very satisfied were 54 which is equivalent to 54.5% of the respondents, satisfied were 33 which is equivalent to 33.3% of the respondents, dissatisfaction were 11 which equivalent to 11.1% of the respondents, very dissatisfaction were 1 which is equivalent to 1% of the respondents.

**Table 4.19 Respondents Distribution by convenience operating hours attribute (99)**  
**How Satisfactory are you on operating hours of the Fund?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Satisfied	64	64.6	64.6	64.6
Valid Satisfied	33	33.3	33.3	98.0
Dissatisfaction	2	2.0	2.0	100.0
Total	99	100.0	100.0	

**Source;** Researcher's Field Data Analysis (2018)

From the above graph, the results from respondents were as follows; - convenience operating hours factor was categorized to very satisfied, satisfied, dissatisfaction and very dissatisfaction whereby results shown, very satisfied were 64 which is equivalent to 64.6% of the respondents, satisfied were 33 which is equivalent to 33.3% of the respondents, dissatisfaction were 2 which is equivalent to 2%, no respondent picked very dissatisfaction which is equivalent to 0% of the respondents.

**Table 4.20 Respondents Distribution by appointment fulfillment attribute (99)**

**Does NSSF Staff fulfill appointment to customer**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	63	63.6	63.6	63.6
Agree	29	29.3	29.3	92.9
Disagree	2	2.0	2.0	94.9
Strongly Disagree	3	3.0	3.0	98.0
None	2	2.0	2.0	100.0
Total	99	100.0	100.0	

**Source;** Researcher’s Field Data Analysis (2018)

From the above graph, the results from respondents were as follows; - fulfill appointment factor was categorized to strongly agree, agree, disagree and strongly disagree, whereby results shown, strongly agree were 63 which is equivalent to 63.6% of the respondents, agree were 29 which is equivalent to 29.3% of the respondents, disagree were 2 which is equivalent to 2% of the respondents, strongly disagree were 3 which is equivalent to 3% of the respondents, 2 respondents did not pick anything and made to equivalent of 2% of the respondents.

**Table 4.21 Respondents Distribution by sufficient staffing to attain complains attribute (99)**

**Does NSSF have sufficient staff to handle customer complains?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	30	30.3	30.3	30.3
Agree	48	48.5	48.5	78.8
Disagree	15	15.2	15.2	93.9
Strongly Disagree	6	6.1	6.1	100.0
Total	99	100.0	100.0	

**Source;** Researcher’s Field Data Analysis (2018)

From the above graph, the results from respondents were as follows; - sufficient staff to handle customer complains factor was categorized to strongly agree, agree, disagree and strongly disagree, whereby results shown, strongly agree were 30 which is equivalent to 30.3% of the respondents, agree were 48 which is equivalent to 48.5% of the respondents, disagree were 15 which is equivalent to 15.2% of the respondents, strongly disagree were 6 which is equivalent to 6.1% of the respondents.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

The aim of this chapter is to check if the research questions were answered from our study. The objectives were met and if the study has made any contribution to the knowledge. The chapter represents a summary of the findings, followed by the final conclusion drawn from the discussion, implications, limitation and recommendation and suggestion of other further research on the same field.

The main focus was to identify the quality service factors which had significant contribution to customer's retention in social security industry and determine ways of improving them in order to retain customers in social security industry.

#### **5.2 Summary of Findings**

The study focused to investigate the contribution of service quality toward customer retention. Definitely the study pursued on the contribution of empathy factor of quality service toward customers retention, Secondly to access the contribution of tangibility factor of service quality towards customers retention, and thirdly to access the contribution of responsiveness factor of service quality towards customers retention.

All variables were measures in likert scale table ranging from 1 to 4, representing Very satisfied, Satisfied, Dissatisfied and Very Dissatisfied.

The data obtained from structured questionnaires and the findings were as follows care to customer 94% of the respondents were satisfied, communication to customer 92.9% of the respondents were satisfied, politeness to customer 89.9% of the respondents were satisfied, approachability of staff by customer 90.2% of the respondents were satisfied, ventilation of NSSF Offices 100% of the respondents were satisfied, sitting facilities of NSSF Offices 90.9% of the respondents were satisfied, lighting on NSSF offices 85.9% of the respondents were satisfied, security of NSSF offices 95% of the respondents were satisfied, attention to customer from NSSF staff 97.9% of the respondents were satisfied, prompt service delivery to customer 87.8% of the respondents were satisfied, convenient operating hours 97.9% of the respondents were

satisfied, fulfillment of customer appointments 92.9% of the respondents were agreed, and lastly was sufficient staffing to handle customer complains, where by 78.8% of the respondents were agreed.

