A SURVEY OF FACTORS INFLUENCING CUSTOMER GROWTH OF
COMMERCIAL BANKS IN MAJOR TOWNS IN KENYA:
(CASE STUDY OF MIGORI TOWNSHIP)

BY:

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A Research Project Submitted in Partial fulfillment of the requirements for the Award of
Master of Business Administration (Strategic Management) Degree of Kenyatta University

MAY 2013
DECLARATION

This research project is my original work and has not been presented for award in any other university.

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This research project has been submitted for examination with my approval as the University supervisor

Sign: ………………………………………………………… Date: ……………………………

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This research project has been submitted for examination with my approval as the chairman of the department.

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DEDICATION

I dedicate this research project to the glory and honour to God, to my wife Zeddy, my parents, siblings and friends for their support, prayers and encouragement throughout the time of my studies.
ACKNOWLEDGEMENT

With sincere thanks and utmost gratitude, I acknowledge the crucial contribution, support and commitment of my supervisor Mr. Bett, to whom I greatly am indebted. He invested most of his, time and effort in perfecting my work and giving me the necessary direction and professional advice throughout my entire research project process.

I thank my colleagues, the entire staff of KCB Migori branch for their support. I wish to heartily register my acknowledgement to the efforts of my fellow MBA students in the department for their encouragement and team work that fuelled me through this work.

Finally, I thank God Almighty for his endless love upon me for the energy and intelligence of all those who necessitated the completion of this research project.
ABSTRACT

The banking industry has experienced a rapid growth in terms of profits, deposits, revenues in the recent past. This trend has triggered a lot of competition in the banking industry. This project analyzed the factors influencing customer growth of commercial banks in the Kenyan banking industry. The study was guided by the following objectives: to find out how pricing influenced customer growth, to establish the effects of customer service on growth of customers, to determine the extent to which policies/regulations influenced customer growth and to examine the relationship between technology and customer growth of commercial banks. The case study was on commercial banks in Migori town. For the objective to be achieved the study used structured questionnaires and interviews, the target respondents were the bank managers and section heads. The research also used secondary data for the study. The data was analyzed using both descriptive and inferential statistical analyses. The study considered whether commercial banks used right strategies to acquire and retain customers in the face of the fierce competition in the banking industry posed by MFIs and SACCOs. The study found out that the number of banks in Migori township have witnessed tremendous growth in the past few years with growth in customers ranging between 5,000 -10,000 which represent percentage growth of between 50%-100%. The study also found out that 100% of the respondents agreed that good customer services affects customer growth. The study also found out that 100% of the respondents agreed that good technology influence customer growth as technology assist in faster and efficient service delivery. Product pricing being one of key determinants of customer growth of commercial banks, the study recommends that banks should develop wide range of products which are more affordable to their prospective and current customers. Customers prefer banks which are fast and efficient in services delivery, the study recommends that customer service should be given more emphasis by commercial banksin order to attract and retain existing customers. Technology assist the banks to delivery services in fast and efficient way, the study recommends that commercial should use modern technology in service delivery. Policies and regulations imposed by regulator caneither encourage or stifle growth of customers in commercial bank; the study also recommends that the regulator should not impose tight policies and regulations on commercial banks.
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LIST OF ABBREVIATIONS

ATM: Automatic Teller Machine
CBK: Central Bank of Kenya
COFEP: Community Finance Empowerment Project
CRM: Customer Relationship Management
DTB: Diamond Trust Bank
E-Commerce: Electronic Commerce
ERS: Enterprises Resource Systems
ICT: Information, Communication and Technology
KCB: Kenya Commercial Bank
LLC: Corp and Scaled Composites
MFI: Micro Finance Institution
MNCs: Multi-National Corporations
OCE: Organization’s Commitment to Its Employees’
PWC: Price Waterhouse Coopers
PC: Personal Computers
PDQ: Machines-Process Data Quick Machines
PIN: Personal Identification Number
POS: Point-Of-Sale
ROA: Return on Assets
S.A.Ps: Structural Adjustment Programs
SACCO: Savings and Credit Cooperative Society
SPSS: Statistical Package for Social Sciences
TQM: Total Quality Management

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OPERATIONAL DEFINITION OF TERMS

Supernormal profits:

This refers to excessive profits enjoyed mostly by businesses majorly operating in a monopoly market structure both in the short and long terms. The supernormal profits being underwritten by Kenyan banks have attracted foreign competition

Overbanking:

Overbanking is a situation where a relatively low population has a large number of banks proving the same or slightly differentiated banking services; Kenya is considered to be over-banked as compared to other countries like Nigeria, which has less than 30 banks with a population of 130 million as compared to Kenya that has 45 banks and about 33 million people.

A banking agent:

A banking agent is a retail or postal outlet contracted by a financial institution or a mobile network operator to process clients’ transactions. Rather than a branch teller, it is the owner or an employee of the retail outlet who conducts the transaction and lets clients deposit, withdraw, and transfer funds, pay their bills, inquire about an account balance, or receive government benefits or a direct deposit from their employer. Banking agents are usually equipped with a combination of point-of-sale (POS) card reader, mobile phone, barcode scanner to scan bills for bill payment transactions, Personal Identification Number (PIN) identification number pads, and sometimes personal computers (PCs) that connect with the bank’s server using a personal dial-up or other data connection.
CHAPTER ONE

INTRODUCTION

This chapter covers the background of the study, statement of the problem, objectives of the study, research questions, significance of the study, the research limitations and culminates with the scope of the study.

1.1 Background of the Study

In recent years, banking has increasingly gained popularity in Kenya due to various changes in the market. Banking has been defined as the provision of a cluster of products and services by banks to consumers and small businesses through branches, the internet and other channels, Ashcraft, (2005).

There are various forms of banking namely corporate, commercial, retail banking and investment banking therefore banks can offer more than one form of banking. Banking industry in Kenya is divided into four categories: banks, micro-finance institutions, foreign exchange bureaus and non-banks financial institutions. The deregulation of financial services markets in the 1980s, and in particular the growing focus of both consumers and producers on quality, has created a process of structural change in the banking industry. Retail banking is a commodity service and the effects of these changes are therefore experienced by most of the population. Llewellyn, (1992)

Indeed, by the late 1990s, the mainstream banks started restructuring their services towards wealthier people, and savings services were for wealthier people. The savings services became sufficiently expensive that even middle-income people sought cheaper alternatives. From the year 2002 there has been renewed interest from the banks in reaching the mass of middle-income salaried individuals such as teachers and civil servants and this market segment is quite competitive, Johnson, (2004).

In the last four years there has been increased competition from new entrants into the banking industry, forcing banks to cut costs and improve efficiency through automation.
and price rationalization. This competition has made most commercial banks to take a customer centric approach to business whereby customers feel more valued and are offered more than one product to strengthen their loyalty in a particular bank. An example of this approach is in KCB’s Sales Stimulation Programme, where a customer who operates a current account is encouraged to open a savings account, given a loan, given both ATM and Cheque Book and any other possible product. While the banks have been forced to cut costs and improve efficiency, there are increasing internal and political pressure on banks to expand their products and services to the un-banked and under-banked mainly dominant in the rural localities, Bitner, et al. (2000)

Due to the competitiveness of the banking industry many banks which were doing corporate banking changed to partially or completely to retail banking. This is evident from a lot of advertisements made by banks using various forms and also by use of sales people, who have tried to convince many individuals to open accounts, Banking Supervision Annual Report, (2005).

