EFFECT OF OPERATIONAL STRATEGIES ON PERFORMANCE OF COMMERCIAL BANKS IN MAKUENI COUNTY, KENYA

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DECLARATION

I understand that plagiarism is an offence and I therefore declare that this research report is my original work and has not been presented to any other institution for any other award.

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LIST OF ABBREVIATIONS AND ACRONYMS

ABSA	**:**	Amalgamated Bank of South Africa
ATMs	**:**	Automatic Teller Machines
AVE	**:**	Advertising Value Equivalent
BBL	**:**	Barclays Bank of Kenya Limited
CBK	**:**	Central Bank of Kenya
CDs	**:**	Certificate of Deposits
CRB	:	Credit Reference Bureau
FAHS	**:**	Fin Access Household Survey
FDI	**:**	Foreign Direct Investment
GCR	**:**	Global Competitive Report
KBA	**:**	Kenya Bankers Association
KCB	**:**	Kenya Commercial Bank
MFBs	**:**	Micro-Finance Banks
MPI	**:**	Media Publicity Index
NCBA	**:**	National Commercial Bank of Africa
RBV	**:**	Resource-Based View
ROA	**:**	Return on Asset
ROE	**:**	Return on Equity
SPSS	:	Statistical Package for Social Sciences
TOC	**:**	Theory of Constrains
TQM	**:**	Total Quality Management
WEF	**:**	World Economic Forum

DEFINITION OF TERMS

Continuous Improvement: This is a progressing push to enhance items, administrations, or procedures in the banking sector. (Korir, 2015).

Quality: This is the totality of elements and attributes of a product or service that bear on its capacity to fulfil expressed or suggested needs (Eshghi, 2008).

Total Quality Management (TQM): This is an administration way to deal with long–term accomplishment through consumer loyalty. In a TQM exertion, all individuals from an association take an interest in enhancing forms, items, administrations, and the way of life in which they work (Ivancevich, 2007).

Operational Strategies: This refers to the methods commercial banks use to reach their objectives. By developing operational strategies, a commercial bank can examine and implement effective and efficient systems for using resources, personnel and the work process (Aliata, 2012).

Commercial Banks: Financial institution that accepts deposits, offers checking and savings account services, and makes loans. In Kenya, they are regulated by the Central Bank of Kenya (Nelson, 2009).

Performance: The accomplishment of a given task measured against pre-set known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed the fulfilment of an obligation, in a manner that releases the performer from all liabilities under the contract (Mosongo, 2013).

Performance of commercial banks: The ultimate goal of commercial banks is Profit. All the strategies designed and activities performed, are meant to realize this ultimate goal. The following ratios are used to measure the profitability of commercial banks; Return on Asset, Return on Equity and Net Interest Margin (Mosongo, 2013).

Debt Recovery: Debt recovery is when a loan continues to go unpaid, and a creditor hires a third party, known as a collection service, to focus on collecting the money. Debt recovery is important because it is directly correlated to the bank’s credit score (Hajra, 2017).

Promotional These are techniques used by commercial banks to make the public

Strategies:	aware of their products and services, to influence them to purchase them, and to establish a long-term relationship that will make them repeat customers. The techniques may include advertising, digital marketing, sales promotions, and public relations (Aliata, 2012).
Employee Training:	This is a program that is designed to increase the technical skills, knowledge, efficiency, and value creation to do any specific job in a much better way (Noe, 2008).
Management Staff:	This includes the Branch, credit, customer care, risk and compliance and Operations managers (Nelson, 2009). In this study, Managers have been used to mean same as management staff.

ABSTRACT

The banking industry in Kenya and the world by extension is characterized by ever changing and turbulent competitive business environment in terms of products and services offered to their customers all geared towards the commercial banks performance. To overcome the above strains and remain profitable commercial banks need to adopt operational strategies that would aid them propel on their performance. This will make identification and pursuit of the right operational strategies as a source of superior performance to become a predominant priority in all organizations nevertheless the application of the right operational strategies is still a concern in many commercial banks. Thus, 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. This study was guided by three theories; contingency theory, theory of constrains and resource-based Theory. Although limited, the available literature has revealed a positive relationship between effective operational strategies and the performance of commercial banks. 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. 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 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. 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. Further research needs to be conducted on the influence of operational strategy on performance of other financial sectors such as micro-finance.

CHAPTER ONE

1.0 INTRODUCTION

This chapter presents the background of the study specifically on strategic management and the Kenyan banking sector. Other sections presented include the purpose, research objectives, research questions, significance, scope, limitations and assumptions of this study.

1.1. Background to the study

The 21st-century business environment has changed significantly that most organisations 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 globalisation, new multinationals have found their way in to the local market and, in the process, intensified competition to local organisations. 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 before adopting the changes.

1.1.1 Operational Strategies

Several scholars have defined operational strategies to a far-and wide-reaching ends. Slak & Lewis (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).

Operational strategy focuses on how to produce and deliver value to customers while the general overall strategy is concerned with the relationships between ends and means, between the results we seek and the resources at our disposal. The operations of an organization are strategically important because most organizational activities comprise of the day-to-day activities within the operations function. Operational strategies of an organization are the myriad daily actions of operations and when considered in their totality, they constitute the organization's long-term strategic direction. The organization's operational strategies are key determinants of the organization's ability to achieve its long term success and survival. The organization's success is likely achieved if its short-term operations and activities are consistent with the long term strategic intentions and make a significant contribution towards the organization's competitive advantage.

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.

According to a survey that was carried out by Kolhatkar & Sheelah (2018) on the management of change, organizations will often change to cut costs, move from a good performance to a better performance, turn around a crisis situation, to catch up with rivals or to separate from a part of the organization. Globally, according to the findings of a study that was carried out by Coyle-Shapiro & Kessler (2008), the study findings suggested that managers were more positive in their assessment of the employer's fulfilment of their obligations than the employees were. Through creation of effective channels of communication and an open working environment, the manager ensures that the expectations of both the employer and the employees are understandable and well communicated.

1.1.2 Performance of Commercial Banks

The performance of a firm is a controversial term consisting of four main dimensions; revenues/profits, market position, cash-to-cash cycle time and earnings per share. Human resource performance is about employee. Performance of any financial institution is crucial for rapid growth of an economy and is measured through its profitability and shareholders' value (Maina, 2016). In any country's economy, banks act as an intermediary where people deposit money and acquire loans with the difference between the rate charged on loans and the rate paid to depositors translating to the banks income. Upward bank performance is a positive indicator on the economic growth and development of a country. It is important therefore, to understand how different operational strategies affect the performance of commercial banks so that the managers can be in a position to implement those which help the commercial banks to improve their performance (Maina, 2016).

For commercial banks, which are financial institutions that provide various types of financial services to customers in return for payment in form of either; interests, discounts, fees, commission and so on (Bhole, 2009) by providing these services, they participate in an economic activity, whose main goal is to generate income. On average, the deposits consist of 80% of the source of bank funds and include savings, current accounts and fixed deposits. Additionally, World Bank Business Survey (Njoroge, 2017), reported that Kenya is ranked 28th among 189 countries on Credit accessibility. To maintain their competitiveness despite the changes in the banking environment, commercial banks develop new products or make institutional changes or market their products innovatively (Lawrence, 2012). The changes can lead to introducing a new product, popularizing a product, using new technologies, rising of new institutions or reorganizing current ones with the aim of facilitating access to information, trading and means of payment (Lawrence, 2012). With these changes, it is expected that the performance of the commercial bank undergoes change too (Solans, 2013). Performance measurement and reporting is now widespread across the banking sectors in many industrialized and industrializing countries (Mosongo, 2013). The measurement of the performance is done to provide investors in the banking sector with the required information with regard to how their investments are generating value for them. Further according to (Elsinger, 2010), commercial banks represent the core of the credit for the national economy.

The credit, in turn, serves as the engine that drives financial flows that determine growth and economic development. The efficiency in the activities of commercial banks has direct implications on the entire economy. The management of every commercial bank has the duty of ensuring that every policy they undertake adds value to investors and to the country at large. Assessing investment performance within changing banking environment will ensure the banks achieve investment objectives and determine the general direction of the behaviour of investment activity (Elsinger, 2010).

1.1.3 Commercial Banks in Kenya

A commercial bank is a type of financial institution that accepts deposits, offers checking account services, makes business, personal and mortgage loans and offers basic financial products like certificates of deposit (CDs) and savings accounts to individuals and small businesses (Central Bank of Kenya, 2016). Commercial banks are regulated by the central bank of Kenya and the registration requirement is a minimum core capital of 1 billion , While Microfinance bank institution is an organization that offers financial services to low income population by giving loans to their members, receive deposits and offer insurance services with an aim of reducing poverty by provision of micro credit to the financial poor. Microfinance core capital requirement is 20 Million for a community Microfinance and 60 Million for a regional microfinance.

The banking sector in Kenya comprises of the Central Bank of Kenya, as the regulatory authority, 44 commercial Banks, 1 Mortgage Finance Company, 8 representative offices of foreign banks, 9 Microfinance Banks (MFBs), 2 Credit Reference Bureaus CRBs 13 Money Remittance Providers (MRPs) and 87 Foreign Exchange (Forex) Bureaus. Out of the 44 banking institutions, 30 are locally owned commercial banks while 14 are foreign owned. Of the 14 foreign owned banks 10 are locally incorporated subsidiaries of foreign banks and 4 are branches of foreign incorporated banks. Out of the 44 banking institutions, 11 are listed on the Nairobi securities Exchange (CBK, 2014). The Kenyan financial sector has undergone tremendous changes in the last two decades (1990-2010).

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 neighbouring 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).

World Economic Forum (WEF) an independent international organization committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas. The World Economic Forum's Centre for Global Competitiveness and Performance through its Global Competitiveness Report (GCR) and report series, aims to mirror the business operating environment and competitiveness of over 140 economies worldwide. The report series identify advantages as well as impediments to national growth thereby offering a unique benchmarking tool to the public and private sectors as well as academia and civil society (Schwab, 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.

1.2. 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.

1.3. Objectives of the Study

1.3.1 Main Objective of the Study

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

1.3.2 Specific Objectives of the Study

The study is guided by the following specific objectives;

i. To investigate the effects of debt recovery on the performance of commercial banks in Makueni County.
ii. To find out the effects of promotional strategies on the performance of commercial banks in Makueni County.
iii. To investigate the effects of products and service quality on the performance of commercial banks in Makueni County.
iv. To determine the effects of employee training on the performance of commercial banks in Makueni County.

1.4. Research Questions

This study aimed at answering the following research questions:

i. What is the effects of debt recovery on the performance of commercial banks in Makueni County?
ii. What are the effects of promotional strategies on the performance of commercial banks in Makueni County?
iii. What are the effects of products and service quality on the performance of commercial banks in Makueni County?
iv. What are the effects of employee training on the performance of commercial banks in Makueni County?

1.5. Significance of the study

The main purpose of this study was to determine the influence of operational strategies on the performance of commercial banks in Makueni County. This study is perceived by the researcher as important because it is anticipated that its findings would be of great use to several stakeholders in the banking industry. On one hand, the findings will help the Government in formulating education policies geared towards improving the performance of commercial banks in Makueni County. On the other hand, the research findings will also help the bank managers in understanding how the independent variables studied affect the performance of commercial banks in this area of study. This will help them in designing methods or ways of improving the prevailing situations in the banking industry. It is also intended that this study will provide additional knowledge which will enlighten the general public on how these factors affect the general performance of commercial banks in the area of study.

1.6. Limitations of the Study

This study was limited in a number of ways which included the geographical coverage and the target population. Commercial banks; which form the target population, are spread all over the country in every county. The investigation of the vast geographical area and target population may not have provided in depth and reliable results. To address this challenge, the study was carried out only on commercial banks within Makueni County. This limited the generalization of the research findings to commercial banks within Makueni County only. The other limitation of this study was on the numerous operational strategies which have the potential of influencing the performance of commercial banks in the area of study. Since it may not have been possible to investigate all of them in the same study, the study investigated the influence of only four selected operational strategies on the performance of commercial banks so as to explore the influence and provide reliable results.

1.7. Scope of the Study

This study confined itself in investigating the influence of operational strategies such as debt recovery, promotional strategies, quality of services and products and employee training on the performance of commercial banks in Makueni County. The data was collected through administration of questionnaires on the bank managers and their assistants of the identified branches of the commercial banks in Makueni County. The method of how the study respondents were selected is discussed in chapter three. The findings of this study have been generalized to the population of Makueni County only.

1.8. Assumptions of the Study

Some of the assumptions of this study included that the data collected from the study respondents was accurate and its analysis has provided reliable findings leading to realistic recommendations on how the commercial banks in Makueni County can improve the relationship between the four independent variables and the dependent variable studied. The researcher also assumed that the respondents would be willing to give information by filling the questionnaire. Lastly, the researcher made an assumption that the data collection tool used was not biased in any way leading to collection of inaccurate information.

CHAPTER TWO

2.0. LITERATURE REVIEW

2.1. Introduction

This section presents the theoretical review of the theories which guided this study. The section also presents the empirical review of the previous studies which have been carried out elsewhere in the past and are related to this study, the conceptual framework, summary and the research gaps identified during the literature review.

2.2. Theoretical Framework

This section presents a discussion of the theories applicable in studying the influence of strategic management on the performance of commercial banks. This study was guided by three theories which include; the Contingency Theory; Theory of Constraints and Resource-Based View. All the three theories are in support of operational strategies being a key element affecting performance of commercial banks.

2.2.1. 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 argues that, the lack of one best approach to manage an organization in a number of situations is due to the differing environmental and organizational needs and structures that affect an 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. The study only measured the influence of four indicators of operational strategies; debt recovery, promotional strategies, the quality of bank's products and services and employee training on the performance of commercial banks in Makueni County.

This theory asserts that under different situations, different solutions may be effective, implying that different organizational circumstances require different approaches. There is no universal regulation deemed suitable for all the firms and diverse environments require changing organizational relationships to maximize productivity. The primary duty of the managers is finding an appropriate fit between a business and its environment and the suitable organizational decision for efficiency and effectiveness of the firm. The contingency theory is relevant to this study because every firm adopts different operational strategies as well as operates in a differently competitive environment and hence there is no one particular management method that fits into every kind of scenario (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.

2.2.2 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. Goldratt adapted the concept to project management with his book Critical Chain, published in 1997. 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.

Theory of constraints (TOC) is based on the view that resources are limited, and therefore, the organisation should ensure efficiency and effectiveness in its operations. According to Mabin & Victoria (1999), the theory of constraints focuses on three distinct but interconnected areas namely: resources, human and systems. The theory is primarily used in lean systems since the business focuses on systematically identifying constraints that add no value to the business system. Operational strategies help to create efficiency that control wastes and at the same time to add value to customers. According to Slack, Brandon-Jones & Johnston (2014), Operational strategies ensure continuous improvement on systems, procedures and processes in order to add value to the customer and ensure that these systems, procedures and processes uphold quality standards leading to end products of the best quality. This theory is fundamental to the study since it establishes the performance of commercial banks as an output of effective operational strategies which raise up above the constraints that commercial banks experience. 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.

2.2.3 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. According to Cort, Griffith, and White (2007), RBV of the firm believes that a desired result of the managerial effort in the organization is sustained competitive advantage (SCA). Achieving SCA allows a business to earn above-average returns. According to this view, a firm achieves a SCA if its resources have value, barriers to duplication, as well as relevance. A firm can obtain a SCA if it effectively deploys these resources in its market. Organization always focus on attaining maximum profits and thus transforming a short run competitive advantage to SCA the firm will need resources which are heterogeneous in nature(Hoopes, Madsen, & Walker, 2003).

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).

2.3. Empirical Review

This section presents a discussion of the findings of previous studies carried out to investigate the influence of operational strategies on performance of commercial banks or related areas. The discussion has been carried out as per the objectives of this study.

2.3.1 Debt Recovery and Performance of Commercial Banks

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.

Maina (2016) carried out a study on the effects of lending practices on the financial performance of commercial banks in Kenya; a survey on selected banks within Nairobi. The objectives of the study included; to find out the effects of customer procedures during lending practices, interest rate on loans and the bank's credit policy guidelines on the financial performance of commercial banks in Nairobi Kenya (Maina, 2016). The findings of this study revealed that know your customer procedures were critical defence line for the commercial banks against fraudulent transactions. The study also concluded that higher interest rates resulted in reduced borrowing although it had a positive financial performance in terms of revenue. The last conclusion stated that credit policy guidelines defined the official operational model by commercial banks when handling transactions related to lending services (Maina, 2016). The previous study by Maina was relevant to the current study because it investigated the effects of lending practices while the current study investigated the relationship between the two variables and reported on any differences and similarities identified.

In a study carried out by Wanjugu (2017) on credit risk management and financial performance of selected commercial banks in Kenya. The objectives of the study included to determine the effect of loan appraisal process, lending requirements, debt recovery process and credit policy on the financial performance of commercial banks in Kenya. The findings of the study established that debt recovery process does not significantly affect bank performance while loan appraisal process, lending requirements and credit policies were found to have a significant effect on bank performance (Wanjugu, 2017).

From the reviewed literature, it is evident that different financial institutions use different approaches to recover their debts from clients who have obtained loan or credit assets from them. It is also evident that the different loan recovery strategies yielded different results as some are more successful than others. The choice of the debt recovery strategy needs done carefully to achieve the best results as this determined the bank's overall performance. This study investigated the influence of debt recovery on the performance of commercial banks in Makueni County. The study has also given recommendations on the most suitable debt recovery strategies which may lead to better performance of commercial banks in Makueni County.

2.3.2 Promotional Strategies and Performance of Commercial Banks

Promotion is the direct way an organization attempts to reach its publics and is performed through the five elements of promotion mix including advertising, sales promotion, personal selling, public relations, and direct marketing. With the growing importance of the financial sector, pressures are escalating for more effective marketing management of the financial services. The introduction of Automatic Teller Machines (ATMs) and new back office processing technologies dramatically decreased the costs associated with handling and processing individual transactions. With economies in Africa liberating, the banking industry has concurrently improved. Kenya Commercial Bank (KCB) media publicity index (MPI) had a positive change of 13.24% up from 364.80 in 2008 to 413.10 while in terms of its Advertising Value Equivalent (AVE) there was a total increase of 55.34% in 2009 from a total of Ksh.254, 918,000 in 2008 to Ksh.396 million in 2009 (KCB, 2009).

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.

In a study carried out by Nguru, et al. (2016) on the effects of marketing strategies on the performance of Equity Bank. The study had two objectives; to determine the effect of customer satisfaction and customer relationship management on the performance of Equity Bank. The findings of this study revealed that the marketing strategies measured had a strong positive correlation with performance of Equity

Bank. This suggested that, the more the bank invested in marketing, the better the performance (Nguru, 2016). This study established among other variables, the influence of promotional strategies on the performance of commercial banks in Makueni County not on one commercial bank as was the case in this study. The findings were compared against those of the previous studies to establish similarities and differences.

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.

From the literature reviewed in this section, it is clear that there are numerous promotional strategies at the disposal of organizations for use in promoting their services and products. The choice of any organization was determined by a number of factors which include the cost and the kind of target group among others. It is also clear that different promotional strategies gave different results. Therefore, it is very important for organizations to carefully select those strategies which have a positive impact on their performance. This study investigated the promotional strategies used by commercial banks in Makueni County and gave recommendations on the most appropriate operational strategy based on the influences of each to the performance of commercial banks in the area.

2.3.3 Products and Service Quality and Performance of Commercial Banks

Service organisations can differentiate themselves by delivering services of higher quality than their competitors. Several studies have been carried out on how quality affects the performance of organizations. For instance, Aliata et al (2016) carried out a study on the relationship between service quality and customer satisfaction of commercial bank customers in Nairobi, Kenya. The study was guided by only one objective; to analyse the relationship between service quality and customer satisfaction of commercial bank customers in Nairobi Kenya. The study targeted 1072500 customers and sampled 384 customers of commercial banks in Nairobi Kenya. The study findings revealed that service quality significantly contributed to customer satisfaction. This study was relevant to this study since service quality is one of the main goals of operational strategies particularly in financial institutions.

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 Makueni County influences their performance.

Odeny (2016), studient the influence of service quality on performance of Barclays Bank of Kenya Limited. The objectives of the study included, to determine the key service quality dimensions that customers consider important in the provision of financial services and to examine the influence of service quality on the performance of Barclays Bank of Kenya Limited (BBL) (currently ABSA). The findings of the study concluded that the performance measures of BBL were clustered under customer measures, colleague measures, company measures, conduct and citizenship measures (Odeny, 2016). 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 study also revealed that service gaps were present in BBL in varying degrees and that a number of measures were in place to address the gaps. The study concluded that service quality has a significant influence on the performance of BBL and makes an important contribution to profitability of the bank (Odeny, 2016). This study is relevant and important to this study as the researcher investigated if this situation was similar or different for commercial banks in Makueni County. Based on the literature reviewed in this section, it is evident that service and product quality have a positive relationship with the performance of organizations. This study examined to establish if these findings were similar or different in Makueni County.

