MASS MARKET STRATEGY AND GROWTH OF COMMERCIAL BANKS IN KENYA

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DECLARATION

Declaration by Student

This research project is my original work and has not been presented to any other university for the award of a degree.

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Approval by Supervisor

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

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This project is dedicated to my family members who accorded me full support during the writing of this project. Special mention to my Wife Sarah, Daughter Claire and Son Allen who had to do without me on most days as I wrote this project.

ABSTRACT

Commercial banks in the world have continued to implement market innovations strategy so that they remain competitive. These help in delivering a broad range of value-added products and services to customers. The introduction of mass market innovations such as electronic banking, agency banking, and mobile money has improved business efficiency in rendering services. This survey was carried out to establish the relationship between mass market strategy and growth of commercial banks at lower market segments. Therefore, this research sought to answer the question: to what extent does mass market strategy at lower market segments influence growth of commercial banks? This study adopted a census survey research design. The researcher issued selected respondents a standardised questionnaire. The study targeted all 42 commercial banks operating in Kenya. The study used secondary data obtained from annual reports of the targeted banks and Central Bank of Kenya's. The study used both descriptive and inferential statistics in analysing the data through besides the Statistical package for social scientists (SPSS version 20). The study found out that the average total pretax profit from 2002 to 2014 was Kshs. 1,485,867, net assets were Ksh.37, 226,574, Return on Assets ROA was 29%. The number of deposit account for mass, and the non-mass market was Ksh.229, 331, 794 and Ksh.18, 068,052, the number of mass market and non-mass market deposits was Ksh.7, 298,845 and Ksh.19, 097, 007respectively. The study also established that the mass market deposits accounts were 93% while the non-mass market deposits were 7%.

The study confirmed that the mass market deposits were 28% while the non-mass market deposits were 72%.The study found out that total asset as a measure of non-mass market strategy had 50%. Non-mass deposits accounts had 24%, and non-mass deposits had 26%, 57.3% variation in growth of commercial banks was explained by mass deposits accounts and mass deposits and 44.5% change in growth of commercial banks is defined by non-mass market deposits and non-mass deposits.The study concludes that that mass market deposit account and mass market deposits all affect the growth of commercial banks as a result of the mass market strategy.There is also a statistically significant association between a mass market deposit account and pretax profit, mass market deposits, and pretax profit. An increase in mass market deposit accounts or mass deposit all increases pretax profits of commercial banks. The study recommends that commercial banks should come up with proper strategies on attracting and retaining a huge number of retail customers which shall boost the level of deposits. These strategies include organising for road shows and public rallies. Commercial banks should also lower their interest rates offered to customers as this shall make it attractive for borrowing as well as deposits.This study will contribute to knowledge base existing regarding expansionary growth strategies adopted by most commercial banks that drive their growth in an ever competitive environment. The study will help management of commercial banks in formulating proper policy regarding growth. Both the retail and corporate banking will benefit from this research. The study will offer practical solutions to current instability witnessed in the business. The findings in this study will help CBK in the formulation of proper policies to regulate the banking sector.

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LIST OF ABBREVIATIONS AND ACRONYMS

CBK: Central Bank of Kenya

TAM: Technology Acceptance Model

SPSS: Statistical Package for Social Sciences

TAM: Technology Acceptance Theory

CBR: Credit Reference Bureau

NSE: Nairobi Stock Exchange

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

In today's ever changing and globally competitive environment the mass market methodology is turning out to be more applicable, in view of three noteworthy patterns to be specific strong international competition, disjointed and challenging markets, and different and swiftly changing technologies(Griffith et al., 2010). As indicated by Drucker (2009), advancement is a piece of the system usage can directly affect numerous organisations reflected by expanded profitability and market share development. The technique serves as a medium of making new business with extraordinary control systems, hazard decrease and esteem expansion.

This study was grounded in four theories namely mass market theory, the theory of innovative enterprise, diffusion of innovations theory and technology adoption model. Market strategy forms the foundation of the mass market approach. In this theory, a firm makes a decision not to pay attention to market segment differences and plea to the whole market with one offer or one approach. The theory of innovative enterprise explains how an innovating company develops and utilises productive resources to lower cost of goods, create higher quality and services targeted to smaller market segments and cumulatively expands to larger market segments (Lazonick and O'Sullivan, 1998). The diffusion of innovations theory contends that dynamics of the change process can enable the innovating bank to capture progressively some market segments based on different income levels of buyers (Lazonick, 2011). Technology acceptance model (TAM) (Davis et al., 1989) is built based on perceived ease of use and perceived usefulness. Perceived usefulness is when an individual believes in improving the percentage of job performance through information system and using a specific technology.

Commercial banks in the world have continued to implement market innovation strategies so that they remain competitive. According to (Steven, 2008), commercial banks have changed to deliver various services and products to their clients. The mass market innovations introduction such as electronic banking, agency banking, and mobile money has improved business efficiency in rendering services. The mass market strategy the core of E-banking system in the world economy (Steven, 2008) and the Kenyan banking industry cannot ignore mass market strategy because they play a critical part in their current business systems.

1.1.1 Mass Market Strategy

Mass market is a broad and undifferentiated market of consumers with widely varied backgrounds which are characterised by services and products needed by every member of society (Kierzkowski et al., 2006). A business in a mass market sells into the major part of the market, where there is much similar information on offer. Kierzkowski et al. (2006) established that the most important features of a mass market comprise of customers who are the majority in the market. It also includes customers wants and needs which are less specific more general. It also takes into account association with higher capacity and outputs (economies of scale) and success are usually related to the heavy promotion, general distribution, low-cost operation and market leading brands.