Banks which have actually incorporated retail banking in Kenya are Barclays, National bank of Kenya, Kenya Commercial Bank, Co-operative bank of Kenya, Equity bank and now Diamond Trust bank. PWC Report, (2005)

Retail banking has been undergoing dramatic operational transformation in the recent years. Mergers and acquisitions, increased competition, and new regulatory requirements have driven banks to rethink their retail strategies. It has become important for retail banks to leverage technology to optimize sales and fulfillment processes, manage distribution channels, and streamline operations to acquire, satisfy, and thereby retain customers. Chen, (1999) the retail finance sector is currently one of the most competitive in the banking industry. However, in order to succeed in such a dynamic market place,

Berry (2007) argues that the skills required to be a successful retail banker are many and varied ability to demonstrate a deep understanding of consumer needs and revenue generating methods, ability to develop new market entry and customer retention strategies,
application of new business models and translating them into revenue generating projects and programmes. Financial institutions that are interested in tapping underserved households need new strategies to segment the large under banked market. The rise in the number of financial institutions that are designing new initiatives to pursue the under banked consumer market illustrates the recent realization of retail banking Karty and Stewart, (2006)

Rapid technological advances have introduced significant changes in retail banking. Bank branches alone are no longer sufficient to provide banking services to cater for the needs of today’s sophisticated and demanding customers. The provision of banking services through electronic channels as ATMs, personal computer banking and phone banking have provided an alternative means to acquire banking services more conveniently. Howcroft et al, (2002)

Other changes that have been used by the banks to penetrate into the market are the use of downscaling. Under the concept of downscaling the banks are trying to modify their services to meet the needs of the low-income earners. Low-income markets can be served on a “sustainable” basis, that is, with full cost recovery and a market return, without subsidy. As a result, in a growing number of countries, the formal financial sector has begun to take notice and to service these traditionally marginalized sectors. Young et al, (2005)

1.2 Statement of the Problem

In any business, large or small, the adoption of competitive techniques is imperative. Banking industry in Kenya in the past years had been severely underdeveloped and marginalized, since the majority of Kenyans live below the poverty line and cannot afford the luxury of an idle bank minimum balance requirement. Banks mainly made their money from corporate clients and huge government deposits. Since many Kenyans were marginalized from banking, they had to develop alternative avenues of finance and investments for example co-operatives and welfare organizations (CBK Amendment Act, 2000)

In the past three years Kenyan banking sector has progressed towards increasing banking to the unbanked and under banked population. This is evident in the efforts banks are putting to increase customer growth through advertisements and promotions (Financial standard, 2006).
Pride and Ferrell, (2000), assert that consumers respond to the incentive of saving when they see products are being sold at a lower price, and increase their purchase intention. Since consumers usually make an immediate purchase, when being seduced by economic incentives, the greater the promotion is, the more response it generates.

A business must deal with today's customer and tomorrow's customers. It must provide the ideas for new products and new applications. They provide the early warning signals about a business’ products' quality and timeliness. They know about the ventures’ competitors. To know your customers is to know your future, Fox, (2000).

This study therefore intends to do a survey of factors influencing customer growth of commercial banks in Migori town. To measure the aspect of customer growth, the study will look at pricing, customer service, technology and policies/regulations. This will easily explain the trend of number of banks in Migori town for the last ten years as below:

**Table 1: Trend of number of banks in Migori town for the last ten years**

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<td>Diamond Trust Bank</td>
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*Source: Records from District Information office, Migori District*
1.3 Objectives of the Study

General objectives

The general objective of the study was to investigate factors influencing customer growth of commercial banks in Migori Town

1.3.2 Specific objectives

i. To find out how pricing influenced customer growth of the said banks in Migori town

ii. To establish the effects of customer service on growth of customers of the said banks in Migori town

iii. To determine the extent to which policies/regulations influenced customer growth of the said banks in Migori town

iv. To examine the relationship between technology and customer growth of the said commercial banks in Migori town

1.4 Research Questions

The study sought confirmation to answer the following questions:

i. How does pricing influences customer growth of the said banks in Migori town?

ii. What are the effects of customer service on growth of customers of the said banks in Migori town?

iii. What is the extent to which policies/regulations influences customer growth of the said banks in Migori town?

iv. What is the relationship between technology and customer growth of the said commercial banks in Migori town?

1.5 Significance of the study

This study will benefit the bank managers since it has identified an opportunities that has not been ventured into by many banks. These opportunities therefore can help them diversify their risks and improve the profitability of their operations by exploiting the identified pricing strategies that are customer friendly to grow their customer base.
The paper will also help under banked in the long run. This is because when the banks identify potential opportunity they will try to fill in the gap and the underserved market will get an opportunity to use services provided by these banks.

The survey is even more crucial to marketers and other personnel practicing customer service at any level. It provides an insight of an execution strategy to win customer confidence and keep their loyalty by using the least expensive incentives.

Other researchers interested in the problem under this study will also benefit, as the research will lay a platform on which further research on the topic can be undertaken less strenuously since the more needed direction and insight is in the foundation of this study

1.6 Limitations of the Study

The study was limited to the degree of disclosure of data and cooperation from the various bank management officials, staff and their clients. It was anticipated that most banks may not have documented the factors influencing their customer growth due to engagement in service delivery issues which is their core concern; the finding therefore shall be limited to studying the organizational and institutional reforms undertaken by banks in Migori Township to positively influence their customer growth.

1.7 Scope of the Study

The study was confined, generally and specifically, to the banking environment in Migori Township under which commercial banks present operate. The researchers assessed data and records and consult with management team which obtained information on factors influencing customer growth of commercial banks and shall be expected to complete within five months. The determined the pricing of banks’ products, customer service, policies and regulations and technology use to investigate how they influence customer growth of commercial banks.
CHAPTER TWO

REVIEW OF LITERATURE

2.1 Introduction to Literature Review

This chapter begins with the introduction to literature review and proceeds with highlights on empirical literature, focus on the dependent and independent variables, gives a critical review on major issues, expounds on the summary and gaps to be filled by the research and concludes with the conceptual framework

2.2 Main Review

2.2.1 Growth in the Banking Industry Today

In banking today, as in other service industries, managers must remain alert to constant environmental changes, and be ready to redefine their corporate mission and reformulate their marketing policies, plans and strategies to meet the needs of the evolving, complex marketplace (Karty and Stewart, 2006).

Berry (2006) argues that the skills required for a successful customer growth are many and varied: ability to demonstrate a deep understanding of consumer needs and revenue generating methods, ability to develop new market entry and customer retention strategies, application of new business models and translating them into revenue generating projects and programmes. A successful product development, effective distribution and efficient marketing Programme can make a real difference to the retail bank’s performance and impact on its bottom line.

Stewart (2006) argues that over time retailing and customer growth have developed side by side, albeit far from independently. There are several intersection points. The most important ones are centered round the point of sale (POS) and the customer payments of purchased goods. Holmberg and Suslin (2001) argues that at the time of the deregulation of the financial market in the mid of the 1980s there was a clear-cut borderline between retailing and banking. Retail banking was developed by investors who perceived opportunities to exploit gaps in financial markets.
Foreign and government owned banks were generally conservative in their lending policies; they concentrated only on the multinational corporations (MNCs) and other large corporate customers (Harvey, 1993). In recent years, retail banking has become a key area of strategic emphasis in the U.S. banking industry, as evidenced by rising trends in retail loan and deposit shares on commercial bank balance sheets and a continuing increase in the number of bank branches (American banker, 2005).

The U.S. banking industry is experiencing renewed interest in retail banking. These activities—broadly defined as the range of products and services provided to consumers and small businesses—have grown in importance over the past several years. Retail-related positions now account for larger shares of commercial bank balance sheets, and the number of bank branches continues to grow. The recent focus on retail contrasts sharply with industry views held during the 1990s, when banks’ attention turned to broadening products, diversifying revenues, substituting alternative delivery channels for branches, and offering a multitude of financial services to all types of retail, corporate, and wholesale customers. (White, 2005) In Western economies it is widely recognized that retail banking is becoming a more competitive business every day. Banks are realizing that revenue growth cannot be taken for granted anymore, and that survival will not simply be a question of turning revenues into reasonable profits, but to actively secure that flow of revenues in the first place. In other words, banks must shift their focus away from the singular obsession with efficiency of recent years, and return their gaze to revenue growth, market share, and put back in the center of attention the very source of that revenue: the customer. Stewart, (2006)

Niche marketers have a competitive advantage in today’s highly segmented financial services market. The consumer marketplace is continuing to fragment into smaller subsets of needs and behaviors, which is affecting the way banks and other financial institutions market products and services (Laurino, 1993).

