STRATEGIC RESPONSE STRATEGIES TO COMPETITION AND PERFORMANCE OF COMMERCIAL BANKS IN NYERI COUNTY, KENYA

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A Research Project Submitted to the School of Business in Partial Fulfilment of the Requirements for the Degree of Master of Business Administration (Strategic Management Option) Of Kenyatta University

NOVEMBER, 2018
Declaration

This project is my original work and has not been submitted for a degree or any other award to any university or other institution of learning.

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Moses Muriithi Muriira
D53/NYI/PT/27074/2014

This research project has been submitted with my approval as the university supervisor.

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Dedication

I wish to dedicate this research study to my wife, Irene, for always being there for me and being the pillar on which my success is built. Moreover, I wish to dedicate this research project to my two children, Austin and Grace, the source of my strength and pride.
Acknowledgment

I thank the Almighty God for His love and mercies. I also thank Kenyatta University for giving me chance to further my studies. I am grateful to all the lecturers who have taught me during my time at the University. In particular, I appreciate Dr. Ann Muchemi my supervisor, who guided me in conducting this study. To my colleagues at work and in school, thanks for the constructive criticism. I am also indebted to my family for their moral support. May God Bless you all.
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### Abbreviations and Acronyms

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<tr>
<td>ATM</td>
<td>Auto teller Machine</td>
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<tr>
<td>ADB</td>
<td>Agricultural Development Bank</td>
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<td>NPL</td>
<td>Non-Performing Loans</td>
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<td>CBK</td>
<td>Central Bank Kenya</td>
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<td>EDT</td>
<td>Expectancy Disconfirmation Theory</td>
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<td>HR</td>
<td>Human Resource</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<td>KCB</td>
<td>Kenya Commercial Bank</td>
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<td>KES</td>
<td>Kenya Shilling</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<td>PIN</td>
<td>Personal Identification Number</td>
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<td>POS</td>
<td>Point of Sale</td>
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<td>SACCOs</td>
<td>Saving and Credit Cooperative Societies</td>
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<td>SD</td>
<td>Standard Deviation</td>
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<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>SWIFT</td>
<td>Society for Worldwide Interbank Financial Telecommunication</td>
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## Operational Definition of Terms

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<th>Term</th>
<th>Definition</th>
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<tr>
<td><strong>Commercial bank</strong></td>
<td>An institution that provides services such as accepting deposits, providing business loans, and offering basic investment products.</td>
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<td><strong>Competition</strong></td>
<td>Business rivalry between banks</td>
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<td><strong>Competition-based pricing</strong></td>
<td>A pricing strategy where a bank sets the prices of its services relative to what other banks are charging.</td>
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<td><strong>Financial Innovation</strong></td>
<td>Creation of new financial instruments, technologies, institutions, and markets.</td>
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<td><strong>Performance</strong></td>
<td>How well a commercial bank is doing in terms of loans, number of active members and amount in members’ deposits.</td>
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<td><strong>Rebranding</strong></td>
<td>A bank’s strategic approach of adopting new brand elements such as new name, slogan, logo, design or a combination of them for their own established brands.</td>
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<tr>
<td><strong>Response strategy</strong></td>
<td>Approaches adopted by banks in dealing with the risks identified</td>
</tr>
<tr>
<td><strong>Restructuring</strong></td>
<td>Changes in operational structure, investment structure, financing structure and governance structure of a bank.</td>
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<tr>
<td><strong>Strategic response</strong></td>
<td>Approaches used in dealing with identified and quantified business risks</td>
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The competitive intensity of commercial banks in Kenya threatens the health of the banking sector as exhibited by the struggle and ultimate collapse of several small banks. The main objective of this study therefore, was to establish the effect of strategic response strategies to competition on performance among commercial banks in Nyeri County, Kenya. The specific objectives of the study were to assess the effect of financial innovation on performance among commercial banks; to establish the effect of rebranding strategy on performance among commercial banks; to determine the effect of restructuring strategy on performance among commercial banks and to investigate the effect of competition-based pricing on performance among commercial banks in Nyeri County, Kenya. The study was guided by the Porter’s five force model. The current study used a descriptive cross sectional research design. Commercial banks in Nyeri County were targeted. Operations managers and departmental heads were the respondents in the study. The study carried out a census of the 79 operations managers and departmental heads of Commercial banks in Nyeri County A self-administered semi-structured questionnaire was used to collect data on response strategies to competition. Data on financial performance of participating banks was sourced from the banks’ financial statements. Descriptive statistics such as frequencies, percentages, mean and standard deviation were used to organize findings. Regression analysis was conducted to determine the statistical significance of the attempted prediction between strategic response strategies to competition and performance among commercial banks. SPSS software was used in analysis. Tables and figures were used to present findings. The study found that descriptive statistics (M=1.686, SD =0.7608) showed that financial innovations were used to a great extent in the participating banks. Descriptive statistics (M=4.0, SD =0.691) indicated that rebranding was exercised to a very small extent in the participating banks. Descriptive statistics (M=2.46, SD=0.70) showed that restructuring was exercised to a large extent in the participating banks. Descriptive statistics (M=3.19, SD=0.59) indicated that competition based pricing strategy was used to a small extent in the participating banks. Simple regression analysis showed financial innovation (p=0.00), restructuring strategy (p=0.007) and competition-based pricing (p=0.000) to be statistically significant. Multiple regression analysis showed that 61.1% of financial performance of commercial banks can be explained by the response strategies. Financial innovations (β=0.456) had the highest effect of the four strategies considered in this study. The study therefore concluded that financial innovation, restructuring and pricing strategies were important predictors for financial performance of commercial banks. The study recommended that banks should invest in research into financial innovations. In particular, banks should seek to create more financial intermediaries to supplement the banks existing product line.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Banks are fundamental for every nation's economy, since no development can be accomplished unless reserve funds are effectively diverted into speculation. In this regard, the absence of an undeniable managing an account framework has frequently been distinguished as a noteworthy shortcoming of the halfway arranged economies (Rostowski, 2012). Drigă and Dura (2010) show that banks as money related delegates are relied upon to give essential monetary administrations to everybody. Keeping money, considered as reflection of monetary development, can add to financial advancement in no less than two routes: straightforwardly, by expanding accounting report things, and in a roundabout way, through financing. Banks additionally make occupations for their groups and create returns for their investors, in this way adding to the financial development of neighbourhood groups and the country all in all.

Banks’ performance is influenced by various of variables, among these elements are inner and outer elements which has coordinate effect on it is execution. Inside components incorporate administration choices, size of the bank, capital, hazard administration, costs administration influence the gainfulness of the bank credit and liquidity (Heffernan, 2005). Outer components are fundamentally found in the macroeconomic condition, for example, swelling, financing costs and repetitive yield, and factors that speak to advertise qualities, for example, showcase fixation, rivalry industry size and possession status (Iannotta, Nocera & Sironi, 2007).

Competition among deposit money banks is reflected in a number of factors, including but not limited to market share, profit margin, risk and relative size of loan portfolio (Yahaya Farouk, Yahaya, Yusuf & Dania, 2015). Reininger, Scharmex and Summer (2002) indicate that saving money area rivalry is relied upon to give welfare picks up by diminishing restraining infrastructure leases and cost wasteful aspects. A higher level of managing an account rivalry should bring about a lower imposing business model energy of banks, and hence a lessening in saving money costs. Fries and Taci (2005) elevated rivalry ought to likewise urge banks to diminish their working expenses. The part of rivalry in the saving money division is of specific significance, given the focal pretended by business banks in the economy. Rivalry among store cash banks is reflected in various
variables, including yet not restricted to piece of the overall industry, net revenue, hazard and relative size of credit portfolio.

Competition between banks is normal for a globalized economy in which the business condition is extremely powerful and firms have adjust to such changes (Taylor, 2008). The cutting edge client is engaged and extremely hard to satisfy. Advertisers are battling with customers who are extremely educated, more quick witted, more cost cognizant, all the more requesting and less lenient .The shoppers additionally an assortment of firms that are promising to offer them preferable items and administrations over their rivals (Auka & Mwangi, 2013). Keteko (2014) watches that opposition is probably going to heighten in the keeping money industry out of sight of a contracting economy.

The conventional rivalry delicacy see compares bank rivalry with flimsiness as rivalry lessens advertise power and net revenues which thus urges bank administrators to go out on a limb. Interestingly, the opposition security see stipulates that opposition, for instance, low market control in the credit showcase, prompts bring down advance financing costs and thusly bring down good danger and unfriendly choice issues and less dangerous advance portfolios (Yahaya et al., 2015). McIntosh, de Janvry and Sadoulet (2005) demonstrated that an expanded number of banks and rivalry may prompt different advance taking bringing about overwhelming obligation weight and low reimbursement.

1.1.1 Response Strategies to Competition

Businesses have as a result to cope with the competition by adopting strategic responses to it or risk being thrown out of the market by the same competition. Czarniewski (2014) observes that contenders can rapidly copy any advancement, and upper hands is, best case scenario a brief nature. Organization supervisors should continually watch their rivals and adjust their accepted procedures. They should likewise have a couple of leader capabilities (abilities) that will cause mastery over opponents and give them favorable position. Expanded market rivalry urges associations to offer different new items and administrations at a sensible cost to their clients (Al-Omri and & rivalry, they attempt to fulfill their clients by delivering astounding items. Eker and Pala (2008) demonstrate that as the market rivalry builds, the organizations are probably going to require multidimensional execution estimation framework more than before all together not to lose their energy and piece of the overall industry.
Wu and Xu (2013) indicate that organizations need to enhance their intensity to react to rivalry, for example, enhancing the nature of item, the calculated framework, and the after-deal benefit. Furthermore, it is better for organizations to make the methodologies, for example, low-value procedure and separation system to react to rivalry. As indicated by Cressman and Nagle (2002) managing forceful contenders requires more than a will to battle. It requires a focused methodology. Notwithstanding the expenses and advantages of countering, directors must put resources into creating relative upper hand. Coyne and Horn (2009) demonstrate that aggressive showcasing methodologies are most grounded either when they position an association's qualities against rivals' shortcomings or pick positions that represent no risk to contenders.