Kokoi (2011) argued that mass marketing strategy is a strategy in which a firm may decide to focus on high sales and low prices and ignore its traditional market segment. The mass market strategy aims to provide services and products and to the entire market with one offer or one approach.The objective of the mass market strategy, is a message that will reach the largest number of customers. Possible exposure to the product is maximised by reaching many people. In theory, this would directly associate with the most significant number of product buys or sales. Mass market is the opposite of niche market services that appeal to the small market. Niche market targets a very particular segment of the market for example specific goods or services with few or no competitors.

The early stage of mass market strategy is called e-marketing, and its framework can be traced to Kierzkowski et al. (2006). In their study, they suggest five elements (relate, attract, engage, retain and learn) as critical factors which can lead to the success of digital marketing. Hyper rivalry, evolving demographics, consistent change, and client needs require money related foundations to create flexibility competency for survival and cultivating of organisation performance (CBK, 2013). It is this data that these financial institutions have understood that conventionality to customary techniques produces normal results. The new competitive scene, to make key intensity, new methodologies of working together that enhance clients and gain them most business banks have grasped a premium. The mass market procedure is honed both for survival and sustenance. The mass market technique has been exactly associated with predominant execution (Walker, 2004). Kokoi (2011) argued that mass market strategy is essentially a different way of competing in an already existing business. It indicates a resourceful and important departure from historical practice. Kokoi (2011) argued that mass marketing focuses on changing firms' market share over time to identify the unused position in the industry ahead of competitor companies. The mass market strategy brings in market growth by making different capabilities that give consistency which enables the company to improve revenue growth.

1.1.2 Firm Growth

A firm is a business entity that puts together and organises resources so as to produce disposable goods and services. A firm can be seen as a unit in an economic sense as it creates valuables. It is a business unit which undertakes the industrial activity. The growth of a firm has been significantly analysed in the fields of Economics. The effect of a business element to work, industry fixation, survival and monetary action are reasons enough to consider significant development as an issue of crucial intrigue. Notwithstanding, no single hypothesis endeavours to investigate the effect, causes or advancement of firm development.

Correa(1999) has articulated some reasons for non-availability of literature on firm growth. According to Correa (1999), the multiple and complex definitions of the firm may be the cause of this. Furthermore, no unifying criteria for classifying firms exist which implies that the analysis of firm growth is no different. There are also different ways of determining firms' growth.(Correa, 1999). The empirical literature relies on some measures whose use depends on the purpose and subject of the data. Ardishvili et al. (1998) and Delmar (1997) found growth indicators utilised in the empirical literature which includes financial or stock market value, the number of employees, sales and revenue, productive capacity, the significance of production and added value of production.

There are few important theoretical contributions to the growth of the firm. Major contributions to the theory of the growth of a business entity came from Downie (1958), Penrose (1958) Garnsey (1998) and Marris (1964). These authors have viewed a firm in a different context compared to the views adopted in the traditional theory of the enterprise. Such approach defines the firm as the smallest functional unit engaged in the production of the commodity whose core role is to transform a set of inputs into some output of a product as specified by its production function. Both producer and entrepreneur can be used interchangeably to mean a business entity. The firm survives in a single uniform market, and its primary objective is to maximise profits. Downie (1958) theory of the growth of an entity was mainly concerned with analysing the way in which alternative forms of market structure and conventions governing business behaviour which he calls as “rules of the game,” affect his spread of efficiency about business and the rate of technological growth. Downie’s theory of the growth of the firm is a by-product of this analysis.

Penrose (1959) theory of the growth of the firm, the idea of the beneficial open door is imagined as the essential component in the hypothesis of the development of firm by Penrose. In Penrose hypothesis, the firm keeps on making the speculation at least somewhat long and positive net present esteem from the venture. The venture takes the benefits of the gainful open door for extension which it supposes useful. Garnsey (1998) hypothesis of the early development of the partnership contends that early periods of the ventures are considered as a sign of basic issues that unfurl as firms develop. They mirror the need to construct the fitness to address these critical issues if the business is to survive and succeed. Past the early stages, key issues confronting the element are more assorted. The development of the undertaking is identified with the working of the ability expected to react to changing mechanical open doors. Marris (1964) hypothesis of the development of the firm is most pertinent to a corporate firm possessed by shareholders however controlled by administrators. Shareholder's being proprietors of the firm, are expected to have the target of augmenting the arrival on their interest in the firm. Supervisors of the firm, then again, try to augment their interests which are dealt with by higher pay, advantages, control, glory, and so on. It infers that supervisors of the firm are accepted to have the rate of development of the firm as their target.

1.1.3 Mass Market Strategy and Firm Growth

Much of the time focusing on the mass market is a must for a developing bank (CBK, 2013). CBK representative in 2013 contended that if banks choose not to pay consideration on the mass market, the choice will fundamentally bring down piece of the pie development, income development and unadulterated benefits. This reasoning depends on the idea that mass markets are bigger and becoming quicker. The quest for mass market system may require bring down overall revenues despite the fact that the suspicion won't really hold in many economies. Banks ought to utilize their brands and notoriety to diminish costs to demand striving for shoppers and business clients. For instance, Equity Bank, with Kshs.2 billion in advance deals from the mass market, has manufactured a noteworthy dissemination arrange in more than 80 towns the nation over, yet it offers comparative items at consistent costs, paying little mind to the area. Remote banks have been concentrating on specialty advertises customarily overwhelmed by corporate.

Be that as it may, as of now, they have sensibly been the moving to mass market to maintain their development. Preferably, banks have considered mass markets necessary to their nearby procedures and operations. Progressively, mass markets drive this expansion as the advantages of modern development overflow to less prosperous locales of Kenya, discretionary cash flow increments, and the legislature underlines balancing out the developing crevice between the well-off and poor.