Success stories indicate that low-income markets can be served on a “sustainable” basis, that is, with full cost recovery and a market return, without subsidy. As a result, in a growing
number of countries, commercial banks are beginning to take notice and to service these traditionally marginalized sectors through retail banking. This experience suggests that local formal financial institutions have a business incentive to serve this market segment. Arora and Sukhwinder, (2005)

Approaching new customer segments as a potential source of additional revenue – mainly lower, but secured income segments - retired people and public institutions employees (e.g. teachers) as potential target groups for simple and low volume loan products (cash loan, credit card) can expand the revenues of the bank. Klinkers, (2001)

The products and services of most commercial banks in Kenya can be targeted to meet the financial needs of the households as well as their income generating activities; many commercial banks in Kenya are beginning to examine retail banking as an opportunity to explore and are even changing their operations from corporate banking to retail banking. This is because there is stiff competition in the banking industry that has forced them to diversify into new markets. These banks do not only initiate this form of banking but they always want to be successful. Drake et al, (2005)

2.2.2 Growth and Growth Models

Customer growth begins with customer acquisition and retention. Acquisition refers to the initial commencement of a business relationship when a venture brings a customer on board. Retention refers to the customer’s stated continuation of a business relationship with the firm, Timothy et al, (2007).

The significance of customer retention was quantified by Reichheld and Sasser (1990). They found that profits in service industries including credit card companies, increased in direct proportions to the length of a customer’s relationship.

Previous studies have identified the benefits that customer retention delivers to an organization (Colgate et al, 1996, Reichheld and Sasser, 1990, Storbacka et al, 1994). The longer a customer stays with an organization, the more utility the customer generates. This is
an outcome relating to the time the customer spends with the organization. These include the higher initial costs of introducing and attracting a new customer, increases in both the value and number of purchases, the customer’s better understanding of the organization and positive word of mouth promotion that finally results to customer growth. It is thus appropriate to identify the determinants that influence customer growth in commercial banks.

The customer growth strategy adopted by businesses today is to create consistent communication about the firm’s product and services along with reminding the existing customers of the value they bring to the business, Burgarski, (2007). The process involves being customer centric and anticipating customer needs so that a mutually beneficial relationship may be maintained, Chakrabarty, (2007).

Businesses are increasingly focusing on Customer Relationship Management as organizational benefits may occur from increased satisfaction such as increased profits, loyalty, reduced costs and competitive advantage, Baker, (2003).

Many authors have cited the relationship between customer retention and the quality of service experienced by the customer. They specified four factors as imperative to improving customer growth; a customer-focused culture in which all employees and managers focused their full attention on customer satisfaction, an efficient information and communication system that track and analyze the root causes of defections, empowerment of front line employees to take actions that provided immediate customer satisfaction; continuous training and development and incentive system based on customer growth.

Kotler and Keller, (2006) Marketing remains a worthy exercise in any firm that wish to grow its customer base and remain afloat in this season where competition is rife in all the industries.

Most recent literature indicates that banks have embraced the use of technology to deliver services to their customers. Mobile banking, for instance, has made banking services accessible deep into the rural areas where it would otherwise be very expensive to travel all the way to the bank buildings to access banking services. The use of the mobile banking
menu to invite all contacts on each customer’s phonebook to join a preferred bank’s mobile banking service is a technological advancement that has seen banks growing their customer base.

Clearly, there are compelling arguments to carefully consider the factors influencing customer growth of commercial banks in major towns in Kenya, with research providing ample justification for customer growth efforts by banks, Fisher, (2001).

2.2.3 Growth Theories/Models

Modern growth theories tend to accept that conditions for growth change over time and are often more critical to generate the desired growth in institutions. Growth theories include;

i. Linear growth theory
ii. Structural change theory
iii. Patterns of development theory
iv. Dependency theory
v. New growth theory

The neoclassical growth model, also known as exogenous growth model tries to explain long run economic growth of an institution by looking at productivity, capital accumulation, customer base and technological progress.

2.2.3.1 McKinsey Growth Pyramid - Growth Strategy

Growth can be achieved by looking at business opportunities along several dimensions, summarized in the diagram below:
This model is similar in some respects to the well-established Ansoff Model. However, it looks at growth strategy from a slightly different perspective. The McKinsey model argues that businesses should develop their growth strategies based on:

2.2.3.1.1 Operatiual skills are the “core competences” that a business has which can provide the foundation for a growth strategy. For example, the business may have strong competencies in customer service; distribution, technology.

2.2.3.1.2 Privileged assets are those assets held by the business that are hard to replicate by competitors. For example, in a direct marketing-based business these assets might include a particularly large customer database, or a well-established brand.
2.2.3.1.3 **Growth skills** are the skills that businesses need if they are to successfully “manage” a growth strategy. These include the skills of new product development, or negotiating and integrating acquisitions.

2.2.3.1.4 **Special relationships** are those that can open up new options. For example, the business may have specially string relationships with trade bodies in the industry that can make the process of growing in export markets easier than for the competition.

The model outlines seven ways of achieving growth, which are summarized below:

(i) **Existing products to existing customers:** The lowest-risk option; try to increase sales to the existing customer base; this is about increasing the frequency of purchase and maintaining customer loyalty

(ii) **Existing products to new customers:** Taking the existing customer base, the objective is to find entirely new products that these customers might buy, or start to provide products that existing customers currently buy from competitors

(iii) **New products and services:** A combination of Ansoff’s market development & diversification strategy – taking a risk by developing and marketing new products; Some of these can be sold to existing customers – who may trust the business (and its brands) to deliver; entirely new customers may need more persuasion

(iv) **New delivery approaches:** This option focuses on the use of distribution channels as a possible source of growth. Are there ways in which existing products and services can be sold via new or emerging channels which might boost sales?

(v) **New geographies:** With this method, businesses are encouraged to consider new geographic areas into which to sell their products. Geographical expansion is one of the most powerful options for growth – but also one of the most difficult.

(vi) **New industry structure:** This option considers the possibility of acquiring troubled competitors or consolidating the industry through a general acquisition Programme

(vii) **New competitive arenas:** This option requires a business to think about opportunities to integrate vertically or consider whether the skills of the business
2.2.4 Pricing and Growth

Pride and Ferrell, (2000), assert that consumers respond to the incentive of saving when they see products are being sold at a lower price, and increase their purchase intention. Since consumers usually make an immediate purchase, when being seduced by economic incentives, the greater the promotion is, the more response it generates.

Pricing is a factor that greatly influences the number of customers an organization might have. Consumers usually go through confirmation of need, research prior to purchase, and product evaluation to make a purchase decision, and the last is a particularly important factor. Due to the fact that there are always risks within any purchase decision, consumers rely on product information and price to lower the risks. Olson and Jacoby (1972) categorize product characteristics into intrinsic and extrinsic product cues. The former is related to the composition of a product, including product knowledge like design and features. The latter is product-related components yet do not belong to the product itself, like price and brand. Zeithaml (1988) agree that intrinsic (product knowledge) and extrinsic (brand image) cues are the most important factors consumers consider when evaluating a product before purchasing. Since intrinsic product cues, e.g. function or quality, are often not obtainable right away, extrinsic product cues like brand image then become the sole premises consumers rely on.