To achieve competitive advantage, organisations need to continuously innovate. Financial innovations in most commonly used context, is defined as innovation to develop new financial instruments and products (Gondalia, 2015). Fruitful brand building supports associations with buyers, making long haul manageable upper hand and shielding organizations from advertise turbulence and vulnerabilities. Lumpkin (2009) demonstrates that developments can possibly accommodate a more effective distribution of assets and subsequently a more elevated amount of capital profitability and monetary development. He includes that development ought to be viewed as a characteristic part of the workings of an aggressive framework.

Muzellec and Lambkin (2006) define rebranding as the vital approach of firms to make new and separated positions and pictures in the psyches of clients by embracing new brand components, for example, new name, trademark, logo, plan or a mix of them for their own set up brands. Krisprimandoyo (2015) includes that rebranding is a continuum, beginning from renewing a current brand to totally changing the brand name, qualities and guarantees offered by the brand, and in addition changing the system of corporate rebranding that ought to be set up to enable an organization to do the rebranding procedure.

An association can likewise increase upper hand by rebuilding the plan of action and wandering into different business zones home. Corporate rebuilding is vital when an organization needs to enhance its productivity and gainfulness and it requires master corporate administration (Rakshit & Chatterjee, 2008). Khom, Piana and Gowdy (2000)
demonstrate that Strategic rebuilding happens when at least two free associations build up a progressing relationship to expand the managerial proficiency and additionally advance the automatic mission of at least one of the taking an interest associations through shared, exchanged, or consolidated administrations, assets, or projects.

Organizations for the most part set the costs by thinking about rivalry, expenses and value affectability. In focused evaluating, costs are set by the opposition in the business (Raju and Zhang, 2010). Wruck (2013) shows that valuing is as of now more important for retail banks than any time in recent memory: costs assume a focal part for consumer loyalty and productivity. Particularly in the present circumstance, set apart by cost weight and changing client desires, valuing is consequently of specific significance. Price Waterhouse Coopers (2016) demonstrate that today, bank estimating methodology needs to line up with how extraordinary clients esteem their items and administrations.

1.1.2 Commercial Banks in Kenya
Kenya is one of the most densely served African countries, with its 42 financial institutions competing over a population of 40m people. Nigeria, in contrast, has 22 banks for a population of 180m. Nairobi-listed KCB is Kenya’s largest bank, with assets of $6bn. It also has subsidiaries in Tanzania, Uganda, South Sudan, Rwanda and Burundi (Financial Times, 2016). During the period ended June 30, 2015, the Kenyan banking sector comprised 43 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 14 money remittance providers, 86 foreign exchange bureaus and 3 credit reference bureaus (Central Bank of Kenya, 2016).


Kenya’s financial sector has expanded rapidly over the last decade and lending to businesses; including small and medium size-enterprises has played a big part (Berg,
However, fears of structural weaknesses in Kenyan banks have resurfaced following the placing of a three banks under receiver management in less than six months in 2016, with analysts pointing to weak supervision and outright fraud by directors (Olingo & Anyanzwa, 2016).

Nyeri County is located in the central of Kenya. The county is very agriculturally productive due to its location in the fertile central highlands. Cash crops mainly Tea and Coffee are the major sources of income. Due to its large population, commerce thrives in major urban centres in the county (Investment Kenya, 2016). Due to the robustness of the county’s economy, Nyeri County has an elaborate financial sector characterised by commercial banks, Saving and Credit Cooperative Societies (SACCOs), mortgage finance companies, microfinance banks and money remittance providers. As of April 2016, the county is served by 12 commercial banks. They include Barclays Bank, Consolidated Bank, Ecobank, Cooperative Bank, Equity Bank, Family Bank, Jamii Bora Bank, Kenya Commercial Bank, National Bank of Kenya, Sidian Bank and Standard and Chartered bank. The banks have their regional offices in Nyeri Town being the largest town and the headquarters of Nyeri County.

1.2 Research Problem

The Kenyan Banking Sector is highly competitive. According to the International Monetary Fund (2012) Kenya leads in competitive intensity in the banking sector followed by Tanzania, Uganda and Rwanda. Musyoka (2012) indicates that competition in the banking sector has led to banks emerge literally opposite each other in major towns. Osoro (2015) adds that one sees aggressive competition embedded in the banks’ expansion. Competition in the banking scene has been very fierce to a point that the Competition Authority moved to investigate anti-competitive behaviours in Kenya’s financial sector such as restrictions on account switching and sharing of customer data without consent (Kariuki, 2016).Competition is the critical driver of performance and innovation. It encourages the adoption of innovation as banks evolve and new ideas flourish in the marketplace (Affum, 2009). However, competition can be detrimental to a bank’s performance. The price they charge, the range of services and the nature of the product they sell are limited by the extent of the competition (Degryse & Ongena, 2007).
The competitive intensity of commercial banks in Kenya threatens the health of the banking sector. In a highly competitive environment such as the one in Kenya, small banks often struggle with more limited resources and a lack of bargaining power. Wafula (2016) indicates that 6 commercial banks control over 52 per cent of the market and take home over 62 per cent of the profits. The other 38 players share the remaining 48 per cent of the market and 38 per cent of profits. This creates a need for response strategies to improve the market share. In addition, more banking competition may make market economies more leveraged and therefore potentially more unstable. This may explain the recent collapse of several banks like Dubai and Chase Bank due to competitive pressures. To the best of the researcher’s knowledge no other study had focused on response strategies in the banking sector creating a knowledge gap. This study was therefore necessary to establish the strategies adopted by commercial banks in response to the problem of intense competition in the banking sector and how these strategies affect their performance.

1.3 Research Objectives

The study was guided by the following objectives:

1.3.1 General Objective

To establish the effect of strategic response strategies to competition on performance among commercial banks in Nyeri County, Kenya.

1.3.2 Specific Objectives

i. To assess the effect of financial innovation strategy on performance among commercial banks in Nyeri County, Kenya.

ii. To establish the effect of re-branding strategy on performance among commercial banks in Nyeri County, Kenya.

iii. To determine the effect of restructuring strategy on performance among commercial banks in Nyeri County, Kenya.

iv. To investigate the effect of competition-based pricing on performance among commercial banks in Nyeri County, Kenya.

1.4 Hypotheses

$H_{01}$ There is no significant relationship between financial innovation strategy and performance among commercial banks in Nyeri County, Kenya.
H$_{a1}$ There is a significant relationship between financial innovation strategy and performance among commercial banks in Nyeri County, Kenya.

H$_{02}$ There is no significant relationship between re-branding strategy and performance among commercial banks in Nyeri County, Kenya.

H$_{a2}$ There is a significant relationship between re-branding strategy and performance among commercial banks in Nyeri County, Kenya.

H$_{03}$ There is no significant relationship between restructuring strategy and performance among commercial banks in Nyeri County, Kenya.

H$_{a3}$ There is no significant relationship between restructuring strategy and performance among commercial banks in Nyeri County, Kenya.

H$_{04}$ There is no significant relationship between competition-based strategy pricing and performance among commercial banks in Nyeri County, Kenya.

H$_{a4}$ There is no significant relationship between competition-based strategy pricing and performance among commercial banks in Nyeri County, Kenya.

1.5 Significance of the Study
The study findings will benefit managers of commercial banks in providing empirical evidence of available strategic response strategies together with their effectiveness and challenges. Multinational banks wishing to enter the Kenyan Market may use the findings to assess viable strategies to deal with competition in the industry. Regulatory bodies such as the Competition Authority and Central Bank of Kenya may use the findings of the study to come up with relevant policies to promote healthy competition. Researchers carrying out studies on competition in the banking sector may use the findings of this study as reference material in their research.

1.6 Scope of the Study
The study sought to establish the effect of strategic response strategies to competition among commercial banks in Kenya. Specifically, the study sought to assess how financial innovation, rebranding, restructuring and pricing are used by commercial banks in response to competition. The study was carried out among commercial banks situated in
Nyeri County. Operations managers and departmental heads were the respondents in the study. The study was conducted between December 2017 and February 2018.

1.7 Limitations of the Study

The study was limited to Nyeri County which has a small number of banks compared to the total number of banks in Kenya. The study therefore used a large sample to ensure generalizability of findings. Some bank staff dropped out of the study in fear that the information they provide will reveal important information to their competitors. The researcher assured the participants that the findings of the study are of academic purposes only. The study involved banks with different sizes, operations and target markets. A number of indicators per variable was therefore employed to accommodate all the participating banks. The descriptive approach adopted by the study cannot establish causation. Regression analysis was therefore employed in analysis to account for other factors affecting competition among commercial banks in Kenya.

1.8 Organisation of the Study

This study comprised of five chapters. Chapter one seeks to introduce the problem under investigation by giving a brief background, stating the problem, identifying its objectives and guiding questions, giving limitation and delimitation of the study, outlining the basic assumption of the study and describing the organization of the study. The second chapter provides the literature review as guided by the four study variables. The summary of literature review, gaps, theoretical and conceptual framework of the study will also be presented in this chapter. The third chapter deals with research methodology which comprises of research design, target population, procedure, research instrument, instrument validity and reliability, data collection and analysis. Chapter four presents the findings of the study as well as the discussion of the findings. The fifth and last chapter presents a summary of the major findings of the study as well as the conclusions made from them. It also presents recommendations made by the researcher as well as suggestions for future studies.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction
This chapter presents the review of literature. It includes the theoretical review, empirical review, summary and conceptual framework.

2.2 Theoretical Review

2.2.1 Porter’s Five Force Model
The study is guided by the Porter’s five force model. Porter’s Five Forces is a system created by financial specialist Michael E. Watchman to decide the productivity and allure of a market or market portion (Avila, 2001). The Model represents how the focused scene in an industry is affected by five conspicuous powers. These powers are: Supplier control, Threat of new contestants, Buying power, Threat of substitutes, and Rivalry. The level of competition is the focal point of this model as the other 4 powers diverge from this (Grundy, 2001).

