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Strategy

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Abstract

Purpose: The purpose of this study was to determine the effect of operational strategies on the performance of commercial banks in Makueni County in respect to banking services. The specific objective of this study was to investigate the influence of debt recovery, promotional strategies, employee training, the quality of bank services and products on the performance of commercial banks in Makueni County.

Methodology: The study used cross-descriptive research design and data was collected using a questionnaire. The target population of this study was bank employees with managerial roles and responsibilities; the bank managers and their assistants. The bank managers and their assistants were targeted because they are familiar and are actively involved in the development of operational strategies of commercial banks. Since the population was small census was used to select all the bank managers and their assistants to form a sample size of at least 130 study participants. The data collected was analysed using descriptive and inferential statistics with the aid of SPSS version 21.

Findings: Both the correlation and regression results revealed that there was a positive and significant relationship between debt recovery, promotional strategies, quality of services and products and employee training and performance of commercial banks in Makueni County. The theories tested in this paper included; resource based view, theory of constraints and contingency theory.

Recommendations: The study recommends that the bank managers should keep on developing and implementing policies which improve on their operational strategies. The quality of their products as it is likely to impact on their performance positively. The government of Kenya should develop strategies to ensure that loans given by commercial banks are paid off to ensure commercial banks remain competitive just like all the other financial institutions in the country. More research needs to be conducted on the specific operational strategies so as to obtain in depth information on how each operational strategy influence performance of commercial banks.

Key Words: *Debt Recovery, Promotional Strategies, Employee Training, The Quality of Bank Services and Products, and Performance of Commercial Banks.*

1.0 INTRODUCTION

The 21st-century business environment has changed significantly that most organizations have found themselves at crossroads, on whether to continue conducting their operations as they have been or to give in to these changes and change their business operations to be more strategic. With globalization, new multinationals have found their way in to the local market and, in the process, intensified competition to local organizations. To remain competitive in the market and increase performance, some of these local businesses have started appreciating operational strategies. Those that have embraced these changes have gained a competitive advantage over those that take time adopting the changes (Aliata, 2012).

Several scholars have defined operational strategies to a far-and wide-reaching ends. Slak & Lewis before (2010) define Operations strategy as the total pattern of decisions which shape the long-term capabilities of any type of operations and their contribution to the overall strategy. According to Aliata (2012), operational strategies refers to the methods companies and organizations use to reach their objectives. By developing operational strategies, a company can examine and implement effective and efficient systems for using resources, personnel and the work process. In this study, operational strategies refer to the methods used by the commercial banks to achieve their goals and objectives (Aliata, 2012). The organization's operations function is about getting things done; production of goods and services for customers. All businesses are concerned about how they will survive and succeed in the future. A business strategy consists of a set of intentions that will set the long-term direction of the actions that are needed to ensure future prosperity of the organization. The study adopted the definition by. (Slak & Lewis, 2010).

The major challenge facing businesses today is the effective and efficient management of the operational strategies on the organization's operational strategies. According to Ulrich (2012), the primary difference between organizations which succeed and those that fail is the ability to respond to the space of change. The organizations need to monitor both their external and internal environments, anticipate and to timely adapt to the continual change. According to Marquardt, (2015), the people and organizations or institutions which choose to meddle through turbulence of the business, find it very hard to survive.

Gama (2011) noted that financial products have increased, activities and organizational forms have also improved and the overall efficiency of the financial system had increased. This was also reported by the Central Bank of Kenya (CBK, 2014). Commercial banks branch network has grown from 1,342 in 2013 to 1,443 branches by end of December 2014, which translated to an increase of 101 branches. The increase in the use of technology by banks has been driven mainly by stiff competition leading them to adopt cost effective channels. The Kenyan banking sector comprises 44 commercial banks. The sector is relatively well developed and dynamic, while access to credit has been boosted over the past decade by the advent of mobile and agency banking (Gama, 2011).

A number of Kenyan banks have also expanded into neighboring countries. Prudential guidelines introduced in 2012 have helped to improve banks' risk management practices. The sector has continued to record strong growth during 2013, leading to the expansion of the deposit base by 12.5%, while gross loans grew by 17.65% in December 2013. Also, the demand for credit picked

up significantly following the peaceful conclusion of elections in March 2013. Credit demand was further boosted by lower interest rates and an upbeat macroeconomic outlook. Kenya's banking sector has a favourable outlook for 2014. This view is supported by solid macroeconomic fundamentals, continued expansion of Kenyan banks into the region, further expansion of the branch network and agency banking in the domestic market, and higher demand for banking services due to the government's devolution process (Blasco, 2017).