To counter fierce competition, banks often use promotions to stimulate purchase intention and increase sales. Promotion is a combination of various incentives to stimulate consumers or retailers to stir up immediate purchasing reaction toward a product or service within a short period of time, Kotler (2000)

McCarthy and Perreault (1984) think that promotion is different from advertisement or public report and eventually can stir up interest or intention among (potential) buyers to make a purchase. Thus, promotion aims to create product exposure, stimulate desires, maintain consumer loyalty and raise sales volume
Dodson, Tybout, and Sternthal (1978) have proven that when facing various brand products with similar functions and qualities, promotional items usually end up selling better and even attract loyal consumers of other brands. This indicates promotion has great incentive values. When consumers are presented with great incentives, they are likely to choose promotional items. Price discount may attract consumers to try out different brands; however, after the promotion is over price discount may also lower the purchase intention as a result of associating price discount with lower quality.

To sum up, price discounts may attract consumers with economic incentives, but may expose them to inferior products with lower quality, which in the end will write off the benefit of the sales increase, Raghubir and Corfman, (1999).

2.2.5 Customer Service and Growth

A business must deal with today's customer and tomorrow's customers. They provide the ideas for new products and new applications. They provide the early warning signals about a business’ products' quality and timeliness. They know about the ventures’ competitors. To know your customers is to know your future, Fox, (2000).

Banks have to develop business models built around customer focus. They must have catchy business tag lines e.g. Equity Banks’ is “A listening, caring, financial partner. Kenya Commercial Banks’ is “Making the Difference” and Cooperative banks’ is “We are you”. The banks must endeavor to create a culture to reinforce this strategy. Banks have no alternative but to adopt an open-door marketing strategy where its Chief Executive and Marketing Managers are very easily accessible to its customers. Banks have to create a fulfilling working environment by developing an organizational architect that empowers its staff even at branch level. This strategy not only generates job satisfaction but also generates customer satisfaction due to the swift decision-making. Firms have now realized that long-term growth and survival is dependent on a good relationship with customers. Real strategic change requires reinventing new categories, not arranging old ones (Mintzberg 1994).
Innovation is one of the best ways to respond and shake giants, as it enables small firms to achieve what was always thought to need many resources. An example is the article by Otis Port on Business week (Feb 2, 2004) pp.54, showed how NASA, one of the best-funded organization in the planet is being challenged through innovation by smaller firms like Space Exploration Technologies Corp and Scaled Composites LLC in making better and cheaper crafts to fly to the Moon/Mars.

Banks must embrace innovations which include the launching of an in-house point of sale system (cash back) instead of adopting the visa electron debit cards as has been done by banks like National Bank and Cooperative bank. Other innovations include the exploitation of custodial services to levels never previous seen or imagined in the Kenyan financial sector. Through other risk taking innovations like drawing against “unclearedcheques” the banks have been able to create a lucrative stream of income and endeared to its customer who consider such services a great favor

Although Bank innovation culture is remarkable, it still has a long way to go considering that 3M one of the World’s most innovative companies of all times, according to the editorial of Business week (April 7, 2004) pp. 64 has been for years been generating over a third of its annual profits from new products. 3M's success had been in taking commercial advantage of unexpected scientific discoveries like floppy discs, sand paper, and post-it pads. Damanpour, Walker & Avellaneda (2009) notes four types of innovation namely service innovations, process innovations, technological process innovations, and administrative process innovations. All the types of innovation should be continuously incorporated in the Banking innovation strategies to ensure that they remain responsive and competitive. For innovation to yield optimum impact, firms must invest in market research to understand the industry, competition and customer’s expectation. Close interaction with customers provides one of the most effective platforms for such market research.
2.2.6 Policies and Regulations

The Central Bank of Kenya is mandated to enforce the legal and regulatory framework that provides for the licensing, supervision and regulation of the activities of banks in Kenya. In addition to prudential regulation, the Central Bank of Kenya has established the Deposit Guarantee Fund to banks which is intended to provide protection to customers’ deposits. These have the primary purpose of improving governance of banks through enhanced transparency and accountability in the conduct of the banking business.

Policies and regulations are guidelines upon which a process is sustainably anchored in order to realize its success free from potential conflicts. Banks operate under specific guidelines issued by the Central Bank of Kenya (www.cbk.go.ke), some of which may potentially fail to be in favor of the bank customers. This is a factor that directly affects the customer growth as banks try to toe the line and simultaneously reach out to their potential customers.

2.2.7 Technology

Globally, embracing technology has become the most competitive strategy for doing business today. Banks have embraced agency and internet banking; multinational organizations like the coca cola industry rely on local agents in foreign countries while all their transactions and communications are anchored on the platform of technology, Oz, E & Jones, A. (2008).

Recently, technology has had a remarkable influence on the growth of business market share. This is because technology has had a direct impact on service delivery options, Dabholkar and Bagozzi, (2002), and a profound effect on service quality, Bitner et al. (2000). In order to remain competitive, mtaani agents must anchor their services on technology, Mwaura, (2005).

Jayawardhena& Foley, (2000) noted that deregulation and technological developments were the most important external drivers of increased competition and change in the financial services market. A part from relying on the physical distribution network Kenya Commercial Bank has exploited ICT and e-commerce to create a virtual distribution network. This has been a strategic response to the competition in the industry, as all the banks in Kenya are
today involved in electronic banking and agency banking in one way or the other. Bajaj and Nag (1999) notes that Electronic Commerce (E-Commerce) has unleashed yet another revolution, which is changing the way businesses buy and sell products and services. It is associated with buying and selling of information, products, and services over computer communication networks.

Strategy is about aligning every activity to create an offering that cannot be easily emulated by competitors, Kitur (2006)”. He also notes that “it is also apparent that developments in ICT are transforming most aspects of the organization including organizational structure and design, the value chain and nature of products/services offered and the markets served among others. ICT is also redefining the relations between the companies and its customers and suppliers and changing the whole industry structure.

For employees to be effective, they need to be supported by an excellent and adequate information system. Most firms have moved from just basic information systems to enterprises resource systems (ERS) that have integrated most of their operations. Some ERS join even the suppliers and customers in the value chain. This helps in making sure that all the decisions are based on informed choices, as information is readily available. Leading enterprise resource systems include oracle, SAP, Microsoft Dynamics, and PeopleSoft have been embraced by all the leading firms, with Oracle running almost all the Forbes 500. Most Commercial Banks in Kenya have realized the importance of ICT and have thus invested heavily in some of the biggest ICT infrastructure in Kenya by equipping their agents with PDQ machines that facilitate real-time customers’ access to financial services.

A systematic cross-country analysis of E-commerce activity reveals that although physical infrastructure explains much of the variation in basic Internet use, e-commerce activity also depend significantly on a supportive institutional environment. Chief among the characteristics of such an environment are national respect for the "rule of law" and, secondarily, the availability of credible payment channels such as credit cards, Oxley and
Yeung, (2001). These results suggest that an institutional environment that facilitates the building of transactional integrity is critical to the development of e-commerce.

The Kenyan government has actively addressed the legal challenges by enacting the Communication Act. It has also licensed two other fiber-optic submarine cable companies to connect Kenya to several Internet hubs and end dependency on the much slower satellite link. Kenya has a well-established credible payment system dominated by Visa card that is operated by all the big banks. Other credible payment channels include mobile phone companies’ money transfer systems and Postal Corporation System. Generally, the whole system of agency banking is anchored on ICT.

2.3 Critical Review of Major Issues

The increased popularity in the banking industry has led banks to behave even more competitively. The banks are redefining their missions, opening up the common bond to include non-customers to enjoy their products and services coming up with new products to address diversified needs of the membership. However, in some areas, the introduction of new products or opening up of common bonds has not ushered in substantial customer growth and their effects on savings and loans. This puts forth the question of whether the products and services on offer in the banking industry adequately address the needs of the customers. A study commissioned by the Swiss Cooperative Centre and the Cooperative Bank of Kenya in 2005 under “Community Finance Empowerment Project (COFEP)” revealed that for many financial institutions in Kenya, changes made on existing products are generally influenced by the knowledge of what competitors are doing and rarely on systematic analysis of needs or market, leading to poor product differentiation; Their existing product and service delivery mechanisms are still not suitable for potential customers and new types of members in target communities.