Every one of the five aggressive powers mutually decide the power of industry rivalry and benefit, and the most grounded power or powers are administering and turned out to be critical from the perspective of methodology plan (Hall et al. 2005). Doorman's structure concentrates on a business’ center capabilities; those benefits that tip the focused adjust in a business' support and give favorable circumstances over the opposition. As indicated by Porter (2008), an effective corporate system ought to alter these aggressive powers in a way that enhances the position of the association.

Porter's Five Forces Model is therefore relevant to this study because it indicates the significance of business rivalry and the effect of competition on the standing of a business in the market. According to the theory, a successful business is the one which comes up with strategic responses to this competition. The purpose of the current study is to assess the effect of strategic response strategies to competition on performance of commercial banks in Nyeri County Kenya.

2.2.2 Competitive Dynamics Theory
This theory is credited to the works of Smith, Ferrier and Ndofor (2001). It is utilized to break down the practices and responses among contending organizations in a particular market. Aggressive Dynamics is worried about the causes and results of between firm
contention (Thomas & Pollock, 1999; Young et al., 1996). A progression of activities (moves) and responses (countermoves) among firms in an industry make aggressive elements. These activity/response progression mirror the typical and creative development of firms in quest for benefits. Understanding the nature and results of the aggressive flow among firms is a key target of the vital administration field. Competitive dynamics has risen as an effective hypothesis in key administration that is worried about clarifying and foreseeing focused cooperation amongst rivals and the effect of these connections on firm execution (Ketchen et al., 2004).

Competitive dynamics embarks to grow its scope to advertise circumstances where the dyadic connection between a central firm and its primary adversary isn't adequately instrumental for clarifying the company's aggressive conduct (Hsieh & Chen, 2010; Zuchhini & Kretschmer, 2011). The dynamic capacities system dissects the sources and techniques for riches creation and catch by private venture firms working in conditions of fast mechanical change. The upper hand of firms is viewed as laying on particular procedures (methods for organizing and joining), formed by the company's (particular) resource positions, (for example, the association's arrangement of hard to-exchange learning resources and corresponding resources), and the advancement path(s) it has received or acquired (Teece et al. 2008).

Firms act imaginatively (present another item, another advancement, or another advertising consent to upgrade or enhance benefits, upper hand, and industry position; fruitful (activities which produce new clients and benefits) advance aggressive response as opponents endeavor to piece or emulate the activity (Smith, Ferrier & Ndofor, 2001). The current study is interested in finding out the effect of strategic response strategies to competition on performance among commercial banks in Nyeri County, Kenya. Competitive dynamics research contributes to this understanding because it offers a conceptual framework of competition, mainly by explaining and predicting how opponents engage each other.

2.2.3 Expectancy Disconfirmation Theory (EDT)

The theory was developed by Oliver (1977). According to Bhattacherjee and Premkumar (2004) EDT measures the consumer loyalty's from the contrast between client's desire and involvement in saw items or administrations. Disconfirmation hypothesis contends
that fulfilment is identified with the size and heading of the disconfirmation encounter that happens because of looking at benefit execution against desires.

The theory includes four essential develops: desires, saw execution, disconfirmation of convictions, and fulfilment. Desires fill in as the examination grapple in EDT; what purchasers use to assess execution and frame a disconfirmation judgment. Desires reflect suspicion (Wang & Chang, 2012). Execution is an assessment by the person after the occasion, for example, a view of item quality. On the off chance that an item meets or beats desires (affirmation) post-buy fulfillment will come about. In the event that an item misses the mark concerning desires (disconfirmation) the customer is probably going to be disappointed. Also, Santos and Boote (2003) concur that disconfirmation is frequently estimated specifically, or as a distinction score amongst desire and execution parts. Post-buy or post-reception fulfillment alludes to the degree to which a man is satisfied or mollified with an item, administration, or innovation ancient rarity in the wake of having increased direct involvement with the item, administration, or antiquity.

Expectation disconfirmation theory is relevant to this study which seeks to find out the effect of strategic response strategies to competition on performance. The customer in this context is that person or group which seeks services from a bank. The customers have expect services from the bank that meet their expectations. Expectation confirmation hypothesis places that fulfillment is straightforwardly affected by disconfirmation of convictions and seen execution, and is in a roundabout way impacted by the two desires and seen execution by methods for a mediational relationship which goes through the disconfirmation build. By installing financial innovations, rebranding, restructuring and installing new prices the banks is trying to shape the customer’s experiences.

2.3 Empirical Review
2.3.1 Financial Innovations and Financial Performance
Financial innovation is the formation of new money related instruments, advances, establishments, and markets. As in different advancements, advancement in back incorporates innovative work works and the showing, dissemination, and appropriation of these new items or administrations (Allen and Yego, 2010). Dabic et al. (2011) recognizes the accompanying gatherings of advancements: new items, new techniques for
generation, opening new markets, new wellsprings of supply of crude materials, new association structures and business structures and new strategies for administration. OECD (2005) distinguishes four sorts of money related advancements: item, process, showcasing and business association.

According to the World Economic Forum (2012), the energy of development gets from its blend with venture and rivalry. Advancement at first advantages the trailblazer and venture amplifies the profits. Rivalry at that point conveys the advantages of advancement all the more generally crosswise over society, driving down costs and making new items and administrations broadly accessible. Sweeny and Morrison (2004) place that developments in the keeping money industry have changed retail managing an account the extent that the conveyance of budgetary administrations is concerned.

Based on the Granger Causality Test, Kashmari and Nayebayazdi (2016) found that the quantity of ATM machines, POS, PIN cushion, SWIFT framework and measure of managing an account offices gave by each bank, has causal connection in clarifying the expansion of the bank’s offer in pulling in stores; however the Market Share was perceived as the reason for the advancement. Beck, Chen and Lin (2012) found that money related advancement is related with higher development unpredictability among businesses more reliant on outside financing and on development and with higher eccentric bank delicacy, higher bank benefit instability and higher bank misfortunes amid the current emergency. Ngari and Muiruri (2014) found that a few banks in Kenya had received some money related advancements, for example, Visas, versatile, web and organization saving money. The monetary developments had awesome effect on the budgetary execution of the banks. Koech and Makori (2014) found that innovation development prompts higher gainfulness. There is settled costs in innovation development. Advertising development and esteem advancement upgrades monetary execution in National Bank of Kenya. Gichungu and Aloko (2015) built up that the recognized bank developments, correctly, cell phone keeping money, web based managing an account, office saving money and ATM saving money had emphatically affected on the monetary execution of business banks in Kenya over the 5 year time frame in the vicinity of 2009 and 2013.
2.3.2 Rebranding and Financial Performance

Muzellec and Stuart (2006) posit that there are two degrees of rebranding; revolutionary and evolutionary; the previous totally decimates the old impression of the brand and manufactures another, by evolving name, logo and trademark while the last isn’t as exceptional and changes maybe a couple of the three characteristics, while keeping up the fundamental issues of the situating. Keller (2000) proposes that rebranding can happen at one a few or the greater part of the three distinct levels of a brand chain of importance: corporate rebranding, specialty unit Rebranding and item level rebranding. Lmabkin and Muzellec (2008) found that huge saves money with global brands, for example, Citigroup have a tendency to take after a marked house procedure where they force their lord image on all acquisitions bringing about a further upgrade of scale and brand quality. In any case, this general system disguises a more perplexing, multi-tiered approach with various sorts and sizes of acquisitions being rebranded in various ways.

Makasi, Govender and Madzorera (2014) built up that rebranding effectively affects shoppers' recognitions and can be utilized as an advertising device all together increase upper hand and affects the money related execution of an association. Osoro (2014) findings showed a strong positive correlation between Open bond, rebranding and Financial Inclusion/ Rebranding and new products strategies together contributed 43.3% of the increase in financial inclusion. However, Phiri (2006) found that it isn't evidently clear that when an organization re-marks its logo or picture, that clients will buy more items, thus expanding the money related estimation of the organization. Chhibber and Shah (2015) found that there is a negative effect of high cost of rebranding and increment in work weight on representatives. Be that as it may, there is sure effect of rebranding like increment in deals and footfalls in banks and in addition drawing in youthful age. Maymand and Fard (2015) the outcomes from way examination demonstrated that representative marking had huge impacts on piece of the pie. Disli and Schoors (2013) found that that contributors turn out to be more careful and disciplinary if the bank executes a little change from a Turkish name to another Turkish name. There is additionally an expansion in investor teach when a Turkish name is changed into a remote name.
2.3.3 Restructuring and Financial Performance

Restructuring is a procedure of rolling out a noteworthy improvement in association structure that frequently includes decreasing administration levels and perhaps changing segments of the association through divestiture as well as obtaining, and contracting the span of the work constrain (Bartol & Martin, 1998). Now and again, rebuilding is because of critical changes in the business condition while in different cases it is done to address poor working/stock execution. Gibbs (2007) characterizes rebuilding as an adjustment in the operational structure, venture structure, financing structure and administration structure of an organization.

According Gaughan, (2002) firms need to acknowledge changes in items, administrations, markets, authoritative structure and human resources. Rakshit and Chatterjee (2008) add that with the rapid expansion of liberalization, privatization and globalization mergers and acquisitions have become an important and effective vehicle of corporate restructuring. Compelling rebuilding will streamline what are frequently excessively intricate and diffuse managing an account gatherings. As indicated by Lin, Lee and Gibbs (2008) while some restructurings can build up firms in a more productive and focused position, others may cause hierarchical interruptions, disrupt a business, and make vulnerability about a company's future working income and income.