The banking industry has been earmarked as a key pillar to the achievement of vision 2030 (a long-term strategy to achieve sustainable growth by year 2030) through increased savings, encouragement of Foreign Direct Investment (FDI), safeguarding the economy from external shocks as well as propelling Kenya to become a leading financial Centre in Eastern and Southern Africa. Within the second Medium Term Plan (2013-2017) under vision 2030, some of the target areas include development of a safe and reliable payments system that will ensure smooth transfer and settlement of funds between customers and banks as well as between banks. Towards this end, the use of mobile phone networks, internet, payment cards, operational resilience and security was pursued in order to increase trust, integrity and confidence in the ICT based payment systems (CBK, 2014).

Makueni County is one of the 47 counties in the country, and its banking sector is subject to the national regulations. The various Acts and the guidelines are issued by the Central Bank of Kenya on a regular basis to regulate the Kenyan banking industry (KBA, 2012). Makueni as a county has nine commercial bank branches namely, Co-operative Bank, Equity Bank, Barclays Bank, Sidian Bank, Family Bank and Kenya Commercial Bank, which are located in different towns. These towns are Wote, Mtito Andei, Emali, Kibwezi, Makindu and Kikima. All these banks have their headquarters in the country's capital city, Nairobi. In Kenya, the registration of Commercial banks is done by the registrar of companies, after which they have to apply for a licence to operate in any part of the country from the Central Bank of Kenya (CBK, 2018). Even as these banks strive to provide services to their customers, they face many challenges.

According to Waweru & Kalani (2009), these challenges include having to deal with many semi-illiterate customers, currency denomination challenges, increased cases of fraud, the rapidly changing customer needs and, increase in the number of microfinance institutions that provide nearly similar services as commercial banks. These challenges, according to Kathaara (2014), have made different commercial banks to appreciate the need to embrace operational strategies as they are critical in solving most of the challenges.

Statement of the Problem

The changing business environment in Kenya has led to many challenges in the banking industry. These challenges include worsening economic conditions, monetary policy changes, financial sector liberation and more importantly intense competition. Despite the phenomenal growth, the Kenyan banking industry has experienced a myriad of challenges in regards to credit risk management. Credit risk was enhanced in 2017 as economic activity slowed down during the protracted election period (Njoroge, 2017). The slowdown in economic activity affected debt servicing across the sectors, as well as overall asset quality in the banking sector. This was reflected by the increase in the ratio of non-performing loans from 9.3 percent in 2016 to 12.3 percent in

2017. The sector's gross loans and advances decreased by 5.68 percent from KSh.2.29 trillion in December 2016 to KSh.2.16 trillion in December 2017.

From the year 2017 until early 2020, the economy recovery plan has as well been slow till the end of the year 2018 when the economy growth stood at 5.8% (CBK, 2020). The Kenya's economy showed a good progress throughout the first three quarters of the year 2019 but things changed for worst during the final quarter of the year 2019, when the first novel coronavirus (covid-19) case was reported in Wuhan, china. December 2019 and January 2020 were occasioned by several countries putting in place containment measures which included but not limited to travel advisories and introduction of quarantine on arrival to some countries. Some countries were marked as red zones and the global economic performance was not spared (CBK, 2020).

Bank lending if not properly assessed, involves the risk that the borrower will not be able or willing to honour their obligation. The pre-tax profit for the sector had decreased by 9.6 percent from Ksh.147.4 billion in December 2016 to Ksh.133.2 billion in December 2017. The decrease in profitability was attributed to a higher decrease in income compared to a marginal decrease in expenses. The banking sector income declined by 3.12 percent in the period ended December 2017 whereas expenses marginally decreased by 0.5 percent over the same period. The rapid technological growth and increased competition have forced commercial banks in Kenya to aggressively compete for employees in order to remain competitive. This trend has created a lot of interest on the effect of some of the factors such as promotional strategies, the quality of services and products, Human Resource Management strategies which include employee training on the performance of commercial banks in Kenya.

Findings from most studies have been characterized by lack of a solid theoretical foundation explaining the mechanisms causing the observed enhanced performance of commercial banks (Dimitriu, 2012). Available studies do not adequately investigate exactly how operational strategies influence the performance of commercial banks in Makueni County. Instead the studies have researched commercial banks performance against factors such external moderators. There is a clear line of cut that operational strategies build resilience of an institution. Performance of commercial banks cannot be achieved not unless banks employ stringent operational strategies which include; debt recovery, promotional strategies, products and service quality and employee training. It is therefore difficult to conclusively state the impact of the four operational strategies investigated on the performance of commercial banks in Makueni County. It is on this backdrop that this study was undertaken; to investigate operational strategies and the performance of commercial banks in Makueni County, Kenya.

Research Objectives

The objective of the study is effects of operational strategies on the performance of commercial banks in Makueni County.