We can take note of that mass market development is kept to managing an account items as well as we can extend this to different administrations. Bitner (2011) propose that development is unsurprising from low finished result ranges where they order under 10 rate piece of the overall industry, contrasted with 45 percent for their top of the line item go in high innovation mechanical gadgets and assembling division more than 60 percent.Kokoi (2011) suggested that banks must focus on at least three critical areas to build flexible and cost-efficient operations serve the mass market profitably and increase steady growth. One, Sales and dissemination channels fiancial establishments must change wasteful, multi layered deals and appropriation channels experiencing constrained coordinated effort and perceivability into sweeping, savvy channels that give profitable data about end customers.Two, innovative work creating items customized to the necessities and value purposes of the neighborhood market is fundamental to the accomplishment of the organizations. Additionally, new techniques are expected to discover, qualify and create further cooperation with financially savvy nearby providers. At long last, there is a need refined human capital administration approaches that would decrease deficiencies of gifts and build up a vast pool of practical and adaptable ability with the genuine information and capabilities for mass markets. Banks ought to consider banding together procedures to change these operations as opposed to making altered cost speculations that may restrain future adaptability in Kenya's quickly evolving environment.

1.1.4 Commercial Banks in Kenya

The arrangements of the Banking Act and Prudential Guidelines control Commercial Banks and Mortgage Finance Institutions in Kenya. They are the key players in the Kenyan Banking framework, and nearer consideration are paid to them while directing off-site and on location reconnaissance to guarantee that they are in consistence with the laws and controls. Right away, there will be there are 42 authorized business banks and one home loan back organization making an aggregate of forty-two. Out of the 43 money related organizations, 39 business banks, and the one home loan organization are private substances while the Kenyan Government holds controlling stakes in the remaining three business banks. 25 of the 39 selective business banks and the one home credit subsidize establishment are neighborhood substances (i.e. their controlling shareholders are tenants in Kenya) while 14 are outside claimed.

As a way of growth maximisation, commercial banks have been embracing mass market innovations. Information technology is driving this mass market strategy in commercial banks. Commercial banks have relied on technology to save money and time and get rid of errors, thus addressing particular issues associated with changing social trends and cultural practices. It can also minimize direct clients interaction and any connected service value to be gained (Bitner, 2011). Kenyan consumer is becoming more progressive and the improvement of information technology in doing the trade as well as the establishment of clients' watchdogs and the creation of awards for the best performing enterprises, it is reaching a point whereby either a firm starts being responsible for all its important activities or it collapses.
Brown (2008) established that banking business had become the most critical institution existing. He also urged that the dominant institution in any society needs to take liability for the whole running of the company but business had not had such a tradition.

According to Otieno, (2006) and Ochieng, (1998) the data innovation is turning into a huge viewpoint later on the execution of Kenya's money related foundation benefit industry in Kenyan managing an account segment. Banks experience some huge inquiries, for example, how to take the benefit of innovation openings, how e-advancements change the ways clients communicate with the financial foundation's suppliers.

1.2 Research Problem

The emergence of mass-market strategy has stimulated many commercial banks to emphasise information technology strategies to stay competitive. The innovative ability of a bank facilitates accessibility to one market segment which may provide a basis on which bank can expand the capacity to other market segments. In the long run, the company transforms its ability to produce a higher quality and lower cost products. The study of mass market strategy is critical to understand how commercial banks benefit from the bottom of the pyramid.

Commercial banks in Kenya are undergoing a global transformation as a result of mass market innovations. The rapid development of mass market strategy has made some managing account assignments more proficient and less expensive. Innovative speculations are presently taking a bigger share of bank's assets. It is, therefore, imperative that development of mass market advancements by sound examination of dangers and expenses connected with them to evade hurts on the bank execution. There is an inconclusive debate on the effects of mass market strategy on commercial banks. Existing studies have investigated the impact of financial innovations on bank performance, and results have been contradicting.

Despite the significance of mass market strategy demystifying execution in banks, the effect of the mass market procedure on bank execution is yet to be comprehended by customers for two primary reasons. To begin with, there is an absence of comprehension of the drivers of advancement and also systems' effect on bank's execution remains deficiently tried (Mabrouk and Mamoghli, 2010). Past scientists have just been focusing on vital developments and constantly over creating same research comes about on the effect of advancements on bank's execution, while Mwania and Muganda (2011) concluded that advancement had a huge commitment to execution. Be that as it may, these studies focused on market developments focused at higher market fragments (i.e. top of the pyramid), and there has been little concentrate on lower showcase portions (i.e. base of the pyramid). It is this foundation that this exploration looked to inspect the degree to which mass-market developments focused on lower showcase sections (i.e. base of the pyramid) impact development of business banks. Along these lines, this exploration looked to answer the question: to what degree does mass market methodology at lower showcase sections control the development of business banks?

1.3 Research Objective

To establish the relationship between mass market strategy and growth of commercial banks at the lower market segments in Kenya.

1.4 Value of the Study

The management of various local commercial banks in Kenya would use findings of this study to understand the effects of mass market innovations that can be used in marketing tools and avenues to enhance their growth in the form of a market share, performance, and profitability. The financial institutions utilises the report to understand how various mass market strategies affect the growth of business in their areas of operations. Hence they would use the study to predict various mass market avenues which if adopted will help in future forecasting of business growth trends for the benefits and fulfilment of social, economic and political objectives of their business.

National Treasury, the policy makers, may also use the findings of this study to understand the impact of mass market strategy on growth of commercial banks in Kenya so as to have good strategic policies hence stimulate economic growth without eliciting any negativity in the country. The public refers to the report to understand how various mass market strategies are affecting the growth of banks they are using which may influence their decision on the choice of banks services and products as they seek to use more profitable banks.