Chang, Cianci, Hsiao and Huang (2007) discovered that working effectiveness was reflected in the post-change period (2004). As indicated by the creators, enhanced proficiency in the post-change period was conceivably because of the lessening of nonperforming advances as opposed to the boosting of capital sufficiency in the change time frame. Discoveries of an investigation by Randhawa and Maru (2005) propose that the bank rebuilding strategies in four nations did not create a great reaction and subsequently, were ineffectual in re-establishing financial specialist certainty. Furthermore, the rebuilding strategies did not bring about foundational benefits for the managing an account area in Indonesia, Korea, Malaysia and Thailand. Sulaiman (2012) found out that financial restructuring has significant effects on profitability, liquidity and solvency of firms. Nyaana (2016) found that organization restructuring positively affected National Bank of Kenya performance although not statistically significant. Kwaning, Churchill and Opoku (2014) found evidence that the impacts of restructuring
on Agricultural Development Bank (ADB) organizational structure and strategic control, and performance are more apparent; the evidence implied that substantial policy burdens of ADB have been removed, which was reflected in the dramatic decrease in NPLs. Maseno (2014) established that there exists a beneficial outcome of money related rebuilding of the budgetary execution of business banks in Kenya. Notwithstanding, the examination additionally demonstrated that the impact was exceptionally insignificant and could just clarify 26.7% of money related execution leaving the other over 70% unexplained.

2.3.4 Competition-Based Pricing and Performance

The prices of the competition may influence the price strategies of any bank. According to Cetinã and Mihail (2010), the customers will assess the cost by looking at the results of numerous associations. Any bank must know the cost and nature of the opposition items and utilize the data in building up their own particular costs. As per Raju and Zhang (2010), rivalry based evaluating is the second-most-mainstream value setting approach and is additionally alluded to as market-based estimating technique or vital evaluating. In rivalry based valuing, a firm essentially looks at its opposition's cost and afterward sets the cost of its own item at about a similar level, give or take a couple of percent. Occasionally, such estimating can appear as a firm setting a piece of the pie objective and marking down their value in respect to their rival until the point that they achieve it. As per Anthony (2015), the request of the item, its life cycle and value affectability will design into the evaluating of the item even with a market-based estimating system.

The business today is seeing a value war, with each bank needing to have a bigger cut of the cake that is the market, without quite a bit of a logical report into the cost of assets included and edges (Kumar & Parashuramulu, 2013). Banks ought to supplant customary valuing with an all encompassing information driven approach that incorporates clients' needs, inclinations, practices, obtaining examples, and value affectability. An EMEA Survey (2010) found that most banks apply few and unsophisticated strategies at setting reference costs, with most relying upon "benchmarks" that is, following contenders. Moreover the evaluating carefulness of offers staff is once in a while guided by client investigation or trained by cost based motivators. Indounas (2014) found that vital estimating positively affects organization execution in both quantitative and subjective
terms. Market-centered and cost construct techniques have differentiating impacts upon execution. Noone, Canina and Enz (2013) found that income execution is most grounded for inns that cost higher than the opposition and keep up a predictable relative cost after some time.

2.4 Summary of Literature and Research Gaps

Literature has been reviewed on financial innovations, rebranding, restructuring and competition based pricing. In particular, extensive literature has been reviewed on their elements and how they affect financial performance. In reviewing the literature, the researcher finds that majority of studies have been conducted in the technology and manufacturing firms and studies in commercial banks are few and far apart. Further, studies from Africa and Kenya in particular are few with majority being from Europe and America. The findings of such studies may not be generalizable in the Kenyan context due to the variance in the complexity of the two financial systems. Majority of studies of financial innovations have concentrated on ICT innovations and ignored other types of financial innovations. Inconsistencies also exist amongst the available studies. For instance, whereas Phiri (2006) finds a no effect on rebranding and performance Chibber and Shah (2015) finds a positive effect. To fill these gaps, the study sought to assess the effect of strategic response strategies to competition on performance of commercial banks in Nyeri County Kenya.
2.5 Conceptual Framework

A conceptual framework was proposed for the study. The framework shows the variables in the study.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial innovations</strong></td>
<td><strong>Performance</strong></td>
</tr>
<tr>
<td>• New financial products and services</td>
<td>• Non-Performing Loans</td>
</tr>
<tr>
<td>• New financial intermediaries</td>
<td>• Number of active members</td>
</tr>
<tr>
<td>• New delivery channels</td>
<td>• Amount in members’ deposits</td>
</tr>
<tr>
<td><strong>Rebranding</strong></td>
<td></td>
</tr>
<tr>
<td>• Change of bank name</td>
<td></td>
</tr>
<tr>
<td>• Change of bank logo</td>
<td></td>
</tr>
<tr>
<td>• Change of bank slogan</td>
<td></td>
</tr>
<tr>
<td>• Change of bank colors</td>
<td></td>
</tr>
<tr>
<td><strong>Restructuring</strong></td>
<td></td>
</tr>
<tr>
<td>• Change in operational structure</td>
<td></td>
</tr>
<tr>
<td>• Change in investment structure</td>
<td></td>
</tr>
<tr>
<td>• Change in financing structure</td>
<td></td>
</tr>
<tr>
<td>• Change in governance structure</td>
<td></td>
</tr>
<tr>
<td><strong>Competition-based pricing</strong></td>
<td></td>
</tr>
<tr>
<td>• Price leadership</td>
<td></td>
</tr>
<tr>
<td>• Predatory pricing</td>
<td></td>
</tr>
<tr>
<td>• Going rate pricing</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.1 Conceptual framework

The purpose of the current study was to assess the effect of strategic response strategies to competition on performance of commercial banks in Nyeri County Kenya. The independent variables were financial innovations, rebranding, restructuring and competition based pricing while performance is the dependent variable. Figure 2.2 shows the indicators for each of the four variables which rendered the variable measureable.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This section deals with methods that were used to carry out this study. It provides an overall plan of how the research objectives were achieved. This chapter includes a description of the methods and the processes and tools used to gather and analyse the data, as well as an explanation of conceptual perspectives that inform the study. It is subdivided into eight subsections namely: research design, target population, sample size and sampling procedures, research instruments, instruments validity, instrument reliability, data collection procedures and data analysis techniques.

3.2 Research Design
Polit, Beck and Hungler (2001) describe the research design as the researcher’s overall strategy for answering the research question or testing the research hypothesis. The current study used a descriptive cross sectional research design. Cross-sectional studies are carried out at one time point or over a short period. Descriptive studies are usually the best methods for collecting information that will demonstrate relationships and describe the world as it exists (Creswell, 2005). This design was therefore appropriate as it enabled the researcher describe the relationships between the variables using minimum resources and time.

3.3 Target Population
Target population refers to the entire group of individuals or objects to which researchers are interested in generalizing the conclusions (Saunders, Lewis & Thornhill, 2007). In this study, commercial banks in Nyeri County were targeted. There were 12 commercial banks in Nyeri County. Operations managers and departmental heads were the respondents in the study. Table 3.1 shows that there were 13 operation managers and 66 heads of department in the 12 banks in Nyeri. These persons were selected because they are resourceful employees of the bank who are privy to all the activities of the bank including the strategic response strategies to competition.
Table 3.1 Target population

<table>
<thead>
<tr>
<th>Bank</th>
<th>Operational managers</th>
<th>Departmental heads</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Bank</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Consolidated</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Standard &amp; Chartered</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>I&amp;M</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Co-operative</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Barclays</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Kenya Commercial Bank</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>National bank</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Family bank</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Eco-bank</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Jamii bora</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>KWFT</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13</strong></td>
<td><strong>66</strong></td>
</tr>
</tbody>
</table>

The study carried out a census of the 79 persons. This approach was adopted because the total number of target population was small (79) and easily accessible for the researcher.

3.4 Data Collection Instruments

A self-administered semi-structured questionnaire was used to collect data on response strategies to competition. Questionnaires were preferred as they are able to collect a large amount of information from a large population in relatively short amount of time. In addition, data collected through questionnaires eases analysis (Burns, 2010). The researcher developed the questionnaires. The questionnaires were semi structured with both closed and open ended questions. Majority of the questions were in five-point likert-scale format. Likert Scales have the advantage that they do not expect a simple yes / no answer from the respondent, but rather allow for degrees of opinion, and even no opinion at all (Mcleod, 2008). Likert scale was preferred because such questions are quick and economical to administer and score and they lend themselves well to item analysis procedures (Dawson, 2009). Data on financial performance of participating banks was sourced from the banks’ financial statements.

3.4.1 Instrument Validity

Validity is the extent to which an instrument measures what it is supposed to (Silverman, 2005). Construct and criterion validity was ensured in the study. Content validity is the degree to which the components inside an estimation system are applicable and agent of the build that they will be utilized to gauge (Haynes et al., 1995).Criterion validity refers
to the degree to which a test correlates with an external criteria that is measured at the same time. This was done through ensuring that questions are formulated from indicators identified in the conceptual framework. The researcher also had the supervisor and a statistician review the questionnaire to certify that the questions will yield valid data.

3.4.2 Instrument Reliability
Reliability is concerned with the consistency of measurement; how much the inquiries utilized in an overview evoke a similar kind of data each time they are utilized under similar conditions (Blaxter, Hughes & Tight, 2006). In this study, reliability was established through a pre-test. The pretest was conducted on 2 operations managers and 10 departmental heads of 2 commercial banks in Nyeri. The split half method was employed. This involves splitting the questionnaire into two and having the same participant fill both. If the two halves of the questionnaire provided similar results this suggested that the test has internal reliability. Correlation was used to quantify reliability where a spearman brown correlation coefficient of 0.8 and above was accepted (Dawson, 2009). The findings of the reliability test are presented in Table 3.2

Table 3.2 Reliability Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Spearman brown correlation coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial innovation</td>
<td>0.81</td>
</tr>
<tr>
<td>Rebranding</td>
<td>0.95</td>
</tr>
<tr>
<td>Restructuring</td>
<td>0.88</td>
</tr>
<tr>
<td>Pricing</td>
<td>0.90</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Findings in Table 3.2 show that the reliability coefficients for all variables was above the 0.8 threshold recommended by Dawson (2009) indicating high reliability of the instrument.