According to Manyara, (2004), few financial institutions have scanned their potential market so as to regularly upgrade, diversify or improve their products; many of the financial
institutions lack the knowledge and systems to translate market intelligence to winning products and services calling for skills in product development and strategic planning.

2.4 Summary and Gaps

Not much has been done on customer growth in Commercial Banks in Kenya and this study will bridge the gap on the issues as regards the dependent variable. In Kenya, current literatures on banking are numerous because the government recognizes the sector as a major contributor to national development. Most of the literature on banking dates back from time immemorial. However, among the available studies, none takes a broad comprehensive perspective of customer growth of commercial banks in the country to give one an insight to what its status is in the overall picture. In the circumstances, the current overall goal of customer growth in commercial banks in Kenya is not well known to development scholars, commentators and practitioners.

Available literature informs that banking industry is highly competitive, with banks not only competing amongst each other but also with non-banks and other financial institutions. Banks lose members who have moved to the competition, retired or no longer need certain services; as a consequence, a member becomes a priority. Therefore, customer growth is potentially an effective tool that banks use to gain a strategic advantage and survive in today’s ever increasing financially competitive environment. The main challenge is still how to attract and retain members to the bank products and services. The specific gaps are:

- Efficiency of customer service for customer growth
- Appropriate technology use for customer growth
- Favorable pricing for customer growth

It is because of these gaps that the research on a survey of factors influencing customer growth of commercial banks in major towns in Kenya is important.
2.5 Conceptual Framework

A concept is an image or symbolic representation of an abstract idea. Chinn and Kramer (1999) define a concept as a “complex mental formulation of experience”. The model of the study is determined in the figure below in which we have the dependent and independent variables.

The interrelationship between customer growth and the independent variables is shown in Fig. 1 below. The dependent variable is customer growth while the independent variables are Product pricing, Staff framework and customer service, Policies and regulations, Technology and Branch network.

**Figure 2: Relationship between Independent and Dependent Variables**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing and Customer Growth</td>
<td>Customer Growth in Commercial Banks / Number of Accounts Opened</td>
</tr>
<tr>
<td>Customer Service and Growth</td>
<td>Influences</td>
</tr>
<tr>
<td>Policies and regulations</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>2.2.7</td>
</tr>
<tr>
<td></td>
<td>2.2.5</td>
</tr>
<tr>
<td></td>
<td>2.2.6</td>
</tr>
</tbody>
</table>

*Source: Author (2013)*
**Independent Variables**

These are factors which influence other variables to change and the researcher has control over. This “control” that the researcher has may involve manipulating existing variables. From the presentation above, these variables are: Pricing, Customer Service, Policies and regulations and Technology.

Banks have to define policies and organizational framework that are aimed at achieving these objectives in order to sustain their customer growth.

**Dependent Variable**

The dependent variable changes depending on the influence of the independent variables. In this case, the customer growth constitutes the dependent variable. The dependent variables show the effect of manipulating or introducing the independent variables. Satisfactory implementation of independent variables will enhance customer growth of commercial banks in major towns in Kenya. The dependent variables will be measured by the right Product pricing, an appealing Staff framework and customer service, favorable Policies and regulations, efficient Technology and an extensive Branch network.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction to Research Methodology

This chapter discusses how the study was conducted, explaining the methods and steps that was used to conduct this research. The basis of any meaningful research depends on the methods and procedures employed in data collection and a clear definition of the target group of respondents.

3.2 Research Design

This study is a qualitative research. Qualitative research is descriptive and is concerned with subjective assessment of attitudes, opinions and behaviour. This type of research also provides an understanding of how or why things are as they are. The study was carried out as a descriptive research design. Saunders et al, (2009) says that, descriptive research portrays an accurate profile of persons, events or situations. From an individual, organizational and industry oriented perspective. It presents data in a meaningful form that helps the researchers to understand characteristics of a group in a given situation, to think systematically about aspects in a given situation, offer ideas for further research and helps to make certain simple decisions. Miller, (1991)

Descriptive research is the process of collecting data in order to answer questions concerning the status of the subject study. Therefore, this design shall enable the researcher to gather data from a wide range of respondents on the effects of digitization on accessibility and usage of library resources in Kenya

3.3 Target Population

The population of interest was senior staff of six major banks in Migori Town. The researcher will focus on section heads and managers of the said banks in Migori Town. They are as summarized as below;
Table 2: Target Population in major commercial banks in Migori Town

<table>
<thead>
<tr>
<th>Bank</th>
<th>Management</th>
<th>Section Heads</th>
<th>Total Population Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya Commercial Bank</td>
<td>3</td>
<td>7</td>
<td>10</td>
<td>22</td>
</tr>
<tr>
<td>Cooperative Bank</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Diamond Trust Bank</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>National Bank of Kenya</td>
<td>3</td>
<td>6</td>
<td>9</td>
<td>19</td>
</tr>
<tr>
<td>Equity Bank</td>
<td>4</td>
<td>8</td>
<td>12</td>
<td>26</td>
</tr>
<tr>
<td>Barclays Bank</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>TOTAL</td>
<td>16</td>
<td>30</td>
<td>46</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Bank Records (2013)

3.4 Sample Design

Since the population is small, that is six banks, a census in institutions and stratification for respondents was carried out to give appropriate results. A sample is a set of entities drawn from a population with the aim of estimating characteristics of the population, Sigel, (2003). It is a fraction of population selected such that selected portion represents the population adequately. According to Sounders et al, (2009), in a population range up to 10,000, a sample of 370 members is appropriate at a 95% confidence level assuming data are collected from all cases in the sample.
Table 3: Sample Population in major commercial banks in Migori Town

<table>
<thead>
<tr>
<th>Bank</th>
<th>Population Frequency of Managers and Section Heads</th>
<th>Sample Variation</th>
<th>Sample Size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Kenya Commercial Bank</td>
<td>10</td>
<td>1.0</td>
<td>10</td>
<td>22</td>
</tr>
<tr>
<td>2. Cooperative Bank</td>
<td>5</td>
<td>1.0</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>3. Diamond Trust Bank</td>
<td>4</td>
<td>1.0</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>4. National Bank of Kenya</td>
<td>9</td>
<td>1.0</td>
<td>9</td>
<td>19</td>
</tr>
<tr>
<td>5. Equity Bank</td>
<td>12</td>
<td>1.0</td>
<td>12</td>
<td>26</td>
</tr>
<tr>
<td>6. Barclays Bank</td>
<td>6</td>
<td>1.0</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>46</strong></td>
<td></td>
<td><strong>46</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source; *Bank Records (2013)*

3.5 Data Collection

Primary data was collected using questionnaires and interviews. The researcher carried out in-depth interviews with the marketing managers, one from each bank. The interview guide was structured into 4 sections. Section A will include demographics questions, section B will involve questions on general perspective of managers on retail banking, section C include questions on factors that have led to the use of retail banking and section D will include questions on challenges facing banks in implementing this form of banking.
3.6 Data Analysis and Presentation

Considering the kind of data intended as per the interview guide, a conceptual content analysis shall be the best-suited method.

Nachmias & Nachmias (1996) defines content analysis as a telephone for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate trends.

Mbogo (2005) and Nyamweya (2005) who employed this kind of approach argued that it was useful in gaining fresh material in even what was thought to be unknown. The data obtained will be computed using SPSS. The results will be presented in graphs, tables, charts and percentages.