The study results would be useful in filling the gaps that have been left by the previous researchers on the various levels of mass market strategy on the commercial banks marketing strategies which can be followed up by new investigators. This study would contribute to knowledge base existing regarding expansionary growth strategies adopted by most commercial banks that drive their growth in an ever competitive environment. The study would help management in the financial sector in formulating proper policy regarding growth concerning their retail and corporate banking sections. The study would offer practical solutions to current instability witnessed in the business community. The findings in this study would help CBK in the formulation of proper policies to regulate the banking industry. This study would contribute to knowledge base existing regarding expansionary growth strategies adopted by most financial institutions that drive their growth in ever competitive environments. The study would help management of commercial banks in formulating proper policy regarding growth. The study would offer practical solutions to current instability witnessed in the banking. The findings in this study would help CBK in the formulation of proper policies to regulate the banking

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section provides a discussion of the theoretical and the empirical literature explaining mass market innovations and growth of business. It discusses the extent to which mass market strategy influence the growth of commercial banks in Kenya. There is also the summary of the discussion which concludes the chapter.

2.2 Theoretical Foundation of the Study

This study on mass market strategy and growth of commercial banks in Kenya was grounded on four theories. These theories include Mass Market theory, Diffusion Innovation Theory and growth of the firm theory, Technology Acceptance Model Theory and Innovation Enterprise Theory

2.2.1 Mass Market Theory

The mass market theory by Robinson (1958) is a social fashion behavioural marketing strategy. The mass market strategy is defined as a strategy of covering the market where a firm chose to ignore the differences in market segments and therefore serves the market as a whole. This mechanism is suitable to the fashion innovators. The theory is anchored on some assumptions. First, there is the assumption that fashion trickles down to some social groups but not just in the lower class. Secondly, all social economic groups simultaneously adopt new trends. Thirdly, the preferences of consumer arise from a massive scale of possible patterns. Fourthly, there are fashion innovators in each social, economic grouping.Fifthly, there is a flow of information about the trends and personal influences, and this runs down the social classes. Sixthly, the industrial group and vertical flow remain evident. Lastly, applying it in the fashion industry.This theory is relevant and therefore applicable to this study because mass market strategy covers corporate and retail customers. These two classes of customers could be liked to fashion trickling across different social groups as the theory states.

2.2.2 Theories of Growth of a Firm

The major contribution to the growth of the firm theory was adapted from Downie (1958), Penrose (1958) Garnsey (1998) and Marris (1964). These authors view the firm in different contexts as the traditional theories. Here, we see the firm as the smallest functional unit engaged in the production of the commodity. The major role of an enterprise is to change inputs into outputs through the manufacturing process. Furthermore, both producer and entrepreneur are used interchangeably to mean a firm. The firm operates in a single uniform market with static profit maximisation objective.

Downie (1958) held that the theory of the growth of firm was mainly concerned with analysing the way in which alternative forms of market structure and conventions governing business behaviour which he calls as "rules of the game," affect the divergence of efficiency amongst firms and the rate of technological growth. Downie's growth of the firm theory is one of these analyses.

Penrose (1959) sees the concept of the productive opportunity as the core element in the growth of the firm theory. Penrose has not supplied any formal equilibrium growth model for the firm. But her description of the manner that firms grow and the limiting factors for that is very much like a growth theory for the firm. To achieve this, the business continually invests as it derives a real profit from the investment. The enterprise assumes the advantages of the precious opportunity to make expansions for profitability and growth. A firm is considered as a pool of productive resources organised within an administrative framework. The activities that the firm is aware of and able to carry out a profit defies its "productive opportunity."

Garnsey (1998) early development of the firm hypothesis contends that early periods of the firm are conceive as signs of critical issues that unfurl as firms develop. They mirror the need to assemble the capability to address these basic issues if the firm is to survive and succeed. In her hypothesis, Garnsey says business endeavour comprises in the coordinating of assets and chances to make esteem. A progression of stages in the early existence of the firm infers the development issues and procedures, arrangements offering meet people's high expectations. Firms must prepare get to and compose assets before they can produce assets for development. Ensuing stages, in which development fortification and development inversion powers battle, are not all inclusive but rather are gotten under way in a compelling minority of firms, the essential occupation makers. Past the early phases of the firm, there is a differing qualities of basic issues that a firm experiences. The development of the business is associated with the working of the ability expected to respond to changing modern open doors.

A comprehensive and informed theory of firm growth are presented by Marris (1964). His approach applies to firm controlled by managers and owned by shareholders. Since shareholders are owners of the firm, there is an assumption that they have the objective of maximising profits in the firm. On the other hand, managers of a business aspire to maximise their interests which are provided by power, prestige and higher salaries. All such things positively correlate with the growth of the firm in Marris model. It, therefore, means that managers of the firm are assumed to have the rate of growth of the firm as their objective.
This relevance of this theory to the study is because of the influence of growth of commercial banks in Kenya by the management and the general behaviour of shareholders. This argument is in concurrence with Marris (1964) who opined that a corporate firm is owned by shareholders but controlled by managers. The theory is relevant to the study because the growth of commercial banks was one the variables in the study.

2.2.3 Innovative Enterprise Theory

Innovative enterprise theory was advanced by Lazonick (2011). The theory focuses on three general areas in which the firm engages which are finance, strategy and organisation, to the development and utilisation of productive resources. According to (Lazonick and O'Sullivan 1998), there is a requirement for these social conditions gets from the aggregate, indeterminate, group and character of the creative procedure. The part of a procedure is to designate assets to interests in creating human and physical abilities. Ventures change advancements and get to business sectors, and accordingly, create and use the esteem making limits of these assets to make items that purchasers need at costs that they will pay. Fund keeps up the way toward actualizing advances and accessing markets from the snapshot of making interests in gainful assets to the date of making monetary returns amid the offer of items and administrations.