3.5 Data Collection Procedures
The researcher got an authorization letter from the school of business, Kenyatta University identifying him as a bona fide student of the institution. This letter was used to apply for a research permit from the National Council of Science and Technology. The researcher contacted the management of the various commercial banks to inform them of the impending study. On an agreed date, the researcher delivered the questionnaires to the individual banks. The researcher gave the respondents a week to fill the
questionnaires. This gave the respondents ample time to answer the questions thereby ensuring a high response rate. The researcher left his contacts for any respondent who may need clarification. After 7 working days, the researcher collected the questionnaires.

3.6 Data Analysis

Data was cleaned, scored and coded before being fed into the computer using SPSS software. Descriptive statistics such as frequencies, percentages, mean and standard deviation were used to organize findings. Regression analysis were also be conducted. Regression analysis was conducted to determine the statistical significance of the relationship between strategic response strategies to competition and performance among commercial banks, determine the strength of association between performance among commercial banks and the multiple independent variables (financial innovation, rebranding, restructuring and pricing), identify the relative importance of each of the multiple independent variables in predicting the performance among commercial banks and predict the values of the dependent variable from the values of the multiple independent variables. The model used is shown below

\[ Y = C + \beta_1 FI + \beta_2 RBR + \beta_3 RSTC + \beta_4 CBC + e \]

Where:

- \( Y \) = Financial performance of banks
- \( C \) = Constant
- \( B \) = Beta values
- \( FI \) = Financial innovation
- \( RBR \) = Rebranding
- \( RSTC \) = Restructuring
- \( CBC \) = Competition based pricing
- \( E \) = Error term

The tests were performed the help of SPSS software at 95% confidence level. Diagnostic tests were conducted prior to regression analysis to ensure that the data fulfils the
assumptions of normality, homogeneity, autocorrelation and multicollinearity. Findings were presented in form of tables and figures.

3.7 Ethical Considerations

Authorization to conduct the study was sought from the researcher’s university and the participating banks. Consent to participate in the study was sought from potential participants before administering the questionnaire. Respondents were not be required to indicate their names for confidentiality. Findings were only used for academic purposes.
CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study as well as the discussion of the findings. This includes the response rate, the socio-demographic findings and findings from the five study variables. The chapter is divided into two parts; descriptive and inferential analysis.

4.2 Response Rate

A total of 72 questionnaires were returned fully filled and fit for analysis out of a possible 79. This represents a response rate of 91% which is higher than the 70% threshold recommended by Mugenda and Mugenda (2012). Therefore the response rate is considered adequate.

4.3 Socio-Demographic Characteristics of Respondents

The study collected socio-demographic data from the respondents. This included their gender, age, level of education and working experience. The findings are presented in Table 4.1.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Mean±SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>48</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>24</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>72</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Age (years)</td>
<td>21-30</td>
<td>28</td>
<td>39</td>
<td>33±4</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>33</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>11</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>72</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Level of education</td>
<td>Bachelor’s degree</td>
<td>60</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Postgraduate degree</td>
<td>12</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>72</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Working experience (years)</td>
<td>1-5</td>
<td>17</td>
<td>24</td>
<td>9±2</td>
</tr>
<tr>
<td></td>
<td>6-10</td>
<td>42</td>
<td>58</td>
<td></td>
</tr>
<tr>
<td></td>
<td>11-15</td>
<td>10</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt;15</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>72</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The findings show that majority (67%) of the respondents in the study were male whereas the female respondents accounted for 33% of the participants. This indicates gender
parity among operations managers and departmental heads of commercial banks in Nyeri. The findings also show that 46% of the respondents were aged between 31 and 40 years, 15% of the respondents were aged over 40 years while those aged below 30 years accounted for 39%. The mean age of respondents was 33 years. This indicates that majority of operations managers and departmental heads of commercial banks in Nyeri were young.

Slightly over half (58%) of the respondents had a working experience spanning between 6 and 10 years while 24% had worked for between 1 and 5 years. The findings show that 4% of the respondents had a working experience of over 15 years. The mean working experience was 9 years. This shows that majority of respondents had acquired enough working experience to enable them respond resourcefully to the study questions.

**4.4 Financial Performance of Commercial Banks**

To establish financial performance of participating banks, the researcher collected performance data in the form of non-performing loans, number of active members and amount in members’ deposits. The findings are presented in this section.

**4.4.1 Commercial Banks’ Non-Performing Loans**

Data on non-performing loans was collected for the years 2013-2014, 2014-2015 and 2015-2016. The average of the three financial years was calculated and findings presented in Table 4.2.

<table>
<thead>
<tr>
<th>NPL (%)</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Mean+SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5%</td>
<td>4</td>
<td>33</td>
<td>7.2%±3.3</td>
</tr>
<tr>
<td>6%-10%</td>
<td>7</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>&gt;10%</td>
<td>2</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The findings show that slightly over half (33%) of the commercial banks in the study had non-performing loans of between 6% and 10% while those that had non-performing loans below 5% accounted for 33%. A meagre 11% had NPL ratios of over 10%. The average non-performing loans in participating banks was 7.2%. This shows that the level of non-performing loans was high for most banks as it was near the recommended ceiling.
4.4.2 Number of Active Members in Commercial Banks

Data on active members was collected for the years 2013-2014, 2014-2015 and 2015-2016. The average of the three financial years was calculated and findings presented in Table 4.3.

Table 4.3 Number of Active Members in Commercial Banks

<table>
<thead>
<tr>
<th>Number of members</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Mean/SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1,000</td>
<td>2</td>
<td>16</td>
<td>7,300+800</td>
</tr>
<tr>
<td>1,001 – 10,000</td>
<td>9</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>&gt;10,000</td>
<td>1</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The findings show that majority (75%) of the banks in the study had between 1,001 and 10,000 active members. The findings also show that 16% of banks had less than 1,000 members while those that had over 10,000 members accounted for 9% of the participating banks. The mean number of active members was 7,300.

4.4.3 Amount in Members’ Deposits

Data on total deposits was collected for the years 2013-2014, 2014-2015 and 2015-2016. The average of the three financial years was calculated and findings presented in Figure 4.1.

![Figure 4.1 Amount in Members’ Deposits](image)
Findings in Figure 4.1 show that 42% of the banks had customers’ deposits of between KES 251 Million and KES 500 Million, 25% had a customers’ deposits of between 101M and 250M while an equal number (25%) of banks had customers’ deposits of over 500M. The findings also showed that 8% of banks had customers’ deposits of less than 100m. The mean amount of deposits was KES 230 million.

4.5 Financial Innovations in Commercial Banks

The study sought to establish financial innovations adopted by commercial banks in the study. The findings would help the study establish the effect of financial innovation strategy on performance among commercial banks in Nyeri County, Kenya. The findings are presented in this section.

4.5.1 Financial Innovations adopted by Commercial Banks

When asked which financial innovations have been adopted by their banks mobile banking was the most cited by majority (67%) of respondents followed by agency banking (42%) and stock brokerage services (28%) as shown in Figure 4.3. This finding is in tandem with findings of Ngari and Muiruri (2014) who found that some banks in Kenya had adopted some financial innovations such as credit cards, mobile, internet and agency banking.

Figure 4.2 Financial Innovations adopted by Commercial Banks

*Multiple Responses
4.5.2 Innovativeness of Commercial Banks

To assess the level and nature of innovativeness in participating banks, Respondents in the study were asked to indicate the extent to which their bank made use of various innovations. The findings are presented in Table 4.4.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank continuously seeks to create new products and services</td>
<td>72</td>
<td>1</td>
<td>4</td>
<td>1.75</td>
<td>0.672</td>
</tr>
<tr>
<td>The bank has come up with new delivery channels to allow it to enter an existing market</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>1.81</td>
<td>0.703</td>
</tr>
<tr>
<td>The bank has created new financial intermediaries to supplement the firms existing product line</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>1.97</td>
<td>1.121</td>
</tr>
<tr>
<td>The bank has entered into new markets</td>
<td>72</td>
<td>1</td>
<td>4</td>
<td>1.59</td>
<td>0.837</td>
</tr>
<tr>
<td>Using financial innovation enhances the productivity of banking activities</td>
<td>72</td>
<td>1</td>
<td>2</td>
<td>1.31</td>
<td>0.471</td>
</tr>
<tr>
<td>Total</td>
<td>8.43</td>
<td>3.804</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>1.686</td>
<td>0.7608</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The mean for the five items was 1.686 indicating that financial innovations were used to a great extent in the participating banks. The standard deviation values were between 0.4 and 1.1 which indicates the convergence of views, and the lack of a large dispersion in the answers. The findings therefore show that banks in the study had adopted financial innovations in various forms which helped them gain superior performance. This is consistent with findings of Sweeny and Morrison (2004) posit that innovations in the banking industry have changed retail banking as far as the delivery of financial services is concerned. The finding is in agreement with Ngari and Muiruri (2014) who found that financial innovations had great impact on the financial performance of the banks. The finding is also in agreement with Koech and Makori (2014) who found that innovation leads to higher profitability.
4.5.3 Extent to Which Financial Innovations Affects Financial Performance

Respondents in the study were asked to indicate the extent to which financial innovations affected financial performance in their bank. The findings are presented in Figure 4.3.

![Figure 4.3 Extent to Which Financial Innovations Affect Financial Performance](image)

Majority (86%) of the respondents in the study indicated that financial innovations affect financial performance of banks to a large extent. This shows that respondents recognized the power of financial innovations in enhancing performance. This is in concurrence with discoveries of World Economic Forum (2012) that the intensity of development gets from its mix with speculation and rivalry. Advancement at first advantages the trend-setter and venture amplifies the profits. This finding additionally concurs with Beck et al. (2012) who discovered that fiscal improvement is connected with higher advancement flightiness among organizations more dependent on outside financing and on headway and with higher specific bank delicacy, higher bank advantage precariousness and higher bank setbacks in the midst of the progressing crisis.