2.0 LITERATURE REVIEW

Theoretical Review

Contingency Theory

The major proponent of contingency theory was (Fieldler, 2008) to explain the relationship between the attitude of leaders and performance or effectiveness of groups. The theory argues that there is no one best way of managing institutions, organizations, people or work best in each and every situation. The theory suggests that organizations cannot be managed by one-size fit all strategy or approach but rather work out unique managerial approaches which will vary from one condition to another being faced in the organization. The theory explains that, for a commercial bank to perform well in all the services and products it offers, it requires multiple and diverse approaches by the management to realize their goals and ultimately the profitability in every financial year. Since there are multiple products and services being offered by commercial banks, this study only investigated the influence of the operational strategies on the performance of commercial banks in Makueni County (Glendon, Clarke & Mc Kenna, 2006). In this case, therefore, operational strategies influence performance of the commercial banks depending on the situation of the country. The contingency theory anchors the variable on operational strategies.

Theory of Constraints

The theory of constraints (TOC) is an overall management philosophy, introduced by Eliyahu M. Goldratt in his 1984 book titled *The Goal* that is geared to help organizations continually achieve their goals. The underlying premise of the theory of constraints is that organizations can be measured and controlled by variations on three measures: throughput, operational expense, and inventory. Inventory is all the money that the system has invested in purchasing things which it intends to sell. Operational expense is all the money the system spends in order to turn inventory into throughput. Throughput is the rate at which the system generates money through sales. The theory is fundamental to the study since it establishes the performance of commercial banks as an output of effective operational strategies. The main drawbacks of Theory of constraints are claimed sub optimality of drum-buffer-rope and unacknowledged debt. Every system has a limiting factor or constraint focusing improvement efforts to better these constraints is normally the fastest and most effective way to improve profitability (Goldratt, 1984).

Resource-Based View

The resource based view (RBV) was designed by Penrose (1959). It presents an extensive analysis of the operating capabilities and competences that exist within a firm. The dominant view of the RBV model in the current period is based on the idea of economic rent as well as the view of the organization as a collection of capabilities and has a coherent and integrative role in strategic decision making (Kay, 2005). Pearce & Robinson (2009) states that the model provides a crucial and primary insight to the reason to why firms with inimitable and effectively structured resources would enjoy superior performance. The resources of an organization drive its performance by enabling it to develop the competences that allow it to survive and achieve superior performance (Kerama, 2003). The RBV model of the organization aids the understanding of resources that reinforce the other positioning strategies that a firm considers. For instance, when a firm wants to

be a low price business, it necessitates resources related to cost control systems, procurement skills, information systems, and TQM processes (Hoopes, Madsen, & Walker, 2003). The RBV model is applicable to this study on the environmental factors influencing the performance of commercial banks in Kenya because every commercial bank in Kenya has unique value creating resources such as the human resources, technology, physical resources that produce a maintainable competitive advantage such that no rival can adopt similar type of resources by imitation or acquisition, (Cort, Griffith & White, 2007).

Empirical Review

Hajra (2017) conducted a study on the factors affecting debt recovery in commercial banks in Kenya; a case of Equity Bank Kenya Limited. The objectives of the study included to determine how reputational risk, level of professional qualification and to what extent lack of collateral or security affected debt recovery in commercial banks. The findings of the study concluded that there was a positive relationship between reputational risk, level of professional qualification and employee's competency as well as between collateral and debt recovery. The study may not have been similar to this study but it is relevant in that it acted as a guide to the researcher in establishing the operational strategies adopted by the bank managers in the management of debt recovery and how each strategy affects the performance of commercial banks (Hajra, 2017). While the above literature reveals a positive relationship between debt recovery and performance of commercial banks elsewhere, a similar study has never been carried out in Makueni County.

Aliata et al. (2012) carried out a study on the influence of promotional strategies on banks' performance. The objective of the study was to examine the nature and influence of the relationship between the bank's promotional strategies and its performance. The study also sought to determine the importance of promotional strategies in explaining the bank's performance. This study found a positive relationship between promotional strategies expenditure and bank performance (Aliata et al, 2012). This study strived to find out if promotional strategies have any influence on the overall performance of the commercial banks in Makueni County. The study highlighted the similarities and differences in findings in relation to the previous studies.

Muiruri (2015), carried out a study on the influence of branding strategy on financial performance of commercial banks in Kenya. The study had two objectives; to establish the branding strategies adopted by commercial banks in Kenya and to determine the influence of branding strategies on financial performance of commercial banks in Kenya. The findings of this study revealed that the most common branding strategies among commercial banks in Kenya are use of the bank name alongside other brands for their products; use of multi-brands strategy, use of iconic branding strategy and use of individual brands. The findings also revealed that the banks' financial performance had improved over the years with increased branding (Muiruri, 2015). The above study is similar to this study as it identified the types of promotional strategies and how they influenced the performance of commercial banks in Makueni County.

Onditi et al (2012), carried out a similar study on the implications of service quality on customer loyalty in the banking sector in Homabay County. The study was guided by the assumption that there is no relationship between service quality and customer loyalty. The findings of the study concluded that service quality has a significant effect on customer loyalty (Onditi, 2012). The

above study was relevant to this study because it investigated how the quality of services and products of commercial banks in Makeni County influences their performance.