The diversities in the advancement procedure empower the improving business to catch step by step some market fragments in view of various wage capacities of the purchaser. In the underlying phases of the advancement procedure, the enhancing firm might not have enough built up its capacities to get to these market sections at a similar moment. In total, be that as it may, the capacity of the enhancing firm to increase one market section may give a premise on which it can create capacities to get to other market fragments as it changes its ability to deliver a higher quality and lower cost item. When in doubt, the enhancing firm will get to high-pay, cost heartless markets through item procedure and afterward continue from the upper pay fragments to the lower salary portions as it enhances its assembling ability and accomplishes economies of scale. On the other hand, when in doubt, the enhancing firm that is unequipped for item advancement can enter an industry by getting to lower-salary, value touchy markets through process development, and afterward may try to get to higher wage more value unfeeling markets through a mix of upgrades in both items and procedures. This theory is relevant to this study because commercial banks are creatively innovating new products as a way of staying competitively. It is through innovation that commercial banks are in operation, and this keeps their growth.

2.2.4 Innovation Diffusion Theory

Innovation Diffusion Theory was developed by Rogers (1995) who defined adoption as a decision of full use of innovation as the best course of action available and rejection as a choice of full utilization of development as the best game-plan accessible and dismissal as a choice not to embrace an advancement. The hypothesis characterizes dispersion as the procedure by which advancement is imparted through specific channels after some time among the individuals from a social framework. The theory of diffusion of innovation postulated that five attributes of an innovation influence its adoption. These characteristics have ideas in the same manner as reception research and dissemination studies, being utilized to evaluate an assortment of interchanges and data innovation. Rodgers (1965) built up five attributes of development that incorporate relative preferred standpoint, similarity, multifaceted nature, trialability and discernible. These credits can be tried to decide the level to which every variable impacts the state of mind and hence the motivation behind the utilization of innovation by a business element.

As indicated by Rogers (1995), the builds are characterized as takes after: a relative favorable position which communicates the degree that another item is superior to anything the one it replaces. The relative position could be judged by benefit as well as by variables, for example, the usability and capacity. Similarity which identifies with how the generation of the development and the methodology itself considers the nearby values and traditions of the adopters. It is the time when a change fits into the particular society. The smoother the system fits into the way of life, the quicker the rate of reception. Many-sided quality: This is the degree of how complex it is for a connector to comprehend and utilize a development. Intelligently, the harder a system is to utilize or saw to utilize, the more improbable that an adopter would have the capacity to use it. Triability which is the limit of the customer to try the technique out or test before choosing to receive it or not. Triability empowers the rate of selection to increment after a fruitful trial. Discernibleness: this property is the possibility that when a procedure advantage does not in a split second tackle a buyer's issue or need, it won't diffuse through society as fast contrasted with an approach that is to a greater degree an answer for an issue. It is additionally how much the aftereffects of development are obvious to others. Christensen and Raynor (2003) express that "Web managing an account must be conveyed as a maintaining innovation about the plan of action of retail banks."This theory applies to this study because innovation is a key variable of growth driving commercial banks in Kenya. It is through innovation that commercial banks are staying competitive in an ever changing environment.

New fee regulations have long buffeted Mass Market Strategies and growth of banking industry, slack margins, weak loan demand and massive credit aftershocks from the debt crisis (Chan and Guillet, 2011). They said that what stays of bank benefit in the mass market has assist endured since most shopper family units don't convey high store adjusts and adjusts, by and large, are not worth as much as they used to be. While numerous banks have withdrawn from the mass market as a strategic response to the troublesome conditions, some are presently going above and beyond by changing retail methodology too. Alongside formalising an intensified duty to the top of the line shoppers, they have been intentionally making light of mass market account securing and maintenance. As a defence, they refer to an absence of client relationship productivity (Chan and Guillet, 2011).

Promotion of mass market strategy in the banking sector is one of the policy strategies for achieving economic and financial growth of commercial banks in Kenya (Chan and Guillet, 2011). As opposed to downsizing with mass market purchasers, business banks are effectively looking for helpful approaches to developing this business. Alongside more effectively advancing customary credit and store items, business banks will concentrate on item advancement also especially on shopper certainty and family unit money administration (Chan& Guillet, 2011).

It is this great development that has kept these business banks developing. According to Drucker (2009), development is a piece of the procedure usage and directly affects numerous organizations reflected by expanded benefit and piece of the overall industry growth. The technique, in this way, serves as a medium of making another business with uncommon control components, esteem expansion, and hazard decrease. Steven (2008) contends that commercial banks in the world have continued to implement market innovations strategy so that they remain competitive. Therefore they have strategies to deliver a broad range of value-added products and services to bank customers. The introduction of mass market innovations such as electronic banking, agency banking, and mobile money has improved business efficiency in rendering services. The mass market strategy is at the centre of the electronic banking system in the world economy (Steven, 2008) and Kenyan banking industry cannot ignore mass market strategy because they play a critical part in current trading systems (Drucker, 2009 & Steven, 2008).

According to Adano (2012) mass market clients created a noteworthy expense income stream: they utilize their platinum cards to raise trader's bank charges, and a little fragment made dynamic utilization of checking overdraft scope. Along these lines, there are genuine changes to enhance the mass market outreach with a changed introduction. As indicated by Kenya Banking Association (2015), mass market show considerable pockets of chance, both specifically showcases and with individual client profiles. This incorporates new item changes, for example, the unsecured credit extension, which plugs a financing crevice for dependable family units that lost home value as lodging costs fell. Different open doors incorporate cash exchange administrations, individual-to-individual instalments, and option types of checking overdraft scope.