4.6 Rebranding in Commercial Banks

The study sought to assess rebranding practices in participating commercial banks. The findings would enable determination of the effect of re-branding strategy on performance among commercial banks in Nyeri County, Kenya. The findings are presented in this section.
4.6.1 Rebranding Practices in Commercial Banks

To establish the level and nature of rebranding in participating banks, respondents in the study were asked to indicate the extent to which their bank implemented various rebranding activities.

Table 4.5 Rebranding Practices in Commercial Banks

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank has changed its name in the last 10 years</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>4.13</td>
<td>0.464</td>
</tr>
<tr>
<td>The bank has adopted a new slogan in the last 10 years</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>4.69</td>
<td>0.700</td>
</tr>
<tr>
<td>The bank has adopted a new logo in the last 10 years</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>4.07</td>
<td>0.851</td>
</tr>
<tr>
<td>The bank has adopted new colors in the last 10 years</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>4.48</td>
<td>0.636</td>
</tr>
<tr>
<td>The bank completely destroyed the old perception of the bank and built a new brand by changing name, logo and slogan</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>4.02</td>
<td>0.765</td>
</tr>
<tr>
<td>Only one or two of the three attributes (name, logo and slogan) were changed</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>3.87</td>
<td>0.652</td>
</tr>
<tr>
<td>Rebranding increases sales and attracts more customers.</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>3.23</td>
<td>0.772</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>28.49</td>
<td>4.84</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td>4.07</td>
<td>0.691</td>
</tr>
</tbody>
</table>

The mean for the seven items was 4.07 indicating that rebranding was exercised to a very small extent in the participating banks. The standard deviation values were between 0.4 and 0.8 which indicates the convergence of views. The findings therefore shows that rebranding was poorly utilized by the banks in the study. The findings are therefore in contrast to those of other studies such as Muzellec and Stuart (2006), Lmabkin and Muzellec (2008), Disli and Schoors (2013) and Maymand and Fard (2015) who found that rebranding was prevalent in commercial banks.
4.6.2 Extent to Which Rebranding Affects Financial Performance

Respondents in the study were asked to indicate the extent to which rebranding affected financial performance in their bank. The findings are presented in Figure 4.4.

![Figure 4.4 Extent to Which Rebranding Affects Financial Performance](image)

Findings in Figure 4.4 show that 47% of the respondents indicated that rebranding affects performance to a small extent, 34% indicated large extent while the remaining 19% indicated no extent. This shows that majority of the respondents did not perceive rebranding as an effective strategy to enhance performance of the bank. This is in concurrence with Phiri (2006) who discovered that it isn't certifiably clear that when an organization re-marks its logo or picture, that clients will buy more items, subsequently expanding the budgetary estimation of the organization. The finding is anyway in conflict with Makasi et al. (2014) who set up that rebranding effectsly affects buyers' discernments and can be utilized as a promoting instrument all together increase upper hand and affects the money related execution of an association.
4.7 Restructuring in Commercial banks

The study sought to find out how commercial banks in the study had applied the concept of restructuring. The findings would help the study determine the effect of restructuring strategy on performance among commercial banks in Nyeri County, Kenya.

4.7.1 Extent to Which Commercial Banks Had Practiced Restructuring

To establish the level and nature of restructuring in participating banks, respondents in the study were asked to indicate the extent to which their bank implemented various restructuring activities.

Table 4.6 Restructuring in Commercial banks

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank has changed its operational structure in the last 10 years</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>2.9</td>
<td>0.541</td>
</tr>
<tr>
<td>The bank has changed its investment structure in the last 10 years</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>2.8</td>
<td>0.621</td>
</tr>
<tr>
<td>The bank has changed its finance structure in the last 10 years</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>3.1</td>
<td>0.801</td>
</tr>
<tr>
<td>The bank has changed its governance structure in the last 10 years</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>2.6</td>
<td>0.764</td>
</tr>
<tr>
<td>Restructuring results in improved productivity and morale</td>
<td>72</td>
<td>1</td>
<td>4</td>
<td>1.6</td>
<td>0.652</td>
</tr>
<tr>
<td>Restructuring helps reduce personnel turnover</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>2.4</td>
<td>0.765</td>
</tr>
<tr>
<td>Restructuring enhances organizational effectiveness and efficiency</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>1.8</td>
<td>0.725</td>
</tr>
<tr>
<td>Total</td>
<td>17.2</td>
<td>4.869</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>2.46</td>
<td>0.70</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The mean for the seven items was 2.46 indicating that restructuring was exercised to a large extent in the participating banks. The standard deviation values were between 0.5 and 0.8 which indicates the convergence of views. Findings therefore show that majority of banks had practiced restructuring in one way or another be it changes in operational, investment, finance or governance structures. This is in agreement with findings of Gaughan, (2002) that firms have to realize changes in products, services, markets, organizational structure and human resources. The finding is also in agreement with Rakshit and Chatterjee (2008) who found that with the rapid expansion of liberalization, privatization and globalization mergers and acquisitions have become an important and
effective vehicle of corporate restructuring. Effective restructuring will help to streamline what are often overly complex and diffuse banking groups.

4.7.2 Extent to Which Restructuring Affects Financial Performance
Respondents in the study were asked to indicate the extent to which restructuring affected financial performance in their bank. The findings are presented in Figure 4.5.

![Figure 4.5 Extent to Which Restructuring Affects Financial Performance](image)

Findings in Figure 4.5 show that majority (81%) of respondents indicated that restructuring affected financial performance to a large extent. This is in agreement with findings of Sulaiman (2012) who found out that financial restructuring has significant effects on profitability, liquidity and solvency of firms. However the finding is in contrast to findings of Maseno (2014) and Nyaana (2016) who found that there was an effect between restructuring and financial performance but it was very minimal.

4.8 Competition-Based Pricing
The study sought to assess commercial banks use of competition-based pricing strategy. The findings would enable investigation into the effect of competition-based pricing on performance among commercial banks in Nyeri County, Kenya. The findings are presented in this section.
4.8.1 Extent to which banks use Competition-Based Pricing

To establish the extent to which participating banks used competition based pricing, respondents in the study were asked to indicate the extent to which their bank applied the principles of competition-based pricing.

Table 4.7 Extent to which banks use Competition-Based Pricing

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank changes its pricing in response to competition</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>2.1</td>
<td>0.500</td>
</tr>
<tr>
<td>The bank sets the price of products and other banks all follow suit.</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>3.2</td>
<td>1.049</td>
</tr>
<tr>
<td>The bank sets its prices at significantly low to damage rivals competitiveness</td>
<td>72</td>
<td>2</td>
<td>5</td>
<td>4.1</td>
<td>0.487</td>
</tr>
<tr>
<td>The bank sets prices for products using the prevailing market price as a basis</td>
<td>72</td>
<td>1</td>
<td>4</td>
<td>4.6</td>
<td>0.483</td>
</tr>
<tr>
<td>In recognition that quantities will be low, the bank’s pricing of products seeks to maximize the unit profit margin recognizing that quantities will be low.</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>1.4</td>
<td>0.473</td>
</tr>
<tr>
<td>The bank ensures that it sets prices that cover costs and permit sustainability of the firm</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>1.7</td>
<td>0.439</td>
</tr>
<tr>
<td>The bank constantly monitors competitors price moves and sets a price that would be comparable to them</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>4.6</td>
<td>0.829</td>
</tr>
<tr>
<td>The bank sets prices low to accelerate product adoption and gain market share.</td>
<td>72</td>
<td>1</td>
<td>5</td>
<td>3.8</td>
<td>0.465</td>
</tr>
<tr>
<td>Total</td>
<td>25.5</td>
<td>4.725</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>3.19</td>
<td>0.59</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The mean for the eight items was 3.19 indicating that competition based pricing strategy was used to a small extent in the participating banks. The standard deviation values were between 0.4 and 1.0 which indicates convergence of views. The findings therefore show that competition-based pricing strategy was lowly used as the banks were more concerned about making profits and covering their expenses as opposed to gaining competitive advantage. The findings are in agreement with Cetină and Mihail (2010) that any bank must know the price and quality of the competition products and use the information in establishing their own prices. The finding is also in agreement with findings of an EMEA Survey (2010) which found that most banks apply few and unsophisticated techniques for setting reference prices, with most depending on
“benchmarks” that is, following competitors. The findings are however in disagreement with Kumar and Parashuramulu (2013) that businesses today are seeing a value war, with each bank needing to have a bigger cut of the cake that is the market, without quite a bit of a logical report into the expense of assets included and edges.

4.8.2 Extent to Which Restructuring Affects Financial Performance
Respondents in the study were asked to indicate the extent to which competition based pricing affected financial performance in their bank. The findings are presented in Figure 4.6.

![Figure 4.6 Extent to Which Restructuring Affects Financial Performance](image)

The vast majority (92%) indicated that competition based pricing affected performance to large extent. This shows that respondents recognized the importance of pricing on performance of banks. This is consistent with findings of Indounas (2014) who found that strategic pricing has a positive impact on company performance in both quantitative and qualitative terms. The finding is also in agreement with Noone, Canina and Enz (2013) found that revenue performance is strongest for hotels that price higher than the competition and maintain a consistent relative price over time.

4.9 Ranking of Factors
Respondents in the study were asked to indicate which of the four factors among financial innovation, rebranding, restructuring and pricing had the most influence on
performance of the bank. Findings in Figure 4.7 show that 48% of the respondents picked financial innovation while 30% picked pricing. This is in agreement with findings of Sweeny and Morrison (2004) that innovations in the banking industry have changed retail banking as far as the delivery of financial services is concerned.

![Figure 4.7 Ranking of Factors](image)

### 4.10 Hypothesis Testing

To test the hypothesis of the study, simple linear regression was conducted between the independent variables and performance of participating banks.