According to the study by Katua (2015), there is a large strand of the empirical studies in the literature that examine the link between employee training and employees' performance and/or organizational performance based on various organizations including commercial banks in different countries. Such studies provide empirical evidence in support of the positive correlation between employee training and employees' performance (Becker, 2010). However, many of these studies predominantly cover the advanced nations but less developing countries including Kenya (Johnson, 2006).

Yarrow (2017) carried out a study on the effect of training and development on employees' performance: the case of Equity Bank Kenya. The study had four objectives which included; to determine the effect of how training and development programs on employee performance, the influence of motivation on employee performance and how training and development contributes to employee performance at Equity Bank. The findings of this study revealed that training and development affects employee performance positively, a suggestion that training and development needs are essential for organizations (Yarrow, 2017). This study investigated the influence of employee training on the performance of commercial banks in Makeni County. Its findings were also compared with those of the previous studies to establish similarities and differences.

3.0 Research Methodology

This study adopted a cross-sectional descriptive research design. According to (Kothari, 2004) a descriptive research design would be appropriate because of the following reasons: the design is considered useful in describing the characteristics of a large population, makes use of large samples, thus making the results statistically reliable even when analyzing multiple variables, many questions can be asked about a given topic giving considerable flexibility to the analysis. According to Mugenda (2003), the population is a group of individuals, items or objects that have at least one characteristic in common and from which samples are drawn. The target population of this study was bank employees with managerial roles and responsibilities; the bank managers and their assistants. The bank managers and their assistants were targeted because they are familiar and are actively involved in the development of operational strategies of commercial banks. Since the population was small census was used to select all the bank managers and their assistants to form a sample size of at least 130 study participants. This study used a questionnaire to collect data from the study participants. A structured questionnaire was developed using closed ended questions only in all the categories of the questionnaire. To enhance validity and reliability of the research instrument, the instrument was piloted to evaluate the feasibility, time, cost, adverse events and effects in an attempt to predict an appropriate sample size and improve upon the study design before performance of full-scale research (Quantitative Analysis). According to Connelly (2008), extant literature suggests that a pilot study sample should be at least 10% of the sample projected for the larger parent study. Therefore, to ascertain the reliability and validity of the research instruments, the data collection instrument was piloted on 10 bank managers from commercial bank branches in the neighboring Machakos County. Random sampling technique was used to select six commercial bank branches. The researcher used census method to select all the bank managers and their assistants from each of the selected bank branches. Collected data was

coded and entered into the SPSS version 21 program; the tool that aided in data analysis. Descriptive statistics was used to summarise the data including percentages and frequencies. Tables and other graphical presentations deemed appropriate were used to present the data collected for ease of understanding and analysis. Pearson correlation, was used to test the association between the dependent and independent variables. The informed consent was conducted by the researcher to the prospective study participants before their actual participation into the study. They were informed that participation into this study was voluntary and that they could withdraw from the study as they deem appropriate. Confidentiality and safety of the data collected were assured and the respondents were made aware that use of the data remained strictly for the objectives of this study and that it was not used for other purposes before permission was sought from them. Approvals and other relevant permissions from the relevant authorities were sought before engaging in data collection exercise.

4.0 Research Findings

Debt Recovery and Performance of Commercial Banks

Normally, commercial banks give credit to willing borrowers based on creditworthiness or one's ability to repay. Sometimes, borrowers fail to repay their loan assets, a situation which may lead to use of a number of strategies by the commercial banks to recover their money. Some of the debt recovery strategies are more effective than others. This study investigated a number of indicators such as the value of the bank's loan assets, value of the unrecovered loan assets and the debt recovery strategies, to measure the debt recovery ability of the commercial banks in Makueni County. The study participants were asked to state the estimated total value of loans extended to their customers. The significance level was determined at the level of 0.01 (1 tailed). A correlation of the three indicators used and performance of commercial banks revealed that the value of the loan assets held by the commercial banks in the area of study had a negative correlation on the performance of the commercial banks at $r=-0.374$ and p value of 0.000 (1-tailed) indicating presence of a significant negative relationship between the value of loan assets held and performance of commercial banks at 0.01 significance level. Similarly, the value of unrecovered loan assets was found to have a negative correlation on the performance of the commercial banks at $r=-0.256$ and a p value of 0.003 indicating existence of a statistically significant negative relationship between unrecovered loan assets and performance of commercial banks at 0.01 significance level (1-tailed). The debt recovery methods were found to have a positive but weak correlation on the performance of commercial banks at $r=0.093$ and a p value of 0.165 indicating lack of statistically significant relationship between debt recovery and performance of commercial banks. However, they were not significantly related.

Promotional Strategies and Performance of Commercial Banks

For commercial banks to make their products and services known to the public and potential customers, commercial banks use a number of strategies to promote and sensitize the public. All the study participants were asked to state the promotional strategies they used in their respective commercial banks to achieve the purpose highlighted above. The study participants were also asked to state the market penetration strategies they used to ensure that their products and services were known to the furthest potential customers at the grassroots as well as their level of penetration

in the market. Since all the commercial banks reported that they use various promotional strategies to popularize their products and services, they were asked to state them specifically. They included audio advertisement, audio-visual advertisement, use of print media and use of the various social media platforms.