In the end, the industry will probably advance to a considerably more proficient "thin system," with a select rest of notable branches bolstered by a cross section of reconfigured outlets offering restricted administration or standalone self-benefit. Such a system will have the capacity to bolster the generally basic administration needs of the mass market and in addition the more inside and out administration necessities of mass princely and wealthy clients. As of now, the keeping money industry must tread a cautious way to this goal. Most banks should procure out of the altered cost overhang. In this multi-level journey, the now-less-gainful mass market shoppers must not be deserted, yet rather held onto as fundamental for covering the lion's share of settled bank office costs (Kenya Banking Association, 2015).

2.3 Empirical Literature Review

Several studies have been carried out on mass marketing strategies and the growth of commercial banks. These studies were done either in locally, regionally or globally. This section presents some of these studies.

Chiteli (2013) conducted a study on agent managing banking operations as a competitive strategy of commercial banks in Kisumu City. The study utilized engaging exploration outline. The number of inhabitants in the review constituted of the three Commercial Banks effectively working operator managing an account in Kisumu City which accordingly: KCB, Cooperative Bank and Equity Bank and two which don't have office business operations. The specialist got information for the study from auxiliary and essential sources. Utilization of polls gathered the essential information. The scientist additionally got optional information from the concerned bank yearly reports and productions. The survey contained organized of close-finished inquiries furthermore a couple open-finished inquiries. The study observed that three business banks in Kisumu city that had occupied with specialist managing an account operations. They had accomplished extension in geographic scope. Business banks have experienced difficulties in organization business operations. These have been recognized as takes after: Reputational chance; some neighbourhood specialists have failed to meet expectations, and some have been burglarized, and accordingly, the bank's open picture has endured, and business banks have experienced difficulties in operator managing an account operations as takes after: (Chiteli, 2013 and Orodho, 2005).

Kibet (2013) conducted a study on adoption of growth strategies by African Merchant Assurance Company Kenya Limited using a case study design. The study targeted the top management who are the lead policy formulators and implementers in the institution. The research instrument was an interview guide consisting of open-ended questions. The guides were administered to five top managers of African Merchant Assurance Company Limited in who were deliberately chosen to ensure that only those at the strategy development and implementation level were selected as they had the information required. The primary data collected was analysed using content analysis. The research findings from the organisation were that they used market development, product development, market penetration and market positioning strategies in their operations as the primary growth strategy (Kibet, 2013).

Mutua (2013) conducted a study on growth strategies and the competitive advantage of commercial banks in Kenya using descriptive survey design. The study used questionnaires for data collection. The researcher analysed the collected data by using the statistical package for social sciences. The established a relationship between growth strategies adopted by banks in Kenya and their levels of competitiveness. The findings of the study revealed that high correlation coefficient between competitive advantage and Market penetration strategy with significance at 99% whose value was 0.003 which is less than 0.05. A strong positive correlation was also established between competitive advantage and market development at 95% with a correlation coefficient of 0.685. This finding also agreed with the expectations that firms that use market development strategy have a competitive advantage over the other firms. The relationship between competitive advantage and product development strategy was also found to be highly positive as indicated by a correlation coefficient of 0.523; this was significant because 99% which was less than 0.05. The findings, therefore, agreed with the study expectation that banking institutions which rely on product development strategies have a competitive advantage over the others. These strategies by commercial banks require firms to put necessary policies in place for the strategies to succeed.These strategies will help in the formulation and implementation of such strategies. Staff and management commitment should be achieved so that full support of the strategy can lead to its success (Mutua, 2013).

Choge and Chepkiyeng (2014) sought to assess the effect of marketing strategies as a strategic response on the attainment of competitive advantage. The study used 33 commercial banks as the case study. A questionnaire was used to analyse data that was collected. The hypotheses were tested using the Spearman's rank correlation. The results revealed that there is a relationship between marketing strategies and the competitive advantage of a commercial bank. Marketing strategies used by Commercial banks differ with market development being the strategy employed by Commercial banks to access a market and attain competitive advantage. Based on the findings the major recommendations proffered include that Commercial banks should adopt the Ansoff Marketing strategies to achieve competitive advantage (Choge& Chepkiyeng, 2014).

Kathuni and Mugenda (2012) conducted a study on direct deals system connected by Commercial Banks in Kenya utilizing an evaluation overview. The population of interest in the study was all the business banks enlisted by the Central Bank of Kenya. As indicated by the present Central Bank catalogue, there are 42 business banks in Kenya and two home loan back organizations. The study utilized essential information gathered through semi-organized poll. The review focused on one respondent for every bank ideally the business/promoting chief or the proportional. Then again, optional information is connected truths, suspicions and premises contained in narrative sources. Content examination of the forty-two (42) business banks served to upgrade unwavering quality, representative and legitimacy of the data gathered. Once the polls were controlled, numerical codes were doled out to the different shut reactions. Spellbinding measurement strategies were generally used to examine the gathered information. The study discovered that lion's share of the banks, (57.9%) have grasped coordinate deals procedure for upper hand. Item information is the best element that influences the profitability of the immediate salesmen. The immediate deals staffs are the ministers of the bank and ought to be very much outfitted with legitimate item data. Client referrals have the best effect in upgrading direct deals technique execution while media special crusades have the slightest effect. Coordinate deals system expands bank development, advances shopper mindfulness, and it is a fundamental apparatus for upper hand. The study prescribes that banks ought to consider opening more branches inside the nation to guarantee the satisfactory provincial nearness and diminish the quantity of the unbanked populace. The banks ought to attempt to utilize substantial direct deals drive and other direct deals procedures to upgrade their scope and market nearness. The immediate deals staff ought to be satisfactorily prepared and furnished with applicable item and market information since they are the substance of the bank. Consistent deals crusades ought to be directed to energize the market and upgrade client mindfulness (Kathuni and Mugenda, 2012). Gitonga (2015) carried out a study on strategies for gaining the competitive advantage of commercial banks listed on the NSE in Kenya. The study used descriptive survey design. The population for the study was the 11 commercial banks listed on the Nairobi Stock Exchange. A total of 50 employees were targeted as study respondents out of which 48 responded giving a response rate of 96%. Both primary and secondary data was used for the survey. Primary data was collected using a questionnaire while secondary data was collected from the bank published records. Both qualitative and quantitative data analysis technique were used to analyse the data. Quantitative data collected were analysed using descriptive statistics such as means, standard deviations, frequencies and percentages. Qualitative data were analysed thematically. The analysed data was presented in the form of tables, pie charts and graphs where applicable. The study found that Different strategies for gaining competitive advantage were used by banks listed on the NSE where product differentiation and diversification strategy was used to a vast extent and indicated by 56.3% and 37.5% respectively (Gitonga, 2015).