### 5.3 Analysis on the Contribution of the Quality Service Factors towards Customer's Retention.

As the objective of the study was to investigate contribution of quality service to customers retention, study considered all mentioned quality service factors as independent variable towards dependent variable 'customers retention' and results from liner regression analysis were as follows;-

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.711 <sup>a</sup>	.506	.395	.236

- a. Predictors: (Constant), How Satisfactory are you on politeness from Fund staff?, How Satisfactory are you on sitting facilities of the Fund?, What strategy in managing queue, What average time spend with scheme staff, Does NSSF have sufficient staff to handle customer complains?, How Satisfactory are you on office parking?, How Satisfactory are you with lighting?, Does NSSF Staff fulfil customer expectation?, How do you consider adequacy of chariness, How Satisfactory are you on security of the office?, How Satisfactory are you on toilets?, How Satisfactory are you?, How do you consider adequacy of approachability, Does NSSF Staff fulfil appointment to customer, Does NSSF Staff have good communication to customers?, How Satisfactory are you on service delivery?, How Satisfactory are you on operating hours of the Fund?, How Satisfactory are you on ventilation of Funds office?

- b. From the model summary of linear regression analysis, R Square shown is 0.506 which is equivalent to 50.6%, so from this study, the quality service factors contributed by 50.6% on customer's retention. From 100% the remained 49.4% constitutes by other factors which were not taken on this study, so the study provides a room for another research study on the same topic to be conducted the by considering those remained other factors like technology, confidentiality etc.

#### **5.4 Conclusion**

The objective of this study was to access the contribution o Service Quality towards customer's retention in social security schemes. The study was guided by the following research questions "What extent does empathy relates to customer retention? "What effects does responsiveness has on customer's retention?" and "What effects does tangibility has on customer's retention?" The research questions were formulated from important variables which were considered to be the challenges (factors) towards customer's retention. The questions were designed to raise enquiry and establishing the link between the challenges to the respective subject matter that is factors affecting customer's retention in social security industry. The three research questions were aimed to establish substantial relationship between the factors representing service quality towards customer's retention. In the final analysis, the research questions were found to be relevant as they were used in deriving research objectives and in determining the conceptual framework and the research methodology. They were also the base for constructing questionnaires, data collection and analysis. The Outcomes of whether the questions were answered or the objective were met depends on the analysis of the study.

From the findings, the research questions were answered in the analysis. It therefore proven empirically that all three factors that were mention on research questions have direct effect on customer's retention.

Based on the findings, the results demonstrate that customers are satisfied with the quality of services offered by NSSF and are willingly to keeping on being customers of NSSF. As well the study has found that quality service has direct effects on customer's retention.

#### **5.4 Implication for Policy and Practice**

The research seems to have contributed to the topic both from an academic as well as business in general. The objectives of this study were to access the contribution of service quality to customer's retention in social security schemes, a case of NSSF Mbeya.

The results of this research should be useful to NSSF Management, Policy makers, Government as well as Management of other social security schemes in general, in order to maintain the organization goals that are profit maximization and cost minimization. Furthermore the results should be useful to managers in business units for strategic planning and implementation, as well for police makers as results contributed a form of benchmark for best practice which enabled them to come up with policies that can enhance reformation in the social security schemes and their operations. The Government of Tanzania to know the factors that affecting the performance of National Social Security funds, and social security industry in general. This will enable the government to put in place any appropriate regulations to enhance the sustainable performance of social security schemes. The implication of this findings was that customers place a high reliable on service quality.

#### **5.5 Recommendation**

From the conclusion above, the following recommendation is suggested to NSSF, as the Fund strive to increase customer base, should endeavor to improve quality service offered to customers, as the study revealed that quality service has positively impact towards customer's retention. So in order to increase customer base you should firstly find a way to retain the existing customers while looking other ways of register new customers, and there is no other way of retaining the existing customers apart of provision of services quality.

Service quality can also be improve by training staff on how to handle and treat customers with respect and providing them with helpful service. Management can arrange workshops, seminars on customer care for her employees. This will also help in creation a good image of an organization towards the service offered to customers.