According to Kothari, (2004), tables, bar graphs, pie charts, frequencies and percentages are important statistical methods of organizing and summarizing data into a meaningful way for the ease of interpretation.
CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The results were presented on a survey of factors influencing customer growth of commercial banks in Migori County. The research sought to answer these questions: How does pricing influence customer growth of the said banks in Migori town? What are the effects of customer service on growth of customers of the said banks in Migori town? What is the extent to which policies/regulations influence customer growth of the said banks in Migori town? What is the relationship between technology and customer growth of the said commercial banks in Migori town? The study targeted six commercial banks in Migori County, namely: Kenya Commercial Bank, Cooperative Bank, Diamond Trust Bank, Equity Bank, Barclays Bank and National Bank of Kenya. Questionnaires were distributed and were duly filled contributing to 83% response rate. This response rate was sufficient and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% is excellent. The study made use of frequencies. These were then presented in tables, graphs and charts as appropriate with explanations being given in prose. The findings are based on the objectives of this study.

4.2 Response Rate

From the targeted population of 18 respondents who were all drawn from across the six aforementioned commercial banks in Migori County, a total of 15 responded. This added up to a response rate of 83% which was considerably sufficient to guarantee representative findings. According to Bell (2005), a response rate of 60% is adequate to permit data analysis. Table 4.1 shows the contributive proportions of responses obtained from the six commercial banks.
Table 4: Responses from Commercial Bank Staffs

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>KCB</td>
<td>3</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Equity Bank</td>
<td>3</td>
<td>20.0</td>
<td>20.0</td>
<td>40.0</td>
</tr>
<tr>
<td>National Bank</td>
<td>3</td>
<td>20.0</td>
<td>20.0</td>
<td>60.0</td>
</tr>
<tr>
<td>Barclays Bank</td>
<td>3</td>
<td>20.0</td>
<td>20.0</td>
<td>80.0</td>
</tr>
<tr>
<td>Diamond Trust Bank</td>
<td>3</td>
<td>20.0</td>
<td>20.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Migori County Commercial Banks Research Data (2013)

4.3 Demographic Information

4.3.1 Gender Distribution of commercial banks staff

The study sought to establish the commercial banks staff gender distribution. The findings are as stipulated in figure 3 below.

Fig. 3 Gender Distribution of commercial banks staff

From the findings, 80% of commercial banks staff was male while 20% were females. This shows that majority of the staff of commercial banks are male.
4.3.2 Education Level

The study sought to establish the education level of the staff of commercial banks. The findings are as shown in figure 4 below

**Fig. 4 Education levels of staffs of commercial banks**

![Education Levels Chart]

Source: Migori County Commercial Banks Research Data (2013)

From the findings, majority of bank staffs (60%) had completed their first degrees. This depicts that majority of the bank staff are academically informed.

4.3.3 Work Experience

The study sought to establish the work experience of the staff of commercial banks. The findings are as shown in figure 5 below
From the results in figure 5 above, the majority of bank staff had bank work experience of between 1 – 4 years. This depicts that most commercial bank staff had stayed long enough to understand the business.

**4.3.4 Departments**

The study sought to find out departmental representation of the staff of commercial banks. The findings are as shown in figure 6 below
From the findings, branch management, customer service and cash departments had equal representation of 27% each. Operations department had 19% representation.

4.4 Customer Growth Rate

The study sought to establish the customer growth rate in the last ten years in the commercial banks in Migori County. The results are as indicated in the table 5 below

Table 5 Commercial banks customer growth range in 10 years

<table>
<thead>
<tr>
<th>Customer Growth Range 10yrs</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid 1001-5000</td>
<td>7</td>
<td>46.7</td>
<td>46.7</td>
<td>46.7</td>
</tr>
<tr>
<td>5001-10000</td>
<td>8</td>
<td>53.3</td>
<td>53.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source| Migori County Commercial Banks Research Data (2013)
From the findings above, 46.7% of commercial banks had a growth rate of between 1001 – 5000 new bank accounts in the last ten years while the majority (53.3%) of commercial banks recorded growth of customer base of between 5001 – 10000 new bank accounts.

4.4.1 Price Affordability

The study sought to find out if the bank product pricing was affordable to the customers in view of the bank staff. The results are indicated table 6 as follows

Table 6 Bank Products Price Affordability

<table>
<thead>
<tr>
<th>Price Affordability</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid YES</td>
<td>15</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Migori County Commercial Banks Research Data (2013)

From the results above, 100% of respondents agreed that bank product pricing was affordable to their prospective and current customers. This illustrates the growth levels shown in table 5 of this research study.

4.4.2 Industry regulation

The study sought to find out if the bank industry regulation had anything to contribute to customer growth in view of the bank staff. The results are indicated figure 7 as follows
From the findings in Fig. 7 above, majority (53%) of bank staff feel that industry regulations strongly hinder customer growth, while 27% feel the industry regulation hinder growth and 20% feel strongly that regulation hinder growth.

4.5 Pricing and Customer Growth

Bank product pricing is one of the major factors influencing business growth in most commercial banks. The study sought to find out aspects of product pricing and their relationship with business growth.

4.5.1 Bank product pricing comparability

The study sought to find out the price comparability of products in commercial banks. The results are indicated figure 7 as follows
From table 7 above, most bank staff (66.7%) either agree or strongly agree that bank product prices are comparable. This depicts that most customers will not be keen on product prices since they do not have much difference in most commercial banks.

4.5.2 Price and customer growth

The study sought to find out the effects of price of products on customer growth in commercial banks. The results are indicated figure 8 as follows
From the findings in Fig. 8 above, majority (68%) of bank staff strongly agreed that bank product pricing greatly influence customer growth.

4.6 Customer Service and Growth

Customer service is among the major factors influencing business growth in most commercial banks. The study sought to find out the opinions of bank staff on aspects of customer service and their relationship with business growth.

4.6.1 Customer service and business growth

The study sought to find out the opinions of bank staff whether customer service really has any influence on customer growth in commercial banks. The results are indicated table 8 as follows
Table 8: Bank staff opinion on customer service influence on business growth

<table>
<thead>
<tr>
<th>Customer Service &amp; Growth</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid YES</td>
<td>15</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Migori County Commercial Banks Research Data (2013)

From the results above, 100% of respondents agreed that customer service fully influence bank business growth.

4.6.2 Courtesy

Courtesy is among the major aspects of customer service influencing business growth in most commercial banks. The study sought to find out the opinions of bank staff on this aspect of customer service and their relationship with business growth. The findings are as tabulated on table 9 below

Table 9: Bank staff opinions on courtesy as a business growth factor

<table>
<thead>
<tr>
<th>Courtesy</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Strongly Agree</td>
<td>12</td>
<td>80.0</td>
<td>80.0</td>
<td>80.0</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>20.0</td>
<td>20.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Migori County Commercial Banks Research Data (2013)

From the findings in table 9 above, 80% of bank staff strongly agree that courtesy is a major ingredient of customer service that when rightly used stimulates customer growth.

4.6.3 Communication skills

Communication skills is an aspect of customer service influencing business growth in most commercial banks. The study sought to find out the opinions of bank staff on this aspect of
customer service and their relationship with business growth. The findings are as tabulated on table 10 as below

**Table 10: Bank staff opinions on communication skills as a business growth factor**

<table>
<thead>
<tr>
<th>Communication Skills</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Strongly Agree</td>
<td>10</td>
<td>66.7</td>
<td>66.7</td>
<td>66.7</td>
</tr>
<tr>
<td>Agree</td>
<td>5</td>
<td>33.3</td>
<td>33.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Migori County Commercial Banks Research Data (2013)

From the findings in table 10 above, 66.7% of bank staff strongly agree that communication skills is a major ingredient of customer service that stimulates customer growth.