#### 4.10.1 Financial Innovation has no Significant effect on Performance

The first hypothesis of the study stated that there is no significant relationship between financial innovation strategy and performance among commercial banks in Nyeri County, Kenya. To test the hypothesis, financial innovation was regressed with financial performance. The findings are presented in Table 4.8.
Table 4.8 Regression between Innovation and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.270</td>
<td>.236</td>
<td></td>
<td>1.145</td>
</tr>
<tr>
<td>Innovation</td>
<td>.791</td>
<td>.098</td>
<td>.828</td>
<td>8.085</td>
</tr>
</tbody>
</table>

R=0.828, R²=0.685, Adjusted R²=0.675, Std. Error =0.561, F=65.367, P=0.00

Findings in Table 4.8 shows that 68.5% (r²=0.685) of financial performance could be attributed to financial innovations. The findings also show that financial innovation was significant (p=0.00) at 95% confidence level. The first null hypothesis (H₀₁) is therefore rejected and the study adopts the first alternative hypothesis (Hₐ₁) that there is a significant relationship between financial innovation strategy and performance among commercial banks in Nyeri County, Kenya. The finding is in agreement with Ngari and Muiruri (2014) who found that financial innovations had great impact on the financial performance of the banks. The finding is also in agreement with Koech and Makori (2014) who found that innovation leads to higher profitability. This finding also agrees with Beck et al. (2012) who found that monetary development is related with higher development unpredictability among businesses more reliant on outside financing and on advancement and with higher particular bank delicacy, higher bank benefit instability and higher bank misfortunes amid the ongoing emergency.

4.10.2 Rebranding has no Significant effect on Performance

The second hypothesis of the study stated that there is no significant relationship between re-branding strategy and performance among commercial banks in Nyeri County, Kenya. To test the hypothesis, rebranding was regressed with financial performance.

Table 4.9 Regression between Rebranding and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>2.657</td>
<td>.392</td>
<td></td>
<td>6.778</td>
</tr>
<tr>
<td>Rebranding</td>
<td>.280</td>
<td>.151</td>
<td>.321</td>
<td>1.854</td>
</tr>
</tbody>
</table>

R=0.321, R²=0.103, Adjusted R²=0.073, Std. Error =0.947, F=3.439, P=0.074
Findings in Table 4.9 shows that 10.3% ($R^2=0.103$) of financial performance of banks could be attributed to rebranding. The findings also show that rebranding was not significant ($p=0.074$) at 95% confidence level. The second null hypothesis ($H_{02}$) is therefore retained and the study rejects the second alternative hypothesis ($H_{a2}$) and concludes that there is no significant relationship between rebranding strategy and performance among commercial banks in Nyeri County, Kenya. This is in concurrence with Phiri (2006) who discovered that it isn't evidently clear that when an organization re-marks its logo or picture, that clients will buy more items, consequently expanding the budgetary estimation of the organization. The finding is anyway in conflict with Makasi et al. (2014) who set up that rebranding effectsly affects shoppers' recognitions and can be utilized as a promoting instrument all together increase upper hand and affects the money related execution of an association.

### 4.10.3 Restructuring has no Significant effect on Performance

The third hypothesis of the study stated that there is no significant relationship between restructuring strategy and performance among commercial banks in Nyeri County, Kenya. To test the hypothesis, restructuring was regressed with financial performance.

#### Table 4.10 Regression Between Restructuring and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.192</td>
<td>.320</td>
<td>3.730</td>
</tr>
<tr>
<td></td>
<td>Restructuring</td>
<td>.411</td>
<td>.142</td>
<td>.468</td>
</tr>
</tbody>
</table>

$R=0.468$, $R^2=0.219$, Adjusted $R^2=0.193$, Std. Error $=0.884$, $F=8.411$, $P=0.007$

Findings in Table 4.10 shows that 21.9% ($R^2=0.219$) of financial performance could be attributed to restructuring. The finding also shows that restructuring ($p=0.007$) was significant at 95% confidence level. The third null hypothesis ($H_{03}$) is therefore rejected and the study adopts the third alternative hypothesis ($H_{a3}$) concluding that there is a significant relationship between restructuring strategy and performance among commercial banks in Nyeri County, Kenya. This is in agreement with findings of Sulaiman (2012) who found out that financial restructuring has significant effects on profitability, liquidity and solvency of firms. However, the finding is in contrast to
findings of Maseno (2014) and Nyaana (2016) who found that there was an effect between restructuring and financial performance but it was minimal.

4.10.4 Competition-Based Pricing has no Significant effect on Performance

The fourth hypothesis of the study stated that there is no significant relationship between competition-based strategy pricing and performance among commercial banks in Nyeri County, Kenya. To test the hypothesis, competition based pricing was regressed with financial performance.

Table 4.11 Regression Between Competition-Based Pricing and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.719</td>
<td>.219</td>
<td>3.279</td>
</tr>
<tr>
<td></td>
<td>Pricing</td>
<td>.489</td>
<td>.090</td>
<td>.711</td>
</tr>
</tbody>
</table>

R=0.711, R²=0.506, Adjusted R²=0.489, Std. Error =0.503, F=65.367, P=0.00

Findings in Table 4.11 shows that 50.6% (R²=0.506) of financial performance of banks could be attribute to competition-based strategy. The findings also show that competition-based strategy was statistically significant (p=0.000). The fourth null hypothesis (H₀₄) is therefore rejected and the study adopts the fourth alternative hypothesis (H₄₄) concluding that there is a significant relationship between competition-based strategy pricing and performance among commercial banks in Nyeri County, Kenya. This is reliable with discoveries of Indounas (2014) who discovered that key estimating positively affects organization execution in both quantitative and subjective terms. The finding is additionally in concurrence with Noone, Canina and Enz (2013) discovered that income execution is most grounded for inns that cost higher than the opposition and keep up a reliable relative cost after some time.

4.10.5 Multiple Regression Analysis

Regression was conducted between financial innovation, rebranding, restructuring and pricing against financial performance of commercial banks. The purpose of the multiple regression was to find out the combined effect of the independent variables on financial performance of banks. The findings from multiple regression analysis also helped solve
the study model. The output of the regression is summarized and presented in Table 4.12.

Table 4.12 Multiple Regression Output

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.188</td>
<td>.201</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td>.456</td>
<td>.138</td>
<td>.299</td>
<td>3.301 .001</td>
</tr>
<tr>
<td>Rebranding</td>
<td>.126</td>
<td>.117</td>
<td>.099</td>
<td>1.075 .284</td>
</tr>
<tr>
<td>Restructuring</td>
<td>.137</td>
<td>.046</td>
<td>.147</td>
<td>2.953 .004</td>
</tr>
<tr>
<td>Pricing</td>
<td>.265</td>
<td>.098</td>
<td>.182</td>
<td>2.713 .007</td>
</tr>
</tbody>
</table>

R=0.782, R^2=0.611, Adjusted R^2=0.601, Std. Error = 0.070, F=60.437, P=0.00

The R^2 value of 0.611 means that 61.1% of financial performance of commercial bank can be explained by the response strategies. The findings show that the F value of 60.437 is significant (p=0.00) at 95% confidence level. This means that overall, the regression model statistically significantly predicts the outcome variable. Using the unstandardized coefficients in Table 4.12, the new model is as follows

Y= 3.188 + 0.456 FI + 0.126 RBR + 0.137 RSTC + 0.265 CBC + 0.07


The new model suggests that without response strategies, financial performance would be 3.188. The findings also show that financial innovation had a beta value of 0.456 which indicates that a unit change in financial innovation results in a 45.6% change in financial performance. The beta values of the independent variables are all positive indicating that all response strategies produce an increase in financial performance. Further, the beta values tell us that financial innovation has the greatest effect followed by pricing, restructuring and rebranding in that order. This is in agreement with Kashmari and Nayebyazdi (2016) found that innovations and amount of banking facilities provided by each bank, has causal relation in explaining the increase of the bank’s share in attracting deposits. The finding is also in agreement with Indounas (2014) who found that strategic
pricing has a positive impact on company performance in both quantitative and qualitative terms.

The above findings show that response strategies to competition are vital for increased and sustained financial performance. This is in concurrence with Czarniewski (2014) who sees that organization supervisors should continually watch their rivals and adjust their accepted procedures. They should likewise have a couple of leader abilities (aptitudes) that will cause control over adversaries and give them preference. The discoveries are additionally in concurrence with Wu and Xu (2013) who shown that organizations need to enhance their intensity to react to rivalry, for example, enhancing the nature of item, the strategic framework, and the after-deal benefit. The discoveries are additionally predictable with those of Coyne and Horn (2009) who shown that aggressive advertising techniques are most grounded either when they position an association's qualities against rivals' shortcomings or pick positions that represent no danger to contenders.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This section presents a summary of the major findings of the study as well as the conclusions made from them. The section also presents recommendations made by the researcher as well as suggestions for future studies.

5.2 Summary of Findings
The study assessed the effect of financial innovation strategy on performance among commercial banks in Nyeri County, Kenya. Descriptive statistics (M=1.686, SD =0.7608) showed that financial innovations were used to a great extent in the participating banks. Regression analysis showed that 68.5% ($R^2$=0.685) of financial performance could be attributed to financial innovations. The findings also showed that financial innovation was significant (p=0.00) at 95% confidence level.

The study sought to find out the effect of re-branding strategy on performance among commercial banks in Nyeri County, Kenya. Descriptive statistics (M=4.0, SD =0.691) showed that rebranding was exercised to a very small extent in the participating banks. Regression analysis showed that 10.3% ($R^2$=0.103) of financial performance of banks could be attributed to rebranding. The findings also showed that rebranding was not significant (p=0.074) at 95% confidence level.

The study sought to determine the effect of restructuring strategy on performance among commercial banks in Nyeri County, Kenya. Descriptive statistics (M=2.46, SD=0.70) showed that restructuring was exercised to a large extent in the participating banks. Regression analysis showed that 21.9% ($R^2$=0.219) of financial performance could be attributed to restructuring. The findings also showed that restructuring (p=0.007) was significant at 95% confidence level.

The study also investigated the effect of competition-based pricing on performance among commercial banks in Nyeri County, Kenya. Descriptive statistics (M=3.19, SD=0.59) competition based pricing strategy was used to a small extent in the participating banks. Regression analysis shows that 50.6% ($R^2$=0.506) of financial
performance of banks could be attribute to competition-based strategy. The findings also show that competition-based strategy was statistically significant (p=0.000).