An analysis of the three correlations revealed that there was a weak positive correlation between promotional strategies and the performance of commercial banks at $r=0.130$ and a significance value of $p=0.168$ indicating lack of significant relationship between promotional strategies and the performance of commercial banks at 0.01 significance level. There was a weak negative correlation between the market penetration strategies and the performance of commercial banks at $r=-0.016$ and a significance value of $p=0.869$ indicating lack of significant relationship between market penetration and the performance of commercial banks at 0.01 significance level. There was also a weak negative correlation between the level of product penetration and the performance of commercial banks at $r=-0.068$ and a significance value of $p=0.474$ indicating lack of significant relationship between product penetration and performance of commercial banks at 0.01 significance level. None of the three variables had a significant influence on the performance of the commercial banks (2 tailed).

Quality of Bank Product and Services and Performance of Commercial Banks

In this study, respondents were asked to rate how the quality of bank product and services influenced the performance of commercial banks in Makueni County. They were asked to state the extent to which they agreed or disagreed with the statement “quality bank product and services improve the performance of commercial banks”. From the data presented in table 4.19 it is evident that five variables were used to measure the influence of the quality of bank products and services on the performance of commercial banks in Makueni County. There was a weak positive correlation but significant relationship between the quality of products and services on the performance of commercial banks at $r=0.336$ and a p value of 0.000. There was also a weak positive but significant correlation between customer product rating and the performance of commercial banks at $r=0.371$ and a p value of 0.000 at 0.01 significance level.

There was a weak positive but insignificant correlation between customer service rating and the performance of commercial banks at $r=0.109$ and a $p=0.250$. There was a weak negative insignificant correlation between modification of existing products and services on the performance of commercial banks at $r=-0.040$ and $p=0.672$. Lastly, there was a negative but insignificant relationship between the cost of products and services compared to those of the competitors on the performance of commercial banks at $r=-0.053$ and a p value of 0.577.

Employee Training and Performance of Commercial Banks

Commercial banks usually encourage their employees to keep on upgrading their skills and knowledge as a strategy to cope up with the high competition in the market. During recruitment, the commercial banks considered the employee’s level of education.

There was a moderate positive correlation between employee level of education on the performance of commercial banks at $r=0.488$ and a p value of 0.000, indicating a statistically significant relationship between the two variables at 0.01 significance level. There was also a

moderate correlation between the training strategies and the performance of commercial banks at $r=0.642$ and $p=0.000$ indicating a statistically significant relationship between the two variables at 0.01 significance level. There was a strong positive correlation between customer satisfaction and the performance of commercial banks at $r=0.739$ and $p=0.000$ indicating a statistically significant relationship between the two variables at 0.01 significance level.

There was a positive and insignificant correlation between highly educated staff and performance of commercial banks in Makueni County at $r=0.102$ and a p value of 0.281 indicating lack of a statistically significant relationship between the two variables at 0.01 significance level. The study found a weak negative but statistically insignificant correlation between frequency of training and the performance of commercial banks at $r=-0.058$ and a p value of 0.541 at 0.01 significance level. There was also a weak negative but statistically insignificant correlation between experienced employees and performance of commercial banks at $r=-0.060$ and $p=0.526$ at 0.01 significance level.

Regression Analysis

Regression analysis was carried out to determine the degree to which the independent variables studied influenced the performance of the commercial banks in Makueni County. Regression analysis was done for all the four main independent variables; debt recovery strategies, promotional strategies, quality of bank's products and services and employee training. The results were analyzed as per the regression model.

Table 1: Regression Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.327 ^a	.107	.074	17.29707

a. Predictors: (Constant), Employee Training, Quality of Products and Services, Promotional Strategies, Debt Recovery

From the above model summary, the value of $R=0.327$ indicating a low influence of the independent variables studied on the dependent variable. The value of R square = 0.107 suggests that only 10.7% of the change in the performance of commercial banks in the area of study can be explained by the four predictors studied. The value of the adjusted R square 0.074 suggests that only 7.4% of the variation in the performance of commercial banks is attributed to the independent variables studied. Therefore, the remaining percentage (89.9%) was due to other factors and could not be explained by Employee Training, Quality of Products and Services, Promotional Strategies, Debt Recovery. An analysis of variance (ANOVA) amongst the variables was also carried out and results presented in table 2.

Table 2: ANOVA

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3856.524	4	964.131	3.222	.015 ^b
	Residual	32312.379	108	299.189		
	Total	36168.903	112			

a. Dependent Variable: Performance of Commercial Banks

b. Predictors: (Constant), Employee Training, Quality of Products and Services, Promotional Strategies, Debt Recovery

The above ANOVA table 2 indicates that the regression model does not predict the performance of commercial banks significantly well. This is because of the significance value $p = 0.015$ which is greater than 0.01 significance level suggesting that the overall regression model did not statistically and significantly predict the outcome variable and that it is not a good fit for the data. The regression coefficients were summarized and presented in table 3.