**4.6.4 Brochure Availability**

Brochure availability is an aspect of customer service influencing business growth in most commercial banks. The study sought to find out the opinions of bank staff on this aspect of customer service and their relationship with business growth. The findings are as tabulated on table 11 as below

**Table 11: Bank staff opinions on brochure availability as a business growth factor**

<table>
<thead>
<tr>
<th>Brochure Availability</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Strongly Agree</td>
<td>2</td>
<td>13.3</td>
<td>13.3</td>
<td>13.3</td>
</tr>
<tr>
<td>Agree</td>
<td>12</td>
<td>80.0</td>
<td>80.0</td>
<td>93.3</td>
</tr>
<tr>
<td>Unsure</td>
<td>1</td>
<td>6.7</td>
<td>6.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Migori County Commercial Banks Research Data (2013)
From the findings in table 11 above, 93.3% of bank staff either agree or strongly agree that brochure availability is a major stimulant to customer growth.

4.6.5 Premise hygiene

Premise hygiene is an aspect of customer service influencing business growth in most commercial banks. The study sought to find out the opinions of bank staff on this aspect of customer service and their relationship with business growth. The findings are as tabulated on figure 9 as below

Fig. 9 Bank staff opinions on premise hygiene as a business growth factor

From the findings in figure 9 above, 40% of bank staff strongly while 60% agree that premise hygiene is a major stimulant to customer growth.
4.7 Technology and Customer Growth

Technology is among the major factors influencing business growth in most commercial banks. The study sought to find out the opinions of bank staff on technology and its relationship with business growth.

**Table 12: Bank staff opinion on influence of technology on business growth**

<table>
<thead>
<tr>
<th>Technology And Customer Growth</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid YES</td>
<td>15</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Migori County Commercial Banks Research Data (2013)

From the results above, 100% of respondents agreed that technology fully influence bank business growth. Technology helps to offer customer services in a fast and efficient way.

4.7.1 Technology on Customer growth

The study sought to find out the opinions of bank staff whether technology use has any influence on customer growth in commercial banks. The findings are as tabulated on table 14 as below

**Table 13: Technology on customer growth**

<table>
<thead>
<tr>
<th>Technology on Customer growth</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Strongly Agree</td>
<td>11</td>
<td>73.3</td>
<td>73.3</td>
<td>73.3</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>26.7</td>
<td>26.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Migori County Commercial Banks Research Data (2013)

From the results above, 100% of respondents agreed that technology fully influence bank business growth.
4.7.2 Technology on service delivery

The study sought to find out the opinions of bank staff whether technology has any influence on service delivery in commercial banks. The findings are as tabulated on table 15 as below

Table 14: Technology and service delivery

<table>
<thead>
<tr>
<th>Technology and Service Delivery</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Strongly Agree</td>
<td>13</td>
<td>86.7</td>
<td>86.7</td>
<td>86.7</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>13.3</td>
<td>13.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Migori County Commercial Banks Research Data (2013)

From the results above, 100% of respondents agreed that technology fully influence service delivery in commercial banks.

4.8 Bank policies and regulations on customer growth

The study sought to find out the opinions of bank staff whether bank policies and regulations had any influence on customer growth in commercial banks. The findings are as tabulated on table 15 as below

Table 15: Staff opinion on Bank Policies and Regulations effects to Customer Growth

<table>
<thead>
<tr>
<th>Bank Policies and Regulations effects to Customer Growth</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid YES</td>
<td>15</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Migori County Commercial Banks Research Data (2013)

From the results above, 100% of respondents agreed that Bank Policies and Regulations have effects on Customer Growth in commercial bank business.
4.8.1 Commercial banks regulation aspects on customer growth

The study sought to find out the opinions of bank staff whether bank policies and regulations had any influence on commercial banks’ lending, account opening and interest rate. The findings are as tabulated on table 17 as below

Table 16: Staff opinion on Regulations aspects of Customer Growth

<table>
<thead>
<tr>
<th>Regulation Aspect to Customer Growth</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Lending</td>
<td>7</td>
<td>46.7</td>
<td>46.7</td>
<td>46.7</td>
</tr>
<tr>
<td>Account Opening</td>
<td>2</td>
<td>13.3</td>
<td>13.3</td>
<td>60.0</td>
</tr>
<tr>
<td>Interest Rates</td>
<td>6</td>
<td>40.0</td>
<td>40.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Migori County Commercial Banks Research Data (2013)

From the results above, 46.7% of respondents agreed that regulations have effects on bank lending, 13.3% confirmed that regulations have effect on account opening while 40% of respondents agreed that regulation profound effects on bank interest rates.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents the summary of findings, conclusions drawn from the findings, recommendations and suggestions for further research.

5.2 Summary of Findings
This section focuses on the answers to research questions or how each independent variable influences the dependent variables. The discussion follows in accordance with the study objectives.

5.2.1 Influences of product pricing on customer growth of commercial banks
The study established that most of bank staff (66.7%) either agree or strongly agree that bank product prices are comparable. This depicts that most customers will not be keen on product prices since they do not have much difference in most commercial banks. Also, majority (68%) of bank staff strongly agreed that bank product pricing greatly influence customer growth. This means that customers will prefer those banks which they charge fairly in most of their products.

5.2.2 Effects of customer service on growth of customers in commercial banks
The study established that most of bank staff (100%) agreed that customer service fully influence bank business. The study also established that 80% of bank staff strongly agree that courtesy is a major ingredient of customer service that when rightly used stimulates customer growth. In service industry customer service is key element in attracting and maintaining customers. For banks to grow they should stress on fast and growth efficient customer services.

5.2.3 Influences of policies/ regulations on customer growth of commercial banks
The study established that 100% of respondents agreed that Bank Policies and Regulations have effects on Customer Growth in commercial bank business. The study also established that 46.7% of respondents agreed that regulations have effects on bank lending, 13.3%
confirmed that regulations have effect on account opening, while 40% of respondents agreed
that regulation has profound effects on bank interest rates.

5.2.4 Value of technology on customer growth of commercial banks

The study established that 100% of respondents agreed that technology fully influence bank
business growth. The study also established that 100% of respondents agreed that technology
fully influence bank business growth. The study also established that 100% of respondents
agreed that technology fully influence service delivery in commercial banks. Technology
helps to offer customer services in a fast and efficient way.

2.3 Conclusion

It can be concluded that number of factors influences customer growth of commercial bank.
Products and services pricing has strong influence on number of customer the bank can have.
Fair pricing helps to attract and retain existing customers as they prefer fairly priced products
or products that do not attract any charges. If the products are expensive the customers tend
to shy away from the commercial bank.

It can also be concluded that customer service has strong influence on customer growth of a
commercial bank. Customers will prefer those banks which they can deliver services in faster
and efficient way. Customers would like fast service delivered in courteous way and staff
with good understanding of products with communications skills and in clean banking
environment.

It can also be concluded that regulations and policies by the regulator has strong effects on
the growth of commercial bank. Regulator can direct banks to operate in certain ways and
dictate pricing of certain products. Commercials banks will pass the same to the customers
regardless whether it good or punitive to the customers. This will affects customers of a bank
either positively or negatively.

It can also be concluded that technology used by the bank influence to greater extend the
customer growth in a bank. Robust, reliable and efficient technology helps the bank to
deliver services in faster and efficient way to the customers. Banks have put in place technological platforms which assist them to deliver on their customers’ expectations.

5.4 Recommendations

One of the objectives of the study was to find out how pricing influenced customer growth of commercial banks in Migori Township, the study recommends that banks should develop wide range of products which are more affordable to their prospective and current customers. This will open more opportunities for those who are unbanked so that they can grow customer numbers. The price is key determinant on how the products can be taken up by the customers which by extension influence customer numbers.

The other objective was to establish the effects of customer service on growth of customers of commercial banks in Migori township, the study recommends that customer service should be given more emphasis by commercial banks in Migori so as to attract and retain customers. Other channels of banking like mobile, internet, and e-commerce should be adopted for banks to have competitive edge over the others in the industry. Customer will prefer those banks which they know customer services are fast and efficient.

Also the other objective was to determine the extent to which policies/regulations influenced customer growth of commercial banks in Migori Township; the study recommends that commercial should use modern technology in service delivery. Technology is changing very fast and banks should move in the same speed, otherwise the banks might find themselves unable to support new services they offer if the right technology is not identified and implemented for use.