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## APPENDICES

### APPENDIX I. INTERVIEW GUIDE FOR NSSF MEMBERS

#### QUESTIONNAIRES

#### QUESTIONNAIRES RESPONDENTS

Dear Respondents

I kindly, request for your contribution on the topic '**An Investigation on the contribution of quality service to customer's retention in social security schemes in Tanzania, as a case study of NSSF-Mbeya Region**'. Your answer and any other information that you will provide are very useful for the success of this research, put tick inside the bracket for what you think is right. Thank you for your cooperation

A. General information

Please tick the appropriate response of your choice

1) Sex: 1. Male { } 2. Female { }

2) Age: (a) 18-30 { } (b) 31-40 { } (c) 41-50 { } (d) 50+ { }

3) Marital status

i- } ii- Married { } iii- Widow { } iv- Divorced { }

4) Education level:

(i) Primary (ii) Secondary (iii) Certificate

(ii) Diploma (iii) Degree { }

(iv) Masters degree (v) others (Specify).....

5) Occupation

a) Employed {} (b) Business {} (c) None {}

6) Experience with the Security Scheme

a) Below 5 years {} (b) Above 5 years {}

**The effect of empathy factor on customer retention in the social security industry**

7) What average time do you spend with the scheme staff?

a) 0-5 minutes {}

b) 5-10 minutes {}

c) 10+ minutes {}

8) What strategy does the scheme apply in managing customer queue?

a) Standing in line {}

b) Sitting in queue {}

9) How do you consider the adequacy of these aspects of the scheme staff empathy towards the customers?

Empathy attribute	Very Satisfied {1}	Satisfied {2}	Dissatisfaction {3}	Very Dissatisfaction {4}
Care				
Politeness				
Communication				
Approachability				

**The effect of tangibility of service quality on customer retention**

10) How Satisfactory are these aspects of physical facilities of the scheme?

	Very Satisfied {1}	Satisfied {2}	Dissatisfaction {3}	Very Dissatisfaction {4}
Physical facilities				
Ventilation				
Facilities for sitting				
Toilets				
Drinking water				
Lighting				
Parking				
Security				

**The effect of responsiveness factor of service quality on customer retention**

11) How satisfactory are these attributes of responsiveness?

<b>Responsive attribute</b>	Very Satisfied {1}	Satisfied {2}	Dissatisfaction {3}	Very Dissatisfaction {4}
Attention				
Politeness				
Providing prompt services				
Convenient operating hours				

**The effect of reliability factor on customer retention in the social security industry**

12) How satisfactory are these attributes of reliability?

<b>Reliability attributes</b>	Strongly agree(1)	Agree- (2)	Disagree- (3)	Strongly Disagree(4)
Does NSSF Staff have good communication to customers?				
Does NSSF Staff keep Appointment given to their Clients/Customers?				
Does NSSF Staff fulfill the Expectations of their customer?				
Does NSSF have sufficient staff to handle customer's complaints/ Deliver prompt service to customers?				

**APPENDIX II.**

**INTERVIEW GUID FOR NSSF STAFF**

**QUESTIONNAIRES**

**QUESTIONNAIRE TO RESPONDENTS**

Dear respondents

I kindly, request for your contribution on the topic ‘**An Investigation on the contribution of quality service to customer’s retention in social security schemes in Tanzania, as a case study of NSSF-Mbeya Region**’. Your answer and any other information that you will provide are very useful for the success of this research. Thank you for your cooperation

**B. General information**

Please fill the blank

1. Office Name.....

2. Job title/position.....

3. Sex .....

4. For how long have you been working for your organization.....

5. Your education (a) Certificate (b) Secondary School (c) High School (d) Colleges (Diploma/Certificate) (e) University Undergraduate Degree (f) Master’s Degree (e) PhD Degree

Other please Specify .....

6. Age: (a) Below 18 years, (b) Between 18 - 29 –years (c) Between 30-59 (d) 60 and above { }

7. Are you satisfied with the current duties in your section/department?

.....  
.....  
.....

8. Does your Branch organize customer care courses?

.....  
.....  
.....

9. If you have attended any training/courses on customer care, was it useful?

.....  
.....  
.....

10. How do you view the scheme's efforts to ensure good customer care?

.....  
.....  
.....

11. How do you feel about your organization?

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12. What obstacles stop you on performing to your best level at the scheme?

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13. How do you handle customer's complaints?

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14. How do you attend service failure?

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