Osere, Okibo and Nyaoga (2013) studied the efficiency of loan default management approach by commercial banks in Kenya: a study of selected commercial banks in Nairobi city using detailed survey design to get information on the level of efficiency of loan default management strategies among the commercial banks in Kenya. The population of the study mainly constituted the credit officers from the selected banks in the city of Nairobi. The population of this study consisted of Forty-two banks while the sample consisted of forty credit officers from the commercial banks in Kenya (as at the end of the year 2012) who were chosen by the stratified random sampling technique. Primary data was collected from the senior credit officers while secondary was gathered from the principal secondary sources such as the CBK website, and commercial banks' publications as well as from publicly available information. The data was analysed using descriptive statistics and Correlation analysis. The study findings indicate that most commercial banks have an efficient system for controlling loan default and thus rarely do they need the services of Credit Reference Bureau, and therefore some banks (3.6 out of five) use Credit Reference Bureau to recover defaulted loans. The survey recommends that proper management of commercial banks should be natured particularly in credit risk management as this will guide banks to high levels of profitability (Osere, Okibo & Nyaoga, 2013).

Lin and Liao (2006) carried out a study on the application of Database Marketing in Commercial Bank's Operation and Management-Evidence from A Bank's Consumer Banking Group using a case study design. Interviews were finished with administrators accountable for database promoting in the considered bank. Related information was gathered amid the procedure. The emphasis was on what impacts clients' fulfilment and what part an association plays. At long last, the accumulated information and past writing were contrasted with know which step can be enhanced, and to propel some conceivable recommendations. The information contained proficient periodicals, specialists' productions, and insights from the administration, the genuine working knowledge of the analysts, and meetings with directors responsible for promoting in the picked bank. An auxiliary survey was framed from the writing audit and was utilised to help interviews with expert specialists. From mid-May to the end of October in 2004, telephone calls were first made to ensure if the respondents were anxious to blaze through the 40-an hour to be met. Besides, the substance of the meeting was sent to the respondents by email or by fax before the meeting. Around a similar time of the meeting, interviewees have prompted yet again. Along these lines simply short obstructions happened on a segment of the meetings. Respondents were exceptionally required in the trades, and a couple of people even used their experience as outlines. The study found that a business bank's database advancing necessities reinforce from CEOs, supply of hand-crafted things, and a high E-level of every division, the particular authority limit of database lies in likeness of corporate culture, precision of data, and satisfaction of data stockpiling and Database publicizing is a confined arrangement, and additionally a whole deal, facilitate, and unsurprising coordinated effort among associations and clients (Lin and Liao, 2006). Utilising an instance of China Life Insurance Company Ltd arranged in Shifang, Miao (2012) did a study on promoting procedure and vital administration in insurance agencies. The study utilised the subjective technique to explore social situations, rivalry circumstances, centre capabilities, and the present showcasing system of the case organisation. Moreover, the proposition was led deductively. All information was gathered from two ways: essential sources, including meetings, and polls and auxiliary sources: including books, diaries, and electronic sources. The study discovered that notwithstanding the quick monetary development in China, rural issues, for example, the shortcoming of the government disability framework, are getting to be one of the new issues that hinder the feasible advancement in China. As a state possessed life coverage organisation in China, China Life propelled a test case program to offer customised smaller scale extra security items in rustic zones to comprehend those issues. In light of all the outer and inward examinations and (or "expecting to") get to the rural markets, and keep up the administration in China's disaster protection advertise, the creator suggests that China Life ought to offer both standard life coverage items and miniaturized scale life coverage items in view of various clients' needs. He likewise opines that on the off chance that we enhance the extra security mindfulness, and the nature of the business drives, the current special arrangement and HR projects ought to be preceeded with (Miao, 2012).

Ruttoh (2013) conducted a study on a survey of factors influencing customer growth of commercial banks in the main towns in Kenya: (A case study of Migori Township). The study used structured questionnaires and interviews to collect data. The target respondents were the bank managers and section heads. The research also used secondary data. The data was analysed using inferential statistics and descriptive. The study found that some banks in Migori township have witnessed tremendous growth in the past few years with growth in clients ranging between 5,000 -10,000 which represent percentage growth of between 50& and 100%. The survey also found out that 100% of the respondents agreed that excellent customer service affects customer growth. The study also learned that 100% of the interviewees agreed that real technology influence customer growth as technology assists in faster and efficient service delivery. Product pricing being one of the key determinants of customer growth of commercial banks, the study recommends that banks should develop a comprehensive range of goods which are more affordable to their prospective and current clients. Consumers prefer banks which are fast and efficient in services delivery; the study recommends that commercial banks should give customer service more emphasis to attract and retain existing customers. Technology assists the banks to deliver services in a fast and efficient way; the study recommends that commercial should use modern technology in service provision. Policies and regulations imposed by the regulator can either encourage or stifle the growth of customers in the commercial banks; the study also recommends that the regulator should not impose tight policies and regulations on commercial banks (Ruttoh, 2013).