Also the other objective was to examine the relationship between technology and customer growth of the said commercial banks in Migori township, the study recommends that the regulators should not impose tight policies and regulations on commercial bank which will stifle growth in commercial banks and also denying the customers the services they require as the banking industry has been liberalized. Policies and regulations should be friendly to banks which will encourage growth of banks.
5.5 Suggestions for Further Studies

Since the study explored factors influencing customer growth of commercial banks in Migori township the study recommend that similar study should be done in other townships for the purpose of comparison and allow for generalization of findings which can be applied by banking in the industry so that they can understand customers need and come up with products and services which meet customers’ expectations. The study has shed light on current dynamics in banking industry which should be researched on further so as to understand future dynamics in the industry. This study has set basis which can also be used in future by other researchers pursuing similar or related studies.
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APPENDICES

APPENDIX I: Cover Letter

Sammy KipngetichRuttoh,
P. O. Box 54 - 40400,
Migori

Bank Managers,
Migori Commercial Banks,
P.O.Box 54 – 40400,
Migori, Kenya

Dear Respondent,

RE: A QUESTIONNAIRE ON A SURVEY OF FACTORS INFLUENCING CUSTOMER GROWTH OF COMMERCIAL BANKS IN MIGORI TOWN

I am a student at Kenyatta University, Migori Campus pursuing Master of Business Administration Degree course. Currently am carrying out a project research on a survey of factors influencing customer growth of commercial banks in Migori town.

Your assistance in responding clearly in all items in the questionnaire is likely to generate data that will benefit the banking industry, future researchers and other service industries at large.

The information given will be treated confidentially; therefore do not write your name on the questionnaire.

Thank you in advance for your co-operation.

Yours sincerely,

Sammy KipngetichRuttoh
APPENDIX II: The interview guide

Part 1

General information

1. What is the name of your bank? .................................................................

2. What is your position in the bank? ............................................................

3. What gender are you?
   a) Male (……)
   b) Female (……)

4. What is your level of Education?
   a) Post Graduate (……)
   b) Under Graduate (……)
   c) College (……)
   d) Others (……)

5. How many years have you worked in your bank? Tick one
   a) Below 1 year (……)
   b) 1- 4 years (……)
   c) 4- 7 years (……)
   d) Over 7 years (……)

6. Which department are you working currently? Please tick one
   a) Branch Management (……)
   b) Operations (……)
   c) Customer service (……)
   d) Cash (……)
Part 2

Customer Growth

7. (i) Has there been growth of customers in your bank in the last 10 years? A - Yes ( )
   B - No ( )

   (ii) If yes, what range?
   A 200 – 500 ( )  B 501 – 1000 ( )  C 1001 – 5000 ( )  D 5001 – 10 000 ( )

8. To what extent has there been customer growth in your bank?
   A - 5%  B - 20%  C - 40%  D - 50%  E - 100%

9. In your opinion, what influences customer growth in commercial banks in Migori Township?
   ...........................................................................................................................................
   ...........................................................................................................................................
   ...........................................................................................................................................
   ...........................................................................................................................................

Pricing and Growth

10. Are pricing of most of banking services of your bank affordable?
    A - Yes ( )  B - No ( )

11. How can you rate your products and service pricing system from the determinants below?
    
    |                          | 25% | 50% | 75% | 100% |
    |--------------------------|-----|-----|-----|------|
    | Industry regulation      |     |     |     |      |
    | Competition              |     |     |     |      |
    | Costs                    |     |     |     |      |
12. Are there any other determinants of your product and service pricing system?

13. Show your state of agreement with the following statements related to pricing

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Somehow Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>The prices of products and services are comparable to those of other banks in Migori</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>Prices affects growth of customers in your bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>There are products that are competitively priced to attract more customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

14. What measures has your bank taken in regard to pricing to enhance customer growth?

...
Customer Service and Growth

15. Does customer service affect the growth of customers in your bank?
   A - Yes ( )  B - No ( )

16. To what extent does customer service affect customer growth?
   A - 5%  B - 20%  C - 40  D - 50%  E - 100%

17. (i) To what extent do the following aspects of customer service influence market share growth in your business?

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Unsure</th>
<th>disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Courtesy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brochure availability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premise Hygiene</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(ii) Are there any other determinants of customer service that influence market share growth in your business?
…………………………………………………………………………………………………………………………
…………………………………………………………………………………………………………………………

18. According to you, what is the focus on service delivery to grow customer base?
………………………………………………………………………………………………………………………………………………
………………………………………………………………………………………………………………………………………………
………………………………………………………………………………………………………………………………………………
Technology

19. Has technology use in your bank contributed to customer growth?
   A-Yes ( )             B- No ( )

20. To what extent has technology contributed to customer growth in your bank?
   A-5%    B-20%    C-40    D-50%    E-100%

21. Do you think there is a relationship between technology and customer growth in the banking business?
   a) Yes ( )
   b) No ( )
   If yes, please explain briefly
   ...............................................................................................................................
   ...............................................................................................................................
   ...............................................................................................................................

22. Show your state of agreement with the following statements related to technology

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Somehow Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a The use of technology attracts more customers</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>b Technology affects growth of customers in your bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c Technology enhances faster service delivery</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>
Policies and Regulations

23. Do policies and regulations affect customer growth in your bank?
   A-Yes ( )       B- No ( )

24. Which aspects of regulation MAINLY affect customer growth in your bank? (Please select one)
   A- Lending ( )
   B- Account opening ( )
   C- Interest rates ( )
   D -Working hours ( )
   E –Others please specify ( )

25. To what extent do policies and regulations affect customer growth in the aspects listed below?

<table>
<thead>
<tr>
<th></th>
<th>Very low 5%</th>
<th>Low 25%</th>
<th>Moderate 50%</th>
<th>High 75%</th>
<th>Very High 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lending</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account opening</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working hours</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

26. How do you rate the level of policies and regulations imposed on the banking industry by the regulator to customer growth in your bank?
   A-Very Strong( )   B-Strong ( )   C-Fair ( )   D-Low ( )   E-Very low ( )

Thank you for your time
## APPENDIX III

### TIME SCHEDULE

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>WEEKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pretesting and validation of research tools</td>
<td>1-3</td>
</tr>
<tr>
<td>Training of research assistants</td>
<td>2</td>
</tr>
<tr>
<td>Instrument administration</td>
<td>2-4</td>
</tr>
<tr>
<td>Data preparation</td>
<td>5-7</td>
</tr>
<tr>
<td>Data entry</td>
<td>6-7</td>
</tr>
<tr>
<td>Data analysis</td>
<td>6</td>
</tr>
<tr>
<td>Report writing</td>
<td>7-8</td>
</tr>
</tbody>
</table>
# APPENDIX IV

## BUDGET ESTIMATES

<table>
<thead>
<tr>
<th>ITEM</th>
<th>SHS.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) Cost of Proposal Development</strong></td>
<td></td>
</tr>
<tr>
<td>Stationery, Printing, photocopies</td>
<td>4000.00</td>
</tr>
<tr>
<td>Telephone and travelling expenses</td>
<td>4500.00</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>8,500.00</strong></td>
</tr>
<tr>
<td><strong>B) Cost of Data Collection and Analysis</strong></td>
<td></td>
</tr>
<tr>
<td>Research Assistants- 2</td>
<td>10000.00</td>
</tr>
<tr>
<td>SPSS-Data processing</td>
<td>8500.00</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>18,500.00</strong></td>
</tr>
<tr>
<td><strong>C) Compilation and Production of Final Document</strong></td>
<td></td>
</tr>
<tr>
<td>Printing</td>
<td>3500.00</td>
</tr>
<tr>
<td>Binding 7 copies @ shs.500</td>
<td>3500.00</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>7,000.00</strong></td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>34,000.00</strong></td>
</tr>
</tbody>
</table>