Table 3: Regression Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-40.851	15.034		2.717	.008
	Debt Recovery	2.690	2.528	.105	1.064	.290
	Promotional Strategies	2.849	1.499	.181	1.900	.060
	Quality of Products & Services	5.963	2.263	.244	2.635	.010
	Employee Training	1.775	2.099	.079	.846	.031

a. Dependent Variable: Performance of Commercial Banks

This study used standardized coefficients because of their ability to compare the relative strength of the influence of each of the four independent variables; Employee Training, Quality of Products and Services, Promotional Strategies, Debt Recovery, on the dependent variable; Performance of commercial banks. The coefficients were also used to determine whether the independent variables statistically contributed to the model.

Inferential Statistics

This study investigated the effects of operational strategies on the performance of commercial banks in Makueni County. The study used four independent variables to understand these effects; debt recovery strategies, promotional strategies, quality of bank services and products and employee training. The dependent variable; performance of the commercial banks was measured using, debt recovery, promotional strategies, quality of bank's services and products and employee

training. The influence of each of the four independent variables was measured against the performance of commercial banks.

Multiple regressions were also used to determine the prediction factor of dependent variable caused by independent variables. The correlation results revealed that there was a positive relationship between debt recovery ($r=0.093$, $p=0.330$), promotional strategies ($r=0.165$, $p=0.080$), quality of services and products ($r=0.262$, $p=0.005$) and employee training ($r=0.739$, $p=0.000$) and performance of commercial banks in Makueni County. The regression results revealed that debt recovery, promotional strategies, quality of products and services and employee training influenced the performance of commercial banks at ($r=0.1.5$, $p=0.290$), ($r=0.181$, $p=0.060$), ($r=0.244$, $p=0.010$) and ($r=0.079$, $p=0.400$) respectively

$$Y = C + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \alpha$$

$$\text{Regression Model: } Y = C + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \alpha$$

Where:-

β_1 , β_2 , β_3 and β_4 are the regression coefficients of the independent variables

Y = Performance of Commercial Banks, C = Constant, $\beta_1 - \beta_4$ = Model Coefficients

X_1 = Debt Recovery, X_2 = Promotional Strategies, X_3 = Quality of Products and Services, X_4 = Employee Training and α is the error term.

$$\text{Specific Regression Model: } Y = -40.851 + 0.105 (X_1) + 0.181 (X_2) + 0.244 (X_3) + 0.079 (X_4)$$

The performance of commercial banks = $-40.851 + 0.105$ (Debt Recovery) + 0.181 (Promotional Strategies) + 0.244 (Quality of products and services) + 0.079 (Employee Training). The regression analysis above indicates how a unit change in the independent variable changes the dependent variable. Holding other factors constant, the constant of the model influences the performance of the commercial banks negatively at -40.851 .

Since all the betas' (β) are positive, it suggests that a unit increase in the values of the independent variables would cause a positive change in the dependent variable with the following quantities; 0.105 (Debt Recovery), 0.181 (Promotional Strategies), 0.244 (Quality of products and services) and 0.079 (Employee Training). The error term was not included in the specific regression model because its influence on the performance of the commercial banks was negligible when the other factors were held constant. There was a significant prediction of the performance of commercial banks by the quality of the services and products offered by the commercial banks as well as the employee training provided by the commercial banks. The model also indicated that promotional strategies had the highest contribution to the regression equation followed by the quality of services and products offered by the commercial banks.

5.0 Discussion

Discussion has been carried out on the findings of this study according to the four objectives investigated in this study where the influence of debt recovery, promotional strategies, quality of services and products as well as employee training on the performance of the commercial banks in Makueni County were investigated.

Debt Recovery and Performance of Commercial Banks

In this study, debt recovery was measured using a number of indicators such as the value of the banks' loan assets, the value of the unrecovered loan assets and the methods used to recover debts. Correlation analysis revealed a positive significant relationship between debt recovery and the performance of commercial banks. Although it is more likely to be random since it was not statistically significant, the study findings suggested that an increase in the level of debt recovery would lead to an increase in the performance of commercial banks. Although not exact, other related studies have been carried out on how debt recovery related indicators influence the performance related indicators of commercial banks. From the findings of this study and after consideration of the findings of previous studies, the research findings also agree with the findings of this study. Debt recovery strategies used by commercial banks have an impact on their performance. Use of effective debt recovery strategies by commercial banks improves their performance.

Promotional Strategies and Performance of Commercial Banks

All the commercial banks conducted agreed that they used some form of promotional strategies to create awareness and to sensitize the public on the availability of their products and services. This study used the mode of advertisement, promotional strategies and the penetration level of the banks' services and products. The promotional strategies used by the commercial banks who participated in this study included public relations, sales promotion, personal selling and advertisement which took various forms as use of audio only, audio-visual, print media and social media. The findings of this study revealed that social media was the widely used mode of advertisement. Other findings of this study suggested that there was a positive relationship between the promotional strategies used by the commercial banks in Makueni County and their performance. The modes of advertisement also had a weak positive relationship with the performance of the commercial banks. However, the study did not find such relationships statistically significant hence may have occurred by chance. This is to suggest that the more the commercial banks used effective promotional strategies, the better their performance.

Quality of Products and Services and Performance of Commercial Banks

To measure the quality of the products and services used by commercial banks in Makueni County, this study used indicators such as the customer satisfaction rating, product rating and service rating. The study findings revealed that there was a positive relationship between the quality of the bank services and products and the performance of commercial banks in Makueni County. The study revealed that the relationship was also statistically significant. This revealed that the better the quality of the bank's products and services, the better the performance. Therefore, commercial banks strive to improve the quality of their services and products. The findings of this study were in agreement with the findings of other previous studies such as Aliata 2016, Onditi et al 2012 and Odeny (2016). Although the study concluded that the dimensions of service quality considered most important by customers were reliability and responsiveness while tangibles were considered the least important, the findings were in agreement with the findings of this study in that they both revealed that the quality of the products and services by commercial banks have a positive influence on the performance of commercial banks. The research findings agree with the findings

of this study in that when they are of better quality or when the quality continues to improve, more customers are likely to get attracted and the existing ones will increase their number of transactions hence improved performance of the commercial banks.

Employee Training and Performance of Commercial Banks

Employee training in this study was measured using a number of indicators such as the training methods used by the commercial banks; seminars, workshops, in-service training and study leaves. The other indicators used included working and experience, level of employee education and the frequency of training and how such impacted on the customer satisfaction as well as the performance of the commercial banks studied. The relevance of the employee level of education in this study is that a commercial bank whose employees have higher academic qualifications is likely to perform better compared to those with a majority of employees whose level of education is low. Similarly, commercial banks with a majority of more experienced employees are more likely to perform more efficiently compared to commercial banks with less experienced employees. The findings of this study revealed that there was a strong positive relationship between the training strategies used by the commercial banks and the performance of commercial banks in the area of study. There was also a positive relationship between the frequency of training opportunities and the performance of commercial banks. This study established that the relationship was statistically significant. The study findings revealed that the more the commercial banks provided training opportunities for their employees to improve their knowledge and skills, the better their performance became.

Summary

To summarize this discussion, all the four independent variables; debt recovery, promotional strategies, quality of services and products and employee training were found to have a positive influence at varying levels, on the performance of commercial banks in Makueni County. All except the quality of services and products offered by the commercial banks were found not to be statistically significant. Previous studies and the findings of the research were both in agreement with the findings of this study.

6.0 Conclusion

The study objectives were to establish the influence of debt recovery, promotional strategies, quality of products and services and employee training on the performance of commercial banks in Makueni County.

Debt Recovery and Performance of Commercial Banks

Majority of the commercial banks in Makueni County have a high level of loan asset. In most of the banks the liquidity was more favourable with a high loan asset in comparison with the bank deposits. This shows that the commercial banks rely on the income from the loan asset to remain afloat and keep on phasing in the growth. This is one of reasons why commercial banks in the county and country be extension make supernormal profits. This is notwithstanding the challenge that comes alongside debt recovery. However most of the banks are recovering their loans in a favourable percentage with very few cases being referred to the Credit Reference Bureau (CRB) and external debt collectors.

The study concluded that there is a positive and significant relationship between debt recovery and performance of commercial banks. The study further concluded that, commercial banks in Makueni County have heavily invested in debt recovery at different levels with most of them having a fully-fledged debt recovery unit at the branch. These study findings confirmed that the more successful the banks were in recovery of their debts, the more and better their performance was. These findings were also confirmed by the different strategies used by the bank managers to recover their debts. These results were also confirmed by the regression analysis.

Promotional Strategies and Performance of Commercial Banks

Commercial banks in Makueni county have deeply put in use promotional strategies to make sure that they remain competitive enough. Social media has taken the world and business community by storm with its ability to reach many potential customers at their convenience and with less cost being involved. Print and audio visual media are also considerable investment in informing the existing and potential customers on new and existing products. Some commercial banks have gone a step further to personalize communication and tailor them to specific events that would in turn excite customers for example sending of festive, holidays and season greetings through short message services. This great acceptance and utilization of promotional strategies portrays a positive trajectory in the potential of the banking sector not only in Makueni county but in the whole world.

The study concluded that there is a positive and significant relation between promotional strategies and performance of commercial banks. Further, banks used a variety of promotional strategies to market their services and products, the more and better their performance became. The most commonly used promotional strategy was advertisement and the most commonly used advertisement method was the use of social media. These findings were confirmed by the different strategies used by the bank managers to promote their products and services to the public. These results were also confirmed by the regression analysis in this study.

Quality of Products and Services and Performance of Commercial Banks

Modern banking sector in Makueni county has been in the right path of growth because of their ability to create products which meet the customer needs. According to the findings of this study, most banks rely on feasibility studies before developing a certain product. This has seen the commercial banks meet their customers at their points of needs unlike the historical banking where products were purely developed without involving the customers. Modern banking has also seen most of the commercial banks offer several financial services under one roof such as, insurance services, mortgage services, sharia compliant banking, assets financing, pension savings, financial and tax advisory among others. This aspect has seen commercial banks gain popularity as compared to the other financial service providers who can only offer a specific service at a time. Superior quality of services, has also shaped the customer behaviour with increased customer satisfaction, the commercial banks have managed to retain more customers.

This study concluded that the banks used a variety of strategies to enhance customer satisfaction through enhanced quality of their products and services to their clients. These findings were confirmed by the different strategies used by the bank management to improve on the quality of their products and services such as modification of the existing products and production of unique

products to the public. The study concluded that there was a positive and significant relation between the quality of services and products offered by the commercial banks and performance of commercial banks. These results were also confirmed by the regression analysis.

Employee Training and Performance of Commercial Banks

Training plays a very critical role in growth of commercial banks and ensuring customer satisfaction is attained. Budget support for continuous training and cooperation of HR department and line managers should be forthcoming. Communication between managers and employees needs to be encouraged. Proper communication from top management to middle management and to junior staff is essential in enhancing growth of the commercial banks. Effective training ensures that employees' organization-wide can communicate more effectively with customers and management.

The study further concluded that there was a positive and significant relationship between employee training and performance of commercial banks. These study findings confirmed that the more the banks used a variety of strategies to train their employees, the more and better their performance was. The most commonly used employee training strategy was workshops and study leaves. These findings were confirmed by the different strategies used by the bank managers such as workshops, seminars, in-service training and study leaves to train their employees so as to improve their performance. These results were also confirmed by the regression analysis.

Recommendations

The following recommendations were made based on the findings of this study. They have been classified into policy, practice and academia.

Policy

To policy, the study recommends that existing policies and those to be developed in the future should consider inclusion or enhancement of quality of goods and services as a key factor to consider by the commercial banks as it significantly determines their performance. This is important to the financial institutions because through provision of quality products to customers can increase their profitability in the long-run. The same approach can also be recommended to other organizations that provide goods and services to their clients.

Practice

The study recommends that, the bank managers and administrators need to adopt debt recovery strategies which have proofed to be more effective in debt recovery process such as the Credit Reference Bureau Listing among others such as use of direct telephone calls and auctioneers. To the academia, it is important to research on other better and more effective debt recovery strategies as the above listed may not be the only ones.

The study recommends that, the bank managers and administrators need to adopt promotional strategies which have proofed to be more effective in creation of awareness on the available bank products and services to the public and potential clients or customers. Such strategies include advertisement, personal selling and good public relations. The commercial banks should also capitalize on the use of social media platforms to market their products and services as it emerged

as one of the most popular advertisement modes. To the academia, it is important to carry on with more research to establish more effective promotional strategies to make sensitization of the available products and services to customers easier and more affordable.

The study recommends that, the bank managers and administrators need to invest on strategies that improve of the quality of their services and products as such may improve their performance through improved customer satisfaction. To the academia and the commercial banks, there also a need to invest on more research to find out the needs and desires of their customers as well as on ways to make those desires real.

The study recommends that commercial banks should encourage their employees as well as to create opportunities for their employees to attend trainings so as to improve on their skills and knowledge. This will make them better performers at their places of work and eventually improve the performance of their organizations. The commercial banks also need to establish the most effective and cost-friendly strategies to train their employees. To the academia, there is need for more research to establish the friendliest training strategies used by the corporate like commercial banks.

Academia

This study restricted itself to studying the influence of only four operational strategies on the performance of commercial banks. Since these are not the only strategies, there is need for more research to find out the other operational strategies such as staff productivity strategy, business realignment strategy, technology and automation strategy which may influence the performance of commercial banks because the above are not exhaustive.

Areas for Further Research

The study was only limited to Makueni County, and therefore more research needs to be conducted on the specific operational strategies such as customer driven strategies, competitive priority and corporate strategy so as to obtain in depth information on how each operational strategy influence performance of commercial banks. Further research needs to be conducted on the influence of operational strategy on performance of other financial sectors such as micro-finance, SACCOs and insurance service providers. There is need to expand and investigate if the same situation exists in other commercial banks from other counties in the Country. More research using other methods of data collection such as interviews, focus group discussions to enhance the questionnaires and other methods of data analysis such as qualitative methods and use of other statistical packages like STATA are also recommended to find out if the performance of commercial banks can be influence in one way or another by other independent variables such as the employee training, customer satisfaction, promotional strategies and debt recovery.

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