Otieno (2013) studied financial deepening and profitability of commercial banks in Kenya. The survey targeted all the commercial banks in Kenya. Secondary data was obtained from the Kenya National Bureau of Statistics, Central Bank of Kenya and websites of licensed Commercial banks in Kenya. The study used both research graphic design and inferential statistics to investigate the effect of financial deepening on the profitability of commercial banks. The findings of the survey revealed that financial deepening affects bank profitability positively. A solid contention towards expanding money related developing as a vital stimulator of more noteworthy saving money gainfulness is the result of this examination concentrate on. Kenya still exhibits relatively low levels of money related extending, business banks productivity demonstrates an advancing pattern in current years. An expansion of credit to the private part might be a noteworthy determinant of further managing an account benefit increments later on (Otieno, 2013).

Rui (2012) carried out a study on elements impacting business bank execution: a contextual investigation on business banks in China. This study took four state-claimed and two joint-stock business banks of China as the exploration test, by dissecting the effect of the financial factors and Bank particular factors on bank execution. The factors were genuine development rate, expansion rate, swapping scale, worldwide fund emergency (for monetary factors) and bank's hazard administration credit to store and value proportion, bank's size, property part, net premium edge elements, premium wage proportion and store resources proportion (for bank-particular factors). ROE measures the bank execution. The discoveries demonstrated that all factors contribute 85.8% to the business bank execution in China. Seven components to be specific conversion standard, bank's hazard administration value proportion, bank's size, net premium edge elements, premium pay proportion and store resources proportion are critical determinants of bank execution in China (Rui, 2012).

Singh (2016) studied on Non-Performing Assets of Commercial Banks and its recuperation in India. The information gathered is chiefly auxiliary in nature. The wellsprings of information for this proposal incorporate the writing distributed by Indian Bank and the Reserve Bank of India, different magazines, Journals, Books managing the ebb and flow keeping money situation and research papers from 2000 to 2014. The study discovered that Non-Performing Assets have dependably made a major issue for the banks in India. It is simply by all account, not the only issue for the banks yet the economy as well. The cash secured up NPAs directly affects the benefit of the bank as Indian banks depend vigorously on a wage from enthusiasm on assets loaned (Singh, 2016).

Ongore and Kusa (2013) studied the Determinants of Financial Performance of Commercial Banks in Kenya. The study used a graphic design based on secondary data from written statements of accounts of all Kenyans commercial banks, CBK, IMF and World Bank publications for ten (10) years from 2001 to 2010. The study considered 37 commercial banks (13 foreign-owned banks, and 24 local owned banks) as the sample size. The data collected was edited, coded and cleaned and analysed using Microsoft Excel and econometric views (e-views) software. To determine the relative importance of each explanatory variable in affecting the performance of banks, the study utilised multiple linear regression models and t-statistic. The study found out that capital adequacy, asset quality and management efficiency significantly influence the performance of commercial banks in Kenya. However, the effect of liquidity on the performance of commercial banks is not healthy. The relationship between bank performance and capital adequacy and management efficiency was found to be positive, and for asset quality the relationship was negative. This indicates that poor asset quality or high non-performing loans to total asset related to poor bank performance.

Thus, it is possible to conclude that banks with high asset quality and low non-performing loan are more profitable than the others. The other bank specific factor liquidity management represented by liquidity ratio was found to have no significant effect on the performance of commercial banks in Kenya (Ongore & Kusa, 2013).

Ran, Kumar and Rao (2013) studied on development and execution of Indian Commercial Banks amid Global Economic Recession. The study was cross-sectional covering period 2009 to 2012. The study utilised optional information that had been gathered from yearly reports of different banks Indian managing account yearbooks 2009, 2010, 2011, 2012 and other open data. The study discovered that the managing an account area is predominantly focusing on giving client benefits all the more viable and productively the achievement of any monetary organisation essentially, banks rely on upon the administration giving and fulfilment of the customer. In the present day, aggressive market environment holding the clients and their goodwill is a noteworthy test. The requirement for the bank is making the client more joyful by giving subjective administrations. It should likewise guarantee that there is a balanced correspondence between the improvement of the economy and practical structure of the customers. Besides, the stores, propels, speculations, add up to resources, net NPA, net NPA, premium pay, different income, add up to income, premium expanded working costs. Operating benefits, arrangements and possibilities, net benefit, credit store proportion, venture store proportion, return on resources, net NPA as a rate to net advances are parameters with a key part in expanding the gainfulness and efficiency of Indian banks.

2. 4 Summary of Literature and Gap to be filled

The studies from the literature have focused on growth strategies as adopted by commercial banks (Mutua, (2013); Mwadime, (2010) & Ruttoh, (2013)). Other studies from the literature have only focused on specific variables for example Non-performing loans (Singh, 2016), agent banking (Chiteli, 2013), direct sales strategy (Kathuni & Mugenda, 2012) and determinants of financial performance (Singh, 2016). It is evident from the above observation that little study has been done on mass market strategy and growth of commercial banks. This study was therefore established to fill this gap.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains the methodology that was used to conduct the research. It describes the research design, the population of the study, data collection methods and the data analysis methods. All the subsections are in line with the objective of the survey.

3.2 Research Design

A study design is a key arrangement that sets out the wide framework and key components of work to be embraced in research (Mugenda and Mugenda, 