2.3.4 Employee Training and Performance of Commercial Banks

Studies have been carried out on the influence of employee training on the performance of organizations. For instance, Katua (2015) conducted a study on the effect of training and development strategies on the performance of commercial banks in Kenya. His study had three objectives; to investigate the effect of training and development strategies on the performance of commercial banks, the extent to which commercial banks in Kenya engage in training needs analysis and the extent to which commercial banks in Kenya budget for training and development activities. The findings of the study revealed that a training and development strategy has a significant and a positive effect on the performance of commercial banks in Kenya (Katua, 2015). This study explored to find out if employee training has a similar impact on the performance of commercial banks in Makueni County or not.

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).

The human resource strategies mostly focus on how the company should manage its staff to assist the organization in the achievement of corporate objectives. Training and development has been believed to have some effect on the performance of organizations in various sectors particularly in the manufacturing sector. However, very little research has been done about the effect of training and development strategies on the performance of commercial banks in Kenya (Katua, 2015).

Motlokoa (2018) conducted a study which was published in 2018 on the impact of training on employee’s performance: the case of banking sector in Lesotho. The objectives of the study were to examine the impact of training on employee’s performance, employee’s motivation and job satisfaction in the banking sector in Lesotho. The findings of the study revealed that training does not increased employee’s performance, but also positively affects employee’s motivation and job satisfaction within the banking sector in Lesotho (Motlokoa, 2018). This study investigated the impact of employee training on the performance of commercial banks in Makueni County and compare with the findings of the previous studies to establish similarities and differences.

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 Makueni County. Its findings were also compared with those of the previous studies to establish similarities and differences.

According to Noe (2008) there is both a direct and indirect link between training and business strategy and goals. Training can help employees develop skills needed to perform their jobs, which directly affects the business performance. Giving employees opportunities to learn and develop creates a positive work environment which supports the business strategy by attracting talented employees as well as motivating and retaining current employees. According to Johnson (2006) formal programs are reduced and more emphasis is on coaching and mentoring to support self development. Ivancevich (2007) have argued that training and development of human resources involves change in skills, knowledge, attitudes and/ or social behaviour in order to remain competitive. Organizations that emphasize quality do training in problem solving, problem analysis, quality measurement, feedback and team building.

2.4 Critical Review of Literature and Research Gaps

Based on the literature reviewed above, it is clear that there is adequate literature supporting existence of a positive relationship between employee training and performance of commercial banks. The more training the employees received, the more knowledge and skills they gained which reflected by their quality and efficient services to their customers hence more achievement of the organization's goals and objectives; better performance of the commercial banks. Since no study on the influence of employee training on the performance of commercial banks has been carried out in Makueni County, it justifies the importance of this study. This confirmed whether the same or different relationship between the two variables exists and to what extent.

In recent years, business organizations are characterized by turbulences of organizational change, stiff competition, market globalization and rapid financial innovation resulting from technological advancement. For instance, globalization and financial liberalization have led to huge change in the financial sector worldwide through significant developments in the money and capital markets more especially in developed countries on one hand. On the other hand, financial innovation has significantly changed financial system landscape by introducing new payment, clearing and settlement methods, inter alia, which to a great extent require more training in order understood and therefore implemented by the commercial banks. Otherwise, these innovations have potential to introduce new risks to the financial sector, which the commercial banks may not be able to manage and/or mitigate with resultant threat on profitability and business sustainability (Noe, 2008).

The available literature has revealed that the commercial banks are experiencing a lot of competition where both internal and external environments are constantly changing posing new challenges which if not addressed may make the commercial banks succumb to competition and consequently out of business. Different scholars have done studies on operational strategies and its effects on performance with most of the studies focusing only on a narrow view of operational strategies. Considering the theoretical connotation that exists between quality and performance, it is acceptable that operational strategies can be used to foster performance. Scholars such as Hajra (2017), Maina (2016) and (Wanjugu, 2017) student the effects of debt recovery on performance of commercial banks and all agree that there is a significant positive relationship between the two variables. Aliata et al, (2012), Nguru, Ombui, & Iravo (2016) and Muiruri (2015) all conducted separate studies on the impact of promotional strategies and performance of commercial banks and found a positive significant relationship between the two variables. Onditi (2012) and Odeny (2016) both researched on the product and service quality and found that it had a positive significant impact on the performance of he organization. Findings of the researches conducted on employee training and performance of commercial banks by Katua (2015), Johnson (2006) and Motlokoa (2018) indicated that, there is a positive significant relationship between the two variables.

From the foregoing review, it is clear that, all the four independent variables have an impact on the performance of commercial banks. Although there is adequate literature on the relationship between various operational strategies and the performance of commercial banks in various parts of the world, there is limited literature on the influence of debt recovery, promotional strategies quality of bank services and products and employee training on performance of commercial banks. However, none of the previous studies was carried out in the current study location hence the need for this study. This study, thus, aims at bridging the gap in the Kenyan context and, in particular, Makueni County, by focusing at the relationship between operational strategies and performance of commercial banks in the county. Ideally, the study intends to establish that unified events in banks have a significant input towards fostering efficiency, reducing time and other wastages and ultimately, saving on operational costs.

2.4. Conceptual Framework

Figure 2.1 is the conceptual framework of this study and it illustrates the independent variables and the dependent variable investigated and the theorized relationship perceived to exist between them.

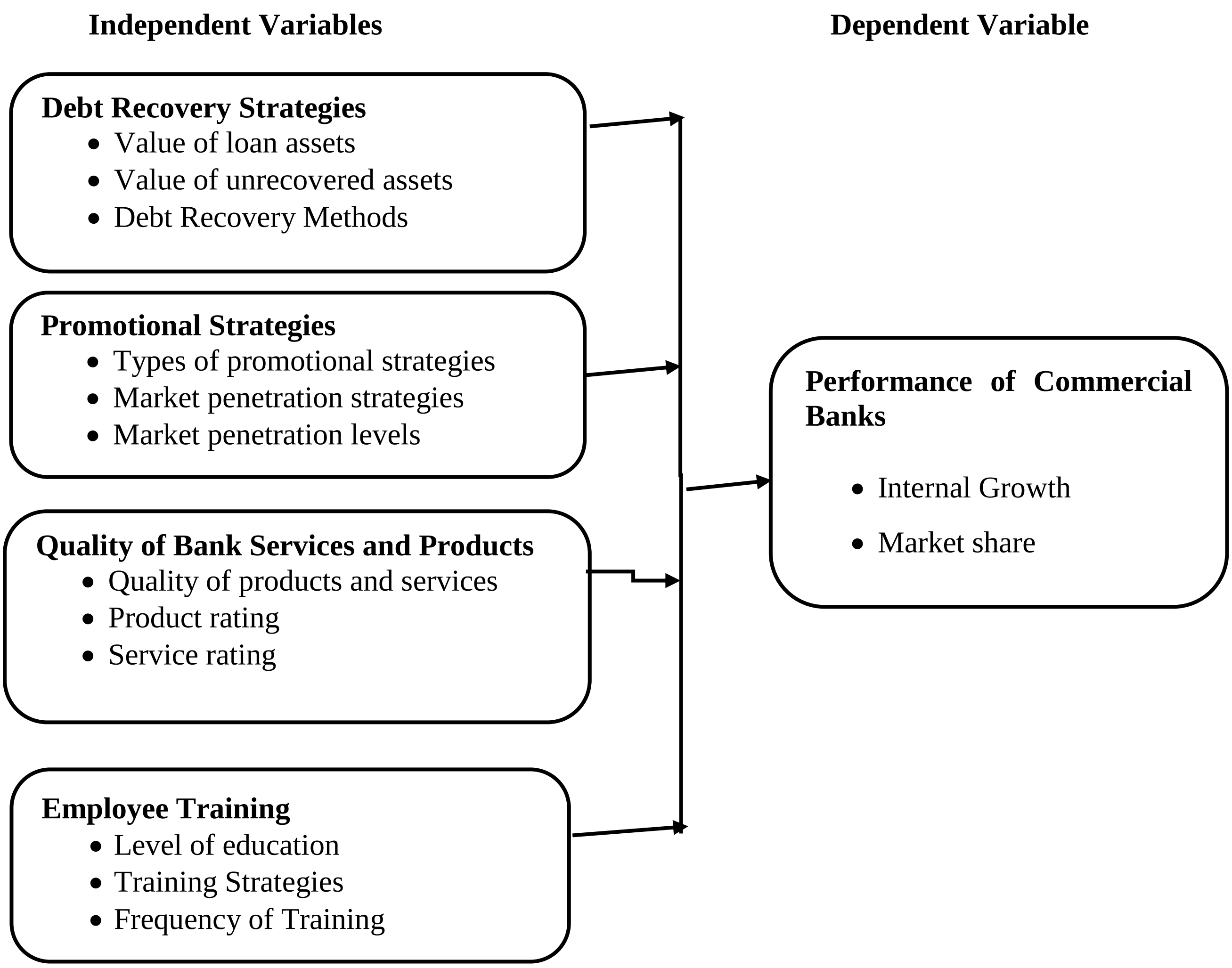

Figure 2.1: Conceptual Model

Source: Author, 2018

Figure 2.1 illustrates the hypothesized influence and the direction of the independent variables on the dependent variable. It also shows the indicators used in measuring each variable. Debt recovery was measured by use of value of loan assets, value of unrecovered assets and debt recovery methods while the promotional strategies was measured using types of promotional strategies, market penetration strategies and market penetration levels. The quality of bank services and products was measured using quality of products and services, product and service rating while employee training was measured by the level of education, training strategies and frequency of trainings. Performance is the accomplishment of a given task measured against pre-set known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed the fulfilment of an obligation, in a manner that releases the performer from all liabilities under the contract (Mosongo, 2013). The ultimate goal of any operational commercial banks is to make profits. All the strategies designed and activities performed, are meant to realize this ultimate goal. The following ratios are used to measure the profitability of commercial banks; Return on Asset, Return on Equity and Net Interest Margin (Mosongo, 2013). Debt recovery is when a loan continues to go unpaid, and a creditor hires a third party, known as a collection service, to focus on collecting the money. Debt recovery is important because it is directly correlated to the bank's credit score (Hajra, 2017). Promotional Strategies are techniques used by commercial banks to make the public aware of their products and services, to influence them to purchase them, and to establish a long-term relationship that will make them repeat customers. The techniques may include advertising, digital marketing, sales promotions, and public relations (Aliata, 2012). Employee Training is a program that is designed to increase the technical skills, knowledge, efficiency, and value creation to do any specific job in a much better way (Noe, 2008). The performance of commercial banks was measured using internal growth and market share. The relationship between the independent and the dependent variables is from the reviewed literature. The representation shows a positive and significant relationship between the operational strategies and the performance of commercial banks.

CHAPTER THREE

3.0. RESEARCH METHODOLOGY

3.1. Introduction

This section presents the research design, the target population, sampling and sampling techniques, the research instruments, the data collection procedure and the data analysis procedures used in this study.

3.2. Research Design

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. The design allows the use of various methods of data collection like questionnaire and interview methods and it also makes use of standardized questions where reliability of the items is determined because of the cross-sectional nature of the data collected and the comparative analysis inherent in the topic studied. This research design has successfully been used by other researchers such as (Nguru, 2016; Shipho, 2011).

3.3. Target Population

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. The study population has been summarized in table 3.1.

Table 3.1: Sample Population

Branches	Sampled Management staff	Sampled Assistant Managers	Total No. of staff
1. KCB Wote	6	6	12
2. KCB Kikima	3	3	6
3. KCB Kibwezi	4	4	8
4. KCB Makindu	5	5	10
5. KCB Mtito	4	4	8
6. KCB Emali	4	4	8
7. Equity Bank Wote	5	5	10
8. Equity Bank Kibwezi	5	5	10
9. Barclays Wote (ABSA)	5	5	10
10. Family Bank Wote	5	5	10
11. Sidian Emali	5	5	10
12. Cooperative Wote	4	4	8
13. Cooperative Emali	5	5	10
14. Sidian bank-Kibwezi	4	4	8
Total	**65**	**65**	**130**

Source: Director of Trade and Social Economics, Ministry of Finance, Makueni County, 2019.

All the management staff and their assistants from all the 14 commercial banks in Makueni County were sampled to form the sample of this study. The sampled group provided the data which was analyzed to achieve the objectives of this study.

3.4. Data Collection Instrument

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. The study used closed ended questions only because according to Saunders (2004), the closed-ended items are easy to analyze and more accurate in measuring quantitative variables compared to the open ended questions. In addition to the primary data collected using the questionnaire, the study also collected secondary data on the indicators of the dependent variables; internal growth and market share.

3.5. Pilot Study

To enhance vailidity and relaiability 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 neighbouring 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.

Usually, the reliability is split into four levels which include low (0.3-0.5), Moderate (0.5-0.7), high (0.70-0.90) and excellent reliability (0.90 and above). Reliability testing was carried out for same type of items in every section of the questionnaire. The questionnaire had a Cronbach Alpha coefficient of 0.872 suggesting an excellent and high level of reliability. Generally, the key items in the questionnaire were reliable hence suitable for use in actual data collection for this study.

3.5.1 Validity of Research Instrument

Validity is defined as the accuracy of the data and/or information collected during a research study. It refers to the connotation and extrapolations arising from the results of the study (Orodho, 2004). It refers to the level to which study findings accurately represent the area under investigation. A research instrument is valid depending on the usefulness of the data collected in addressing the scope of the research topic. It is usually enhanced through expert judgment (Best, 2006). The researcher prepared the data collection instrument in close consultation with the supervisor to ensure that specific areas in relation to the research objectives are covered in the specific sections of the tool. The supervisor also helped the researcher in establishing the areas of weakness in the data collection tool. Necessary adjustments were carried out to enhance validity.

3.5.2 Reliability of the Research Instrument

Cooper et al (2006) defined Reliability as the degree of consistency of the measures or results whatever it measures. It is the ability to constantly produce the same results when repeated measurements are taken under the same circumstances. Since the questionnaire was an item-tool, test-retest method was also used to measure reliability to ascertain similarity. The Cronbach Alpha scale for the first questionnaire was 0.60 and after the retest the Cronbach alpha scale rose up to 0.92 showing a more internal consistency (Orodho, 2004).

3.6 Data Collection Procedures

The researcher distributed the questionnaires to the sampled bank employees at the various bank branches in Makueni County. The respondents were given adequate time to fill the questionnaires, approximately seven days before they were collected for coding and cleaning in preparation for data analysis. Because of the sensitivity associated with commercial banks in relation to giving information, it was more appropriate for the researcher to carry out the data collection process personally. This was because the contracted assistant researchers may not have had the required skills to convince the study participants to give the required accurate and reliable data.

3.7 Data Analysis

Data analysis according to Yin (2003) involves examining, categorizing, tabulating or otherwise combining the evidence to address the initial propositions of a study. Before data entry, the screening was done. Data screening ensures that responses are legible and understandable and that reactions are within an acceptable range and are complete, and all of the necessary information has been included (Kothari, 2004). Collected data was coded and entered into the SPSS version 22 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.

3.8 Ethical Considerations

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.

CHAPTER FOUR

4.0. RESEARCH FINDINGS

4.1. Introduction

This section presents the findings of this study. The study sought to investigate the effects of operational strategies on the performance of commercial banks in Makueni County. The section also presents a discussion of the analysis of the response rate and the background information of the respondents as well as the main findings of the study discussed as per the study specific objectives. The other information presented in this section includes a detailed analysis of the descriptive and inferential statistics of the study showing the influence of each independent variable as indicated in each objective on the dependent variable. The main findings of the study were presented in tables and charts.

4.2. Pilot Study

Piloting of the data collection tool; the questionnaire, was carried out on ten (10) bank managers from randomly selected bank branches in the neighbouring Machakos County. The questionnaires were administered and the respondents were allowed a period of 14 days to complete them before they were collected in readiness for entry and analysis with an aim of improving its ability to capture the reliable and valid data on the variables which were studied. The basic information of the respondents on whom the questionnaire was piloted was summarized in tables:

4.2.1. Piloted Commercial Banks

The questionnaire was piloted on six commercial banks as shown in the table below; Equity Bank, Barclays Bank (Currently ABSA), Cooperative Bank, Family Bank, NIC Bank and Standard Chartered Bank. The researcher aimed at two managers from each of the banks. However, it was not possible to reach the target in two banks; Barclays Bank and Standard chartered Banks as only one manager from each of the two banks managed to complete and return the questionnaire.

Table 4.1: Piloted Commercial Banks

Commercial Bank	Frequency	Percent	Valid Percent	Cumulative Percent
Equity Bank	2	20.0	20.0	20.0
Barclays	1	10.0	10.0	30.0
Cooperative Bank	2	20.0	20.0	50.0
Family Bank	2	20.0	20.0	70.0
Nic Bank	2	20.0	20.0	90.0
Standard chartered Bank	1	10.0	10.0	100.0
Total	10	100.0	100.0	

As indicated in the table 4.1, two managers from four out of the six commercial banks contacted, managed to fill and return their questionnaires while only one respondent from two out of the six completed and returned their questionnaire.

4.2.2 Reliability Testing of the Questionnaire

Reliability is the consistency across the parts of a measuring instrument (Huck, 2007). A scale is said to have high internal consistency reliability if the items of a scale “hang together” and measure the same construct (Huck, 2007, Robinson, 2009). The most commonly used internal consistency measure is the Cronbach Alpha coefficient. It is viewed as the most appropriate measure of reliability when making use of Likert scales (Whitley, 2002, Robinson, 2009) as was mostly the case in this study. Usually, the reliability is split into four levels which include low (0.3-0.5), Moderate (0.5-0.7), high (0.70-0.90) and excellent reliability (0.90 and above). Reliability testing was carried out for same type of items in every section of the questionnaire. The questionnaire had a Cronbach Alpha coefficient of 0.872 suggesting an excellent and high level of reliability. Generally, the key items in the questionnaire were reliable hence suitable for use in actual data collection for this study.

4.3. Descriptive Statistics

This section provides for the relationship between the independent and the dependent variable. A large variance would mean that the data was spread on the scale while a small variance would mean that the data was concentrated within a certain value. The standard deviation shows how the data deviated from the central value which is the mean. A large standard deviation means that, the data deviated from the central mean by a large margin but does not mean that the data is wrong but the opinions are diverse.

4.3.1. Background Information

Data on several respondents' background characteristics was collected and it included their response rate, sampled commercial banks, designation at work, level of education, working experience and the length of time serving in the current bank at the time of answering this questionnaire. The data for each was analyzed separately and presented in tables and figures as shown below.

4.3.2. Response Rate

The target population of this study consisted of the management staff and assistant managers of the fourteen (14) branches of the Commercial Banks in Makueni County; KCB branches at Wote, Kikima, Kibwezi, Makindu, Mtito Andei and Emali, Equity Bank branches at Wote and Kibwezi, Barclays Bank at Wote, Sidian Bank branches at Emali and Kibwezi , Cooperative Bank branches at Wote and Emali and then Family Bank at Wote. The total target population was 130 management employees from the bank branches listed above. The response rate was summarized and presented in table 4.2.

Table 4.2: Response Rate

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Returned Questionnaires	113	86.9	86.9	86.9
	Unreturned Questionnaires	17	13.1	13.1	100.0
	Total	130	100.0	100.0	

The study sample size consisted of 65 employees in the management, 65 assistant managers as shown in table 3.2 above. The sample size of the study was 130 respondents after sampling all the 65 managers and their 65 assistants. Questionnaires were prepared and administered on a sample size of 130 study participants. However, only 113 respondents managed to successfully complete and return their questionnaires hence a response rate of 86.9% as shown in table 4.2.

4.3.3. Sampled Commercial Banks

The study collected data from all the branches of the six commercial banks in Makueni County; Kenya Commercial Bank, Equity Bank, Barclays Bank, Cooperative Bank, Family and Sidian Bank. The distribution of the respondents from every bank was as shown in table 4.3.

Table 4.3: Sampled Commercial Banks

Commercial Bank		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	KCB	27	23.9	23.9	23.9
	EQUITY BANK	24	21.2	21.2	45.1
	BARCLAYS	16	14.2	14.2	59.3
	COOPERATIVE BANK	21	18.6	18.6	77.9
	FAMILY BANK	14	12.4	12.4	90.3
	SIDIAN BANK	11	9.7	9.7	100.0
	Total	113	100.0	100.0	

Table 4.3 suggests that majority of the respondents 23.9% were from Kenya Commercial bank while the least of the respondents (9.7%) were drawn from Sidian Bank. The respondents from the other banks were as follows; 21.2% from Equity Bank, 14.25 from Barclays Bank, 18.6% from Cooperative Bank and 12.4% from Family Bank. The distribution shown in the table above was also presented using the Figure 4.1.

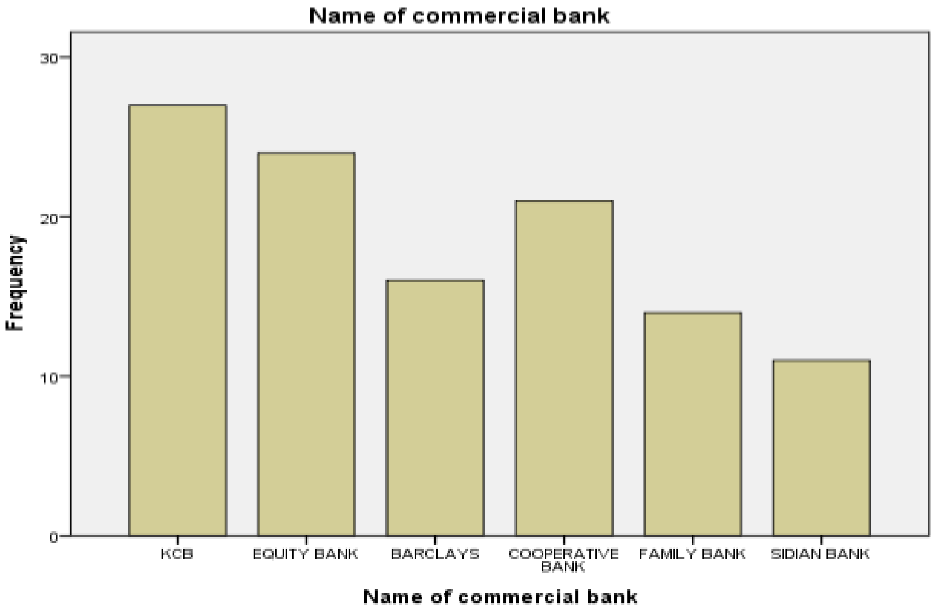

Figure 4: 1 Targeted Commercial Banks

4.3.4. Respondents' Designation

The designations of the study respondents were categorized into two levels; managers and assistant managers. The distribution of their designations was analyzed and presented in table 4.4.

Table 4.4: Respondents' Designation

Designation		Frequency	Percent	Valid Percent	Cumulative Percent
	Management staff	54	47.8	47.8	47.8
Valid	Assistant Manager	59	52.2	52.2	100.0
	Total	113	100.0	100.0	

The study participants were classified into two designations; management staff and assistant managers. The analysis presented in table 4.4 suggested that majority of the participants (52.2%) were assistant managers while the rest (47.8%) were in the management. The study also found out the participants' level of education.

4.3.5. Respondents' Level of Education

The level of education for the respondents was classified into four classes; diploma, bachelor's degree, master's degree and PhD. Their level of education was analysed and presented in table 4.5.

Table 4.5: Respondents' Level of Education

Level of Education		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	11	9.7	9.7	9.7
	Bachelor's Degree	77	68.2	68.2	77.9
	Master's Degree	21	18.6	18.6	96.5
	PhD	4	3.5	3.5	100.0
	Total	**113**	**100.0**	**100.0**	

An analysis of the data presented in table 4.5 on the respondents' level of education revealed that majority of the respondents had a bachelor's degree as their highest level of education with 68.2% respondents while the least of the respondents (3.5%) had PhD as their highest level of education. Those with a diploma and a Master's degree as their highest level of education were 9.7% and 18.6% respectively. This indicated the academic achievement among the study participants.

4.3.6. Respondents' Working Experience

The respondents were asked to state the length of time they had worked in the banking industry. The experience period was classified into four levels; less than two years, 2 to 5 years, 5 to 10 years and above 10 years. The data was analyzed and presented in table 4.6.

Table 4.6: Working Experience

Working Experience		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 2 Years	13	11.5	11.5	11.5
	2-5 Years	19	16.8	16.8	28.3
	5-10 Years	60	53.1	53.1	81.4
	More Than 10 Years	21	18.6	18.6	100.0
	Total	113	100.0	100.0	

Analysis of the respondents' working experience revealed that majority (53.1%) of them had worked in the banking industry for a period between 5 to 10 years while the least (11.5%) had a working experience of less than 2 years. Those who had a working experience of 2-5 years and more than 10 years were 16.8% and 18.6% respectively. The results in the table above were also presented in figure 4.4-2.

Figure 4: 2 Working Experience

From figure 4.4-2 it is evident that those with working experience between 5 to 10 years were the majority, followed by those with working experience of more than 10 years, then those with 2 to 5 and the least were those with less than 2 years working experience.

4.3.7. Working Experience in the Current Bank

The respondents were also asked to state the length of time they had worked in the current bank/station. The length of working of experience was classified into four categories; less than two years, 2 to 5 years, 5 to 10 years and above 10 years. The data collected was analyzed and presented in table 4.7 below.

Table 4.7: Working Experience in the Current Bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 2 years	32	28.3	28.3	28.3
	2-5 Years	58	51.3	51.3	79.6
	5-10 Years	15	13.3	13.3	92.9
	More than 10 Years	8	7.1	7.1	100.0
	Total	113	100.0	100.0	

Analysis of the respondents' working experience in the current bank revealed that majority (51.3%) of them had worked in the current station for a period between 2 and 5 years while the least (7.1%) had a worked in the current station for more than 10 years. Those who had worked in the current station for a period of less than 2 years and between 5 and 10 years were 28.3% and 13.3% respectively. The results were also presented in figure 4.3.

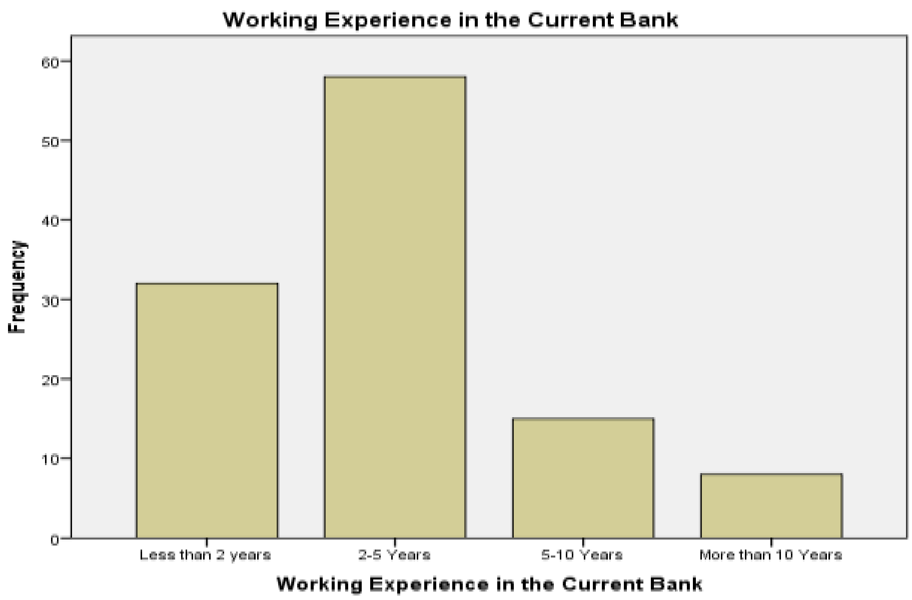

Figure 4: 3 Working Experience in the Current Bank

4.3.8. 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 study findings were summarized and presented in table 4.8.

Table 4.8: Value of bank's loan assets

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1m-200m	2	1.8	1.8	1.8
	201m-400m	9	8.0	8.0	9.7
	401m-600m	15	13.3	13.3	23.0
	601m and above	87	77.0	77.0	100.0
	Total	113	100.0	100.0	

The study findings in table 4.8 suggest that majority (77%) of the commercial banks in Makueni County had the highest level of loan assets used (601 million and above). Only 1.8% of the commercial banks studied had loan assets valued at figures between 1 and 200 million. Generally, the number of commercial banks reduced with the reduction in the value of the bank's loan assets. The results were also presented in the Figure 4.4-4 below.

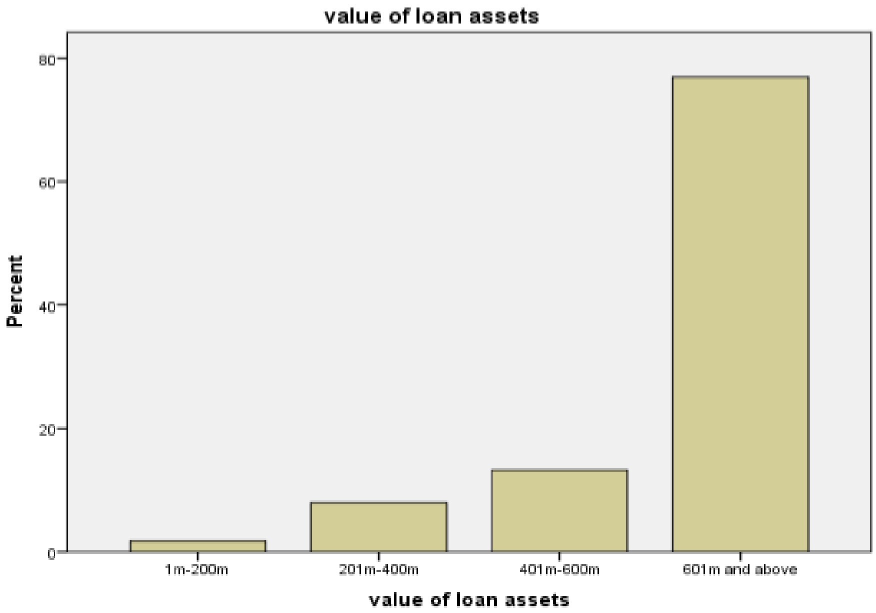

Figure 4: 4 Value of the Bank's Loan Assets

The study participants were also asked to state the approximated value of their unrecovered loan assets. The responses were summarized and presented in table 4.9.

Table 4.9: Value of Unrecovered Loan Assets

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1m-10m	19	16.8	16.8	16.8
	21m-20m	29	25.7	25.7	42.5
	21m-30m	32	28.3	28.3	70.8
	31m and above	33	29.2	29.2	100.0
	Total	113	100.0	100.0	

The study findings in table 4.9 revealed that majority (29.2%) of the commercial banks had accumulated unrecovered loan assets to values above 31 million Kenya shillings, followed closely by 28.3% who had unrecovered assets valued between 21 and 30 million Kenya shillings. The least proportion (16.8%) of the commercial banks had unrecovered assets valued between 1 million and 10 million Kenya shillings.

The study participants were also asked to state the various debt recovery strategies they use to recover or have their loans repaid by the customers. The responses included use of auctioneers, demand letters, use of direct telephone call and credit reference bureau listing. The responses were summarized and presented in table 4.10 below.

Table 4.10: Debt Recovery Methods

Debt Recovery Methods		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Use of Auctioneers	7	6.2	6.2	6.2
	Demand Letters	4	3.5	3.5	9.7
	Direct Telephone Calls	15	13.3	13.3	23.0
	CRB Listing	87	77.0	77.0	100.0
	Total	113	100.0	100.0	

Analysis of the data collection methods used by commercial banks revealed that, Credit Reference Bureau Listing is the mostly used method as it was reported by 77.0% of the study respondents. The method which is least used by the commercial banks is use of demand letters as it was reported by 3.5% only. Other methods used were auctioneers and direct telephone calls to defaulters which were reported by 6.2% and 13.3% of the respondents respectively. The findings in the table above were also presented in the figure 4.4-5.

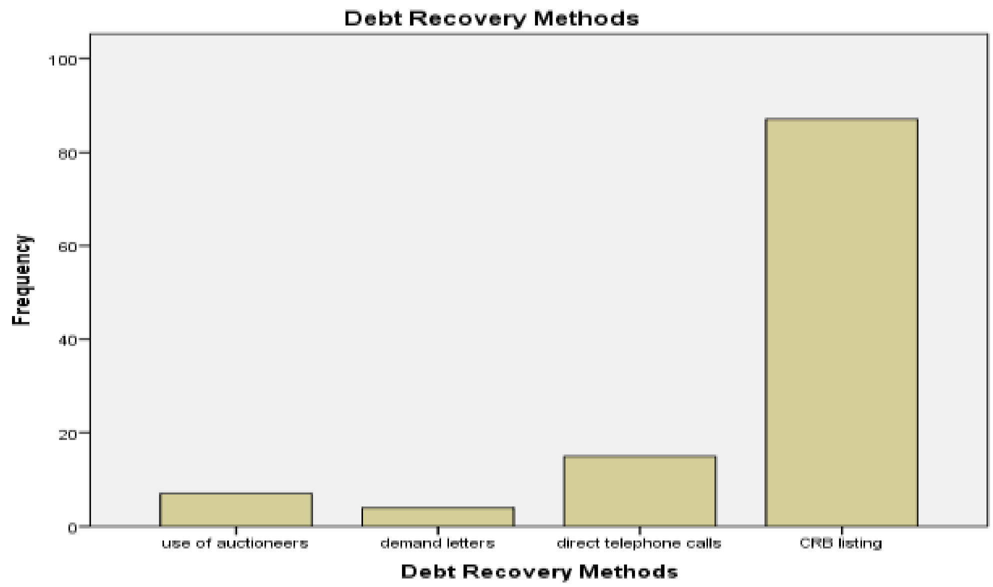

Figure 4: 5 Debt Recovery Methods

To further understand the relationship between the two variables, correlations were carried out to establish the influence of the various debt recovery indicators on the performance of commercial banks in the area of study. The findings of such analysis were presented in table 4.11 below.

Table 4.11: Debt Recovery and Performance of Commercial Banks

		Value of loan assets	Value of unrecovered loan assets	Debt Recovery Methods	Performance of Comm. Banks
Value of loan assets	Pearson Correlation	1	.502**	.181*	-.374**
	Sig. (1-tailed)		.000	.028	.000
	N	113	113	113	113
Value of unrecovered loan assets	Pearson Correlation	.502**	1	.058	-.256**
	Sig. (1-tailed)	.000		.270	.003
	N	113	113	113	113
Debt Recovery Methods	Pearson Correlation	.181*	.058	1	.093
	Sig. (1-tailed)	.028	.270		.165
	N	113	113	113	113
Performance of Comm. Banks	Pearson Correlation	-.374**	-.256**	.093	1
	Sig. (1-tailed)	.000	.003	.165	
	N	113	113	113	113

**. Correlation is significant at the 0.01 level (1-tailed).

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.

4.3.9. 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. Their responses were summarized and presented in table 4.12.

Table 4.12: Promotional Strategies

Advertisement Modes		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Audio Advert	20	17.7	17.7	17.7
	Audio-Visual Advert	7	6.2	6.2	23.9
	Print Media	25	22.1	22.1	46.0
	Social Media	61	54.0	54.0	100.0
	Total	113	100.0	100.0	

The data presented in table 4.12 on the promotional strategies used by commercial banks in Makueni County suggested social media was the most widely used mode as was reported by 54.0% of the study respondents. Audio-visual advertisement was the least used mode as was reported by 6.2% of the respondents. Other advertisement modes were audio and print media as was reported by 17.7% and 22.1% of the study respondents respectively.

The study also sought to investigate the market penetration strategies used by the commercial banks to ensure that their products and services reached the most hard to reach customers. The study participants were asked to choose one of the strategies such as public relations, sales promotion, personal selling and advertisement. Their responses and were summarized and presented in table 4.13.

Table 4.13: Market Penetration Strategies

Promotional Strategies		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Public Relations	18	15.9	15.9	15.9
	Sales Promotion	15	13.3	13.3	29.2
	Personal Selling	20	17.7	17.7	46.9
	Advertisement	60	53.1	53.1	100.0
	Total	113	100.0	100.0	

The study findings revealed that the most used market penetration strategy by commercial banks in Makueni County is advertisement as it was reported by 53.1% of the study respondents. The least used strategy was sales promotion as was reported by 13.3% of the study respondents. Other strategies used included public relations and personal selling as reported by 15.9% and 17.7% of the study respondents respectively.

Finally on promotional strategies, the study sought to investigate the level at which their products and services had penetrated the market. The study participants were asked to choose one of the following categories; level 1 (76%-100%), level 2 (51%-75%), level 3 (26%-50%) and level 1 (1%-25%). Their responses were summarized and presented in table 4.14.

Table 4.14: Level of Market Penetration

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	76%-100%	1	.9	.9	.9
	51%-75%	13	11.5	11.5	12.4
	26%-50%	52	46.0	46.0	58.4
	0%-25%	47	41.6	41.6	100.0
	Total	113	100.0	100.0	

The data presented in table 4.14 suggests that the products and services of the majority of the commercial banks used in this study had penetrated the market to levels between 26% and 50%. The least proportion of the commercial banks had their products and services penetrating to levels between 76% and 100%. The influence of the three variables used to measure the promotional strategies on the performance of commercial banks was measured through correlations and the findings were summarized and presented in table 4.15 below

Table 4.15: Promotional Strategies and Performance of Commercial Banks

		Promotional Strategies	Market penetration strategies	Level of product penetration	Performance of Commercial Banks
Promotional Strategies	Pearson Correlation	1	.259**	-.021	.130
	Sig. (2-tailed)		.006	.822	.168
	N	113	113	113	113
Market Penetration strategies	Pearson Correlation	.259**	1	.120	-.016
	Sig. (2-tailed)	.006		.204	.869
	N	113	113	113	113
Level of product penetration	Pearson Correlation	-.021	.120	1	-.068
	Sig. (2-tailed)	.822	.204		.474
	N	113	113	113	113
Performance of Commercial Banks	Pearson Correlation	.130	-.016	-.068	1
	Sig. (2-tailed)	.168	.869	.474	
	N	113	113	113	113

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

An analysis of the three correlations presented in table 4.15 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 indication 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).

4.3.10. Quality of Bank Products and Services 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". Their responses were summarized and presented in table 4.16 below.

Table 4.16: Quality Bank Products and Services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	3	2.7	2.7	2.7
	Disagree	1	.9	.9	3.5
	Neutral	12	10.6	10.6	14.2
	Agree	79	69.9	69.9	84.1
	Strongly Agree	18	15.9	15.9	100.0
	Total	113	100.0	100.0	

Analysis of the data in table 4.16 on quality of bank services and products revealed that majority (69.9%) of the respondents agreed with the statement that the quality of bank services and products improves the performance of commercial banks while the least proportion (0.9%) of the respondents disagreed with the statement. Other proportions; 2.7%, 10.6%, and 15.9% of the respondents strongly disagreed, indifferent and strongly agreed with the statement respectively.

The study participants were asked to rate the quality of the products offered by their respective commercial banks. Their choices were in a scale of 1-5 where they were expected to indicate using any one of the following choices; 1: Very Low, 2: Low, 3: Neutral, 4: High and 5: Very High. Their responses were summarized and presented in table 4.17.

Table 4.17: Product Rating

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Low	1	.9	.9	.9
	Low	5	4.4	4.4	5.3
	Neutral	15	13.3	13.3	18.6
	High	67	59.3	59.3	77.9
	Very High	25	22.1	22.1	100.0
	Total	113	100.0	100.0	

The data presented in table 4.17 suggests that majority of the study participants rated the products offered by their commercial banks as high at 59.3% followed by those who rated the quality of their products as very high at 22.1%. Only 0.9% and 4.4% of the study participants had rated the quality of the products by their banks as very low and low respectively. The study participants who were neutral on the quality of the products provided by their banks were 13.3% only. The study participants were also asked to rate the services offered by their respective commercial banks. They were expected to pick a choice from the following scale ranging between 1 and 5 inclusive where 1: Very Low, 2: Low, 3: Neutral, 4: High and 5: Very High. Their responses were summarized and presented in table 4.18.

Table 4.18: Service Rating

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Low	2	1.8	1.8	1.8
	Low	8	7.1	7.1	8.8
	Neutral	21	18.6	18.6	27.4
	High	49	43.4	43.4	70.8
	Very High	33	29.2	29.2	100.0
	Total	113	100.0	100.0	

The results presented in table 4.18 revealed that majority of the study participants rated the services offered by their banks as high at 43.4% followed by those who rated them as very high at 29.2%. An estimated 18.6% of the respondents rated the services of their commercial banks as neutral while only 1.8% and 7.1% of them rated the services of their banks as very low and low respectively.

Correlations were carried out to understand the influence of the quality of the bank products and services on the performance of commercial banks and the results were summarized and presented in table 4.19 below. The study participants were also asked to state the extent to which modification of existing services and products and the cost of products and services compared to competitors influenced the performance of the commercial banks.

Table 4.19: Quality of Bank Products and Services and Performance of Commercial Banks

		Quality of Products and Services	Product rating	Service rating	Modification of existing products	Cost of products and services	Performance of Commercial Banks
Quality of Products and Services	Pearson Correlation	1	.554**	.267**	.005	.018	.336**
	Sig. (2-tailed)		.000	.004	.959	.850	.000
	N	113	113	113	113	113	113
Product rating	Pearson Correlation	.554**	1	.124	.181	.184	.371**
	Sig. (2-tailed)	.000		.190	.055	.051	.000
	N	113	113	113	113	113	113
Service rating	Pearson Correlation	.267**	.124	1	-.001	.001	.109
	Sig. (2-tailed)	.004	.190		.992	.991	.250
	N	113	113	113	113	113	113
Modification of existing products and services	Pearson Correlation	.005	.181	-.001	1	.995**	-.040
	Sig. (2-tailed)	.959	.055	.992		.000	.672
	N	113	113	113	113	113	113
Cost of products and services compared to competitors	Pearson Correlation	.018	.184	.001	.995**	1	-.053
	Sig. (2-tailed)	.850	.051	.991	.000		.577
	N	113	113	113	113	113	113
Performance of Commercial Banks	Pearson Correlation	.336**	.371**	.109	-.040	-.053	1
	Sig. (2-tailed)	.000	.000	.250	.672	.577	
	N	113	113	113	113	113	113

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

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.

4.3.11. 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. Data on their level of education was collected analyzed and presented in table 4.5 above.

The employee skills and knowledge development is enhanced through employee's self initiative as well as the organization's initiative. In this study, respondents were asked to state the kind of arrangements their organizations made for trainings purposes. They were also asked to state how often such arrangements were made. Their responses were summarized and presented in table 4.20 below.

Table 4.20: Employee Training Strategies

Training Strategies		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Seminars	9	8.0	8.0	8.0
	Workshops	23	20.4	20.4	28.3
	In-Service Trainings	31	27.4	27.4	55.8
	Study Leaves	50	44.2	44.2	100.0
	Total	113	100.0	100.0	

An analysis of the training strategies used by the commercial banks in Makueni County revealed that, majority (44.2%) of the commercial banks gave employees study leaves to attend trainings for self development. Seminars were the least (8.0%) used by the commercial banks in Makueni County for training purposes of employees. Other training strategies used by the commercial banks included workshops and in-services trainings (INSET) as was reported by 20.4% and 27.4% of the study respondents. The respondents also stated the frequency at which their employers organized workshops and seminars for employee training purposes and the responses were presented in table 4.21 below.

Table 4.21: Frequency of Training Workshops

Frequency of Training Workshops		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Once per Year	3	2.7	2.7	2.7
	Twice per Year	66	58.4	58.4	61.1
	Thrice per Year	31	27.4	27.4	88.5
	Four Times per Year	10	8.8	8.8	97.3
	More Than Four Times per Year	3	2.7	2.7	100.0
	Total	113	100.0	100.0	

Analysis of the data on table 4.21 on how frequent training workshops were organized by the commercial banks in Makueni revealed that majority of the banks organized it twice a year while the least organized training workshops once and more than four times per year as was reported by 58.4%, 2.7% and 2.7% respectively. Other commercial banks organized for such events thrice and four times a year as was reported by 27.4% and 8.8% of the study respondents.

The respondents were also to state the extent to which various employee related components influenced the various components indicating the performance of commercial banks. They were asked the extent to which they agreed with the statements; bank's strategies to retain experienced employees affects their market share; bank's practice to hire highly educated staff affects its risk levels, employee training and motivation affects the customer satisfaction levels. Correlations were carried out to establish the influence of the training components measured on the performance of commercial banks and the results were presented in table 4.22 below.

Table 4.22: Employee Training and Performance of Commercial Banks

		Level of Education	Training Strategies	Frequency of Training	Experienced employees affect bank’s market share	Highly Educated Staff affects Bank's Risk Level	Customer Satisfaction affects the Bank's Clientele Growth	Performance of Commercial Banks
Level of Education	Pearson Correlation	1	-.016	-.014	-.013	-.037	-.195*	.488**
	Sig. (2-tailed)		.864	.883	.890	.701	.038	.000
	N	113	113	113	113	113	113	113
Training Strategies	Pearson Correlation	-.016	1	.998**	.999**	.152	-.114	.642**
	Sig. (2-tailed)	.864		.000	.000	.108	.230	.000
	N	113	113	113	113	113	113	113
Frequency of Training	Pearson Correlation	-.014	.998**	1	.998**	.150	-.116	-.058
	Sig. (2-tailed)	.883	.000		.000	.112	.220	.541
	N	113	113	113	113	113	113	113
Experienced employees affect bank’s market share	Pearson Correlation	-.013	.999**	.998**	1	.150	-.130	-.060
	Sig. (2-tailed)	.890	.000	.000		.114	.170	.526
	N	113	113	113	113	113	113	113
Highly Educated Staff affects Bank's Risk Level	Pearson Correlation	-.037	.152	.150	.150	1	.137	.102
	Sig. (2-tailed)	.701	.108	.112	.114		.149	.281
	N	113	113	113	113	113	113	113
Customer Satisfaction affects the Bank's Clientele Growth	Pearson Correlation	-.195*	-.114	-.116	-.130	.137	1	.739**
	Sig. (2-tailed)	.038	.230	.220	.170	.149		.000
	N	113	113	113	113	113	113	113
Performance Of Commercial Banks	Pearson Correlation	-.038	-.064	-.058	-.060	.102	.226*	1
	Sig. (2-tailed)	.686	.503	.541	.526	.281	.016	
	N	113	113	113	113	113	113	113

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

From the data presented in table 4.22 above, it is evident that 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 weak positive but 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.

4.4. 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 analysed as per the regression model stated in section 3.9 above, summarized and presented in table 4.23.

Table 4.23: 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 (92.6%) was due to other factors and could not be explained by Employee Training, Quality of Products and Services, Promotional Strategies and Debt Recovery. An analysis of variance (ANOVA) amongst the variables was also carried out and results presented in table 4.24.

Table 4.24: 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 4.24 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 4.25.

Table 4.25: 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 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

$Y= C+\beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+\alpha$

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.

Regression Model: $Y= C+\beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+\alpha$

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.

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.

CHAPTER FIVE

5.0. DISCUSSION

5.1. Introduction

This section presents a discussion of the main findings of this study in relation to the impact of the four independent variables studied on the performance of commercial banks in Makueni County. The discussion also involves a comparison of what other previous studies have found out with the findings of this study to establish gaps.

5.2. 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.

5.2.1 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 indictors of commercial banks.

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 findings were that an increase in the level of debt recovery would improve the performance of commercial banks.

Maina (2016), carried out a study on the effects of lending practices on the financial performance of commercial banks in Kenya; a survey on selected banks within Nairobi. The objectives of the study included; to find out the effects of customer procedures during lending practices, interest rate on loans and the bank's credit policy guidelines on the financial performance of commercial banks in Nairobi Kenya (Maina, 2016). The findings of this study revealed that knowing your customer procedures were critical defence line for the commercial banks against fraudulent transactions. The study also concluded that higher interest rates resulted in reduced borrowing although it had a positive financial performance in terms of revenue.

The last conclusion stated that credit policy guidelines defined the official operational model by commercial banks when handling transactions related to lending services (Maina, 2016). Wanjugu (2017) also carried out another similar study on credit risk management and financial performance of selected commercial banks in Kenya. The objectives of the study included to determine the effect of loan appraisal process, lending requirements, debt recovery process and credit policy on the financial performance of commercial banks in Kenya. The findings of the study established that debt recovery process does not significantly affect bank performance while loan appraisal process, lending requirements and credit policies were found to have a significant effect on bank performance (Wanjugu, 2017).

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.

5.2.2 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.

The findings of this study agree to the findings of Aliata et al (2012) who conducted 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).

The findings of another previous study carried out by Nguru, Ombui, and Iravo in 2016 on the effects of marketing strategies on the performance of Equity Bank were also in agreement with the findings of this study. The study had two objectives: to determine the effect of customer satisfaction and customer relationship management on the performance of Equity Bank. The findings of this study revealed that the marketing strategies measured had a strong positive correlation with performance of Equity Bank. This suggested that, the more the bank invested in marketing, the better the performance (Nguru, 2016).

Another similar study carried out by Muiruri in 2015 on the influence of branding strategy on financial performance of commercial banks in Kenya was also in agreement with the findings of this study. 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 research findings are in agreement with 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).

5.2.3 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. For instance, Aliata carried out a study in 2016 on the relationship between service quality and customer satisfaction of commercial bank customers in Nairobi, Kenya. The study was guided by only one objective; to analyse the relationship between service quality and customer satisfaction of commercial bank customers in Nairobi Kenya. The study targeted 1072500 and sampled 384 customers of commercial banks in Nairobi Kenya. The study findings revealed that service quality significantly contributed to customer satisfaction (Aliata, 2016).

Onditi et al (2012) carried out a 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 findings by Onditi and others were similar to the findings by this study despite the fact that this study did not find the relationship statistically significant.

Odeny (2016), also carried out a study on the influence of service quality on performance of Barclays Bank of Kenya Limited. The objectives of the study included, to determine the key service quality dimensions that customers consider important in the provision of financial services and to examine the influence of service quality on the performance of Barclays Bank of Kenya Limited (BBL). The findings of the study concluded that the performance measures of BBL were clustered under customer measures, colleague measures, company measures, conduct and citizenship measures (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.

5.2.4 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.

The findings of this study were in agreement with those of other previous related studies carried out by other researchers elsewhere. For instance, Katua (2015) conducted a study on the effect of training and development strategies on the performance of commercial banks in Kenya. His study had three objectives; to investigate the effect of training and development strategies on the performance of commercial banks, the extent to which commercial banks in Kenya engage in training needs analysis and the extent to which commercial banks in Kenya budget for training and development activities. The findings of the study revealed that a training and development strategy had a significant and a positive effect on the performance of commercial banks in Kenya (Katua, 2015).

Motlokoa (2018) studient the impact of training on employee’s performance: the case of banking sector in Lesotho had slightly different results. The objectives of the study were to examine the impact of training on employee’s performance, employee’s motivation and job satisfaction in the banking sector in Lesotho. The findings of the study revealed that training did not increase employee’s performance, but also positively affects employee’s motivation and job satisfaction within the banking sector in Lesotho (Motlokoa, 2018). Although this study did not evaluate the influence of training on the employee motivation, it established a positive relationship between the employee training and the performance of commercial banks.

Yarrow, in 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. His study findings revealed that training and development affects employee performance positively, a suggestion that training and development needs are essential for organizations (Yarrow, 2017).

The research findings are in agreement with the findings of this study as it is expected that more training improves on the employee skills and knowledge hence their improved execution of their duties at places of work. Improved individual performance by the employees is expected to directly impact positively on the performance of their respective organizations, in this case, the commercial banks.

5.3. 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.

CHAPTER SIX

6.0. CONCLUSION AND RECOMMENDATIONS

6.1. Introduction

This section presents the conclusions and recommendations made in this study based on the study findings. The conclusions and the recommendations have been made for each of the four objectives studied.

6.2. 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.

6.2.1 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 not withstanding 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.

6.2.2 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.

6.2.3 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 met 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.

6.2.4 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.

6.3 Recommendations

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

6.3.1 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.

6.3.2 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.

6.3.3 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.

6.4 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 it 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 influenced in one way or another by other independent variables such as employee training, customer satisfaction, promotional strategies and debt recovery.

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Appendix 1

Letter of Introduction

MICHAEL NZUMA
P.O BOX 205-90300
MAKUENI

Dear Respondent,

<u>RE: REQUEST TO FILL IN THE ATTACHED QUESTIONNAIRE</u>

I am a postgraduate student at South Eastern Kenya University, pursuing Master of Business Administration degree in Strategic Management. As part of the requirements of my course, I am conducting a study entitled, ***"effects of Operational Strategies on Performance of Commercial Banks in Makueni County, Kenya".*** You are kindly requested to fill the attached questionnaire to enable the researcher achieve the objectives of this study. The information you will provide will be treated with utmost confidentiality and it will be used purely and exclusively for academic purposes. For any queries and clarifications, you can contact the researcher through the contact details provided below.

Thank you for your time and cooperation.

Yours faithfully

MICHAEL NZUMA
MOBILE: +254 724 447262
EMAIL: MIKENZUMA@GMAIL.COM

Appendix 2

Data Collection Authorization

SOUTH EASTERN KENYA UNIVERSITY

OFFICE OF THE DIRECTOR

BOARD OF POST GRADUATE STUDIES

P.O. BOX 170-90200
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Our Ref: D61/WTE/20703/2016

DATE: 10th April, 2019

Nzuma Michael Mutunga
Re g. No. D61/WTE/20703/2016
Masters of Business Administration
C/O Director, Wote Campus

Dear Mutunga

RE: PERMISSION TO PROCEED FOR DATA COLLECTION

This is to acknowledge receipt of your Master in Business Administration Proposal document entitled: *"Effects of Operational Strategies on the Performance of Commercial Banks in Makueni County"*.

Following a successful presentation of your Masters Proposal, the School of Business and Economics Board of Examination in conjunction with the Directorate, Board of Postgraduate Studies (BPS) have approved that you proceed on and carry out research data collection in accordance with your approved proposal.

During the research work, you will be closely supervised by Dr. Susan Wamitu. You should ensure that you liase with the supervisor at all times. In addition, you are required to fill in a Progress Report *(SEKU/ARSA/BPS/F-02)* which can be downloaded from the University Website.

The Board of Postgraduate Studies wishes you well and a successful research data collection exercise as a critical stage in your Master of Business Administration.

Prof. Felix Ngunzo Kioli
Director, Board of Postgraduate Studies

Copy to: Deputy Vice Chancellor, Academic, Research and Students Affairs (Note on File)
Dean, School of Business and Economics
Chairman, Department of Business and Entrepreneurship
Director, Wote Campus
Dr. Susan Wamitu
BPS Office To file

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Appendix 3

Research Questionnaire

The purpose of this questionnaire is to collect data aimed at studying the effects of ***Operational Strategies on Performance of Commercial Banks in Makueni County, Kenya*** which is a requirement for the completion of a master's degree in Business administration. The information provided will be treated with utmost confidentiality and it will be used purely and exclusively for academic purposes.

Section A: Background Information

(Write your answers in the spaces provided and tick accordingly)

1. Name of the commercial bank...

2. Position of the respondent..

3. Your highest level of academic qualification

a) Diploma [ ]

b) Bachelor's Degree [ ]

c) Master's Degree [ ]

d) PhD [ ]

4. Number of years served in the banking industry

a) Less than 2 years [ ]

b) Between 2-5 years [ ]

c) Between 5-10 years [ ]

d) More than 10 years [ ]

5. Number of years served in the current bank

a) Less than 2 years [ ]

b) Between 2-5 years [ ]

c) Between 5-10 years [ ]

d) More than 10 years [ ]

Section B: Debt Recovery and Performance of Commercial Banks

6. What is the value of your bank's loan assets? (Million shillings)

a) 1M - 200M [ ]

b) 200 M - 400 M [ ]

c) 400M - 600 M [ ]

d) 600 M and above [ ]

7. What is the value of unrecovered assets by your bank? (Million shillings)

a) 1M – 10 M [ ]

b) 10M – 20 M [ ]

c) 20 M- 30 M [ ]

d) 30 M and above [ ]

8. State the methods your bank uses to recover its debts?

a) Use of auctioneers [ ]

b) Use of demand letters [ ]

c) Use of direct telephone calls [ ]

d) CRB Listing [ ]

Section C: Promotional Strategies and Performance of Commercial Banks

9. Does your bank use any promotional strategy to sensitize the public on its services and products?

a) Yes [ ]

b) No [ ]

10. If yes, which promotional strategies does it use? Tick appropriately.

a) Audio Advertisement [ ]

b) Audio visual advertisement [ ]

c) Use of print media [ ]

d) Social Media [ ]

11. Which market penetration strategies does your bank use to sensitize customers on the services and products offered?

a. Public Relations [ ]

b. Sales promotion [ ]

c. Personal selling [ ]

d. Advertisement [ ]

12. To what levels have your banks' products and services penetrated into the market through the promotional strategies adopted?

a) Level 1: (0%-25%) [ ]

b) Level 2: (26%-50%) [ ]

c) Level 3: (51%-75%) [ ]

d) Level 4: (76%-100%) [ ]

Section D: Quality of Products and Services and Performance of Commercial Banks

13. In a scale of 1-5, rate how the following aspects of quality products and services affect the performance of commercial banks (Internal growth and Market share).

The choices are 1: strongly disagree, 2: Disagree, 3: Neutral, 4: Agree and 5: Strongly Agree

Quality of Products and Services	**1**	**2**	**3**	**4**	**5**
1. Modification of existing product and services affects the bank's risk levels					
2. The cost of products and services compared to competitors affects the bank's market share					
3. The uniqueness of new products and services affects the bank's clientele growth					

14. In a scale of 1-5, indicate how you would rate the following products and service quality indicators as per your bank: 1: Very Low, 2: Low, 3: Neutral, 4: High and 5: Very High.

Item	1	2	3	4	5
1) Product Rating					
2) Service Rating					

Section E: Employee Training and Performance of Commercial Banks

15. Strategies used by your organization to enhance employee training?

a) Seminars and conferences [ ]

b) Workshops [ ]

c) In-service trainings [ ]

d) Study leaves [ ]

16. How often does your bank organize for employees' workshops and seminar trainings?

a) Four times per year [ ]

b) Three times per year [ ]

c) Two times per year [ ]

d) Once per year [ ]

17. In a scale of 1-5, rate how the following aspects of employee training affect the performance of commercial banks (Internal growth and Market share). The choices are 1: strongly disagree, 2: Disagree, 3: Neutral, 4: Agree and 5: Strongly Agree

Employee Training	**1**	**2**	**3**	**4**	**5**
a) The bank's strategies to retain experienced employees affect the bank's market share					
b) The bank's practice to hire highly educated staff affects its risk levels					
c) Customer satisfaction affects the bank's clientele growth					

Appendix 4

Commercial Bank Branches in Makueni County

DATA ON COMMERCIAL BANK BRANCHES IN MAKUENI COUNTY

1. Cooperative Bank of Kenya- Wote
2. Equity Bank- Wote
3. Equity Bank- Kibwezi
4. KCB Bank- Emali
5. KCB Bank- Kikima
6. KCB Bank- Kibwezi
7. KCB Bank- Makindu
8. KCB Bank- Mtito Andei
9. KCB Bank- Wote
10. Sidian Bank- Emali
11. Family Bank- Wote
12. Barclays Bank – Wote
13. Cooperative Bank- Emali
14. Sidian Bank - Kibwezi

Source: Makueni County Ministry of Finance.

COUNTY TREASURY
GOVERNMENT OF MAKUENI COUNTY
21 MAR 2019
P. O. Box 78 - 90300,
MAKUENI - KENYA.

Francis Kyalo
21/03/2019

Appendix 5

Number of Banking Staff in Makueni County

Data on the commercial banks staffing in Makueni County.

Branches	Management Staff	Assistant Managers	Line staff	Total No. of staff
1. KCB Wote	6	6	14	26
2. KCB Kikima	3	3	3	9
3. KCB Kibwezi	4	4	5	13
4. KCB Makindu	5	5	7	17
5. KCB Mtito	4	4	5	13
6. KCB Emali	4	4	5	13
7. Equity Bank Wote	5	5	12	22
8. Equity Bank Kibwezi	5	5	5	15
9. Barclays Wote	5	5	8	18
10. Family Bank Wote	5	5	5	15
11. Sidian Emali	5	5	5	15
12. Cooperative Wote	4	4	6	14
13. Cooperative Emali	5	5	5	15
14. Sidian bank-Kibwezi	4	4	6	14
Total	**65**	**65**	**89**	**219**

Source: Makueni county Ministry of finance.

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Appendix 6

Budget

SN.	Item description	Quantity	Rate per unit	Amount (Kshs)
1.	Travelling for the researcher, project proposal preparation and data collection.	Lump sum		5,000.00
2.	Project typesetting	10 copies	800.00	8,000.00
3.	Printing Papers	50 reams	500	2,500.00
4.	Travel to the University	10 trips	1,500	15,000
5.	Data Collection	Lump sum		38,000
6.	Data Analysis	Lump sum		23,500
7.	Binding booklet	20 copies	150	3,000.00
8.	Subsistence during data collection and report completion	Lump sum		5,000.00
9.	Publishing the final report	Lump sum		27,250.00
	Total			127,250.00

Appendix 7

Activity Schedule

Activities	**Jan-2019**	**Nov 2019**	**Jan 2019**	**2019**	**May-Dec 2019**	**Jan-March 2020**
Proposal preparation and presentation						
Proposal refinement/corrections						
Proposal presentation and submission						
Data collection and analysis						
Research Report writing						
Review of Report						
Thesis presentation and submission						