5.3 Conclusion
The study concludes that financial innovation strategy affects financial performance of commercial banks to a very large extent. Financial innovation was practiced through new delivery channels to allow it to enter an existing market and new financial intermediaries to supplement the firms existing product line. This was achieved through services such as mobile banking, agency banking and stock brokerage services. Using financial innovation enhanced the productivity of banking activities thereby increasing financial performance.

The study concludes that rebranding strategy has no effect on financial performance of commercial banks. Banks which had adopted some form of rebranding were not found to exhibit superior performance to those who had not. Although a positive relationship was found, it was not significant. This may be due to the fact that rebranding appeals to the perception of customers and has no physical touch in a market where customers are looking to cut costs.

The study concludes that restructuring strategy is an important predictor of financial performance of commercial banks. Banks which had adopted some form of restructuring such as changes operational, investment, finance and governance structures exhibited superior performance. Restructuring enhanced performance through improved productivity and morale, reduction of personnel turnover and enhancement of organizational effectiveness and efficiency.

The study also concludes that pricing strategy is an important river of financial performance of commercial banks. Banks which set prices in response to competition, those that monitored prices in the market and those that adjusted their prices accordingly showed better performance than those which didn’t. However, covering costs emerged as a far more important predictor of pricing strategy compared to competitive advantage. Price changes enabled the bank to cover costs and permit the firm to remain in the market.
5.4 Recommendations
Banks should invest in research into financial innovations. In particular, banks should seek to create more financial intermediaries to supplement the banks existing product line. Investments into rebranding should be reduced as this strategy yields little return in term of financial performance. Specifically, change in colors and slogans do not seem to yield much in terms of performance of the bank. Monies meant for rebranding should be direct to more viable strategies such innovation. Commercial banks should seek to restructure their business based on the prevailing business environment to ensure that they remain competitive while achieving high financial performance. Commercial banks should also pursue drastic forcing strategies such setting prices at a sufficiently low levels for some common products with the purpose of damaging or forcing competitors to withdraw from the market.

5.5 Suggestions for Further Study
The current study was limited to banks operating in Nyeri therefore a similar study should be done in other towns. Future studies should also involve customers to better understand their opinions on such things as rebranding and restructuring on whether they affect their buying behavior of bank products. Further research should go into other response strategies not assessed by the current study.
REFERENCES


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Muthangya, M.S. (2007). Strategic responses to competitive environment. A case of Safaricom limited:


Unpublished MBA Research Project, University of Nairobi.


APPENDICES

Appendix I: Letter of Introduction

Moses Muriithi Muriira
0728-901-736

The Manager,

.................... Bank

Nyeri.

Dear Sir/madam,

RE: REQUEST TO COLLECT DATA

My name is Moses Muriithi Muriira; a postgraduate student at Kenyatta University pursuing a Master’s degree in business administration. I am currently conducting a research with the aim of establishing the effect of strategic response strategies to competition on performance among commercial banks in Nyeri County, Kenya. Your bank has been selected by random sampling to participate in the study.

The purpose of this letter is to request permission from your office to collect data from the organization. Any information given will be treated with utmost confidentiality. I look forward to your favourable response and thank you in advance for your time and consideration.

Sincerely,

Moses Muriithi Muriira
Appendix II: Questionnaire

The purpose of this questionnaire is to collect data on establishing the effect of strategic response strategies to competition on performance among commercial banks in Nyeri County, Kenya. Indicate your response by ticking alongside the provided box or writing down in the space provided. To maintain confidentiality do not indicate your name.

I: Socio-demographic data

1. What is your gender?
   - Male
   - Female

2. How old are you?
   - 21-30 Years
   - 31-40 Years
   - 41-50 Years
   - 51-60 Years

3. What is your highest level of education?
   - Certificate
   - Diploma
   - Bachelor’s degree
   - Postgraduate degree

4. How long have you worked for this bank?
   ……………………years

II: Financial performance

5. Please indicate the following financial metrics for your bank for the last three years.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-performing loans (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of active members</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount in members’ deposits</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
III: Financial innovations

6. What are some of the financial innovations introduced by the bank?

Indicate your agreement or lack thereof with the statements below by ticking in the appropriate box.

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>The bank continuously seeks to create new products and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>The bank has come up with new delivery channels to allow it to enter an existing market</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>The bank has created new financial intermediaries to supplement the firm’s existing product line</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>The bank has entered into new markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Using financial innovation enhances the productivity of banking activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. To what extent do financial innovations affect financial performance of this bank?

- [ ] Very large extent
- [ ] Large extent
- [ ] No extent
- [ ] Small extent
- [ ] Very small extent
### III: Rebranding

Indicate your agreement or lack thereof with the statements below by ticking in the appropriate box.

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. The bank has changed its name in the last 10 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. The bank has adopted a new slogan in the last 10 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. The bank has adopted a new logo in the last 10 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. The bank has adopted a new colours in the last 10 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. The bank carried out revolutionary rebranding (completely destroyed the old perception of the bank and built a new brand by changing name, logo and slogan)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. The bank carried out evolutionary rebranding (Only one or two of the three attributes (name, logo and slogan) were changed while maintaining the main issues of the positioning of the bank).</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Rebranding increases sales and attracts more customers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20. To what extent does rebranding affect financial performance of this bank?

- [ ] Very large extent
- [ ] Large extent
- [ ] No extent
- [ ] Small extent
- [ ] Very small extent
**IV: Restructuring**

Indicate your agreement or lack thereof with the statements below by ticking in the appropriate box.

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.</td>
<td>The bank has changed its operational structure in the last 10 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22.</td>
<td>The bank has changed its investment structure in the last 10 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23.</td>
<td>The bank has changed its finance structure in the last 10 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24.</td>
<td>The bank has changed its governance structure in the last 10 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25.</td>
<td>Restructuring results in improved productivity and morale</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26.</td>
<td>Restructuring helps reduce personnel turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27.</td>
<td>Restructuring enhances organizational effectiveness and efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

28. To what extent does restructuring affect financial performance of this bank?

- [ ] Very large extent
- [ ] Large extent
- [ ] No extent
- [ ] Small extent
- [ ] Very small extent
**V: Pricing**

Indicate your agreement or lack thereof with the statements below by ticking in the appropriate box.

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.</td>
<td>The bank changes its pricing in response to competition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30.</td>
<td>The bank sets the price of products and other banks all follow suit.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31.</td>
<td>The bank sets its prices at a sufficiently low level with the purpose of damaging or forcing a competitor to withdraw from the market.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32.</td>
<td>The bank sets prices for products using the prevailing market price as a basis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33.</td>
<td>Our pricing of products attempts to maximize the unit profit margin, recognizing that quantities will be low.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34.</td>
<td>While pricing products the bank sets prices that will cover costs and permit the firm to remain in the market.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35.</td>
<td>The bank constantly monitors competitors price moves and sets a price that would be comparable to them</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36.</td>
<td>The bank sets prices low to accelerate product adoption and gain market share.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

37. To what extent does pricing affect financial performance of this bank?

- [ ] Very large extent
- [ ] Large extent
- [ ] No extent
- [ ] Small extent
- [ ] Very small extent
38. Which of the following is the most effective strategy in response to competition in the banking industry?

- Financial innovation
- Rebranding
- Restructuring
- Competition-based pricing

39. Give reasons for your answer in Q.38

~Thank you for your time~
Appendix III: Letters of Authorization

Kenyatta University
Graduate School

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

FROM: Dean, Graduate School
DATE: 12th February, 2018

TO: Moses Muriithi Muriira
C/o Business Administration Dept.

SUBJECT: APPROVAL OF RESEARCH PROPOSAL

We acknowledge receipt of your revised Research Proposal as per our recommendations raised by the Graduate School Board of 31st January, 2018 entitled “Response to Competition and Performance of Commercial Banks in Nyeri, Kenya”.

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University’s Website under Graduate School webpage downloads.

Thank you.

ANNABEL MWANIKI
FOR DEAN, GRADUATE SCHOOL

C.c. Chairman, Department of Business Administration

Supervisors:

1. Dr. Ann W. Muchemi
C/o Department of Business Administration
Kenyatta University
KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 45844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: D55/NYI/PT/27074/2014
DATE: 12th February, 2018

Director General,
National Commission for Science, Technology
and Innovation
F.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,


I write to introduce Mr. Moses Muriithi Muriira who is a Postgraduate Student of this University. He is registered for MBA degree programme in the Department of Business Administration.

Mr. Moses Muriithi intends to conduct research for a MBA Project Proposal entitled, “Response to Competition and Performance of Commercial Banks in Nyeri, Kenya”.

Any assistance given will be highly appreciated.

Yours faithfully,

Mrs. Lucy N. MBA
FOR: DEAN, GRADUATE SCHOOL
Ref: No. NACOSTI/P/18/70759/22094

Moses Muriithi Murira
Kenyatta University
P.O. Box 43844-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “Strategic response strategies to competition and performance of commercial banks in Nyeri County, Kenya,” I am pleased to inform you that you have been authorized to undertake research in Nyeri County for the period ending 12th April, 2019.

You are advised to report to the County Commissioner and the County Director of Education, Nyeri County before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

DR. STEPHEN K. KIBIRU, PhD.
FOR: DIRECTOR-GENERAL/CEO

Copy to:
The County Commissioner
Nyeri County.
The County Director of Education
Nyeri County.
THIS IS TO CERTIFY THAT:
MR. MOSES MURIITHI MURIIRA
of KENYATTA UNIVERSITY, 254-100
Nyeri, has been permitted to conduct
research in Nyeri County

on the topic: STRATEGIC RESPONSE
STRATEGIES TO COMPETITION AND
PERFORMANCE OF COMMERCIAL BANKS
IN NYERI COUNTY, KENYA

for the period ending:
12th April, 2019

Applicant’s
Signature

National Commission for Science,
Technology & Innovation

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Serial No.A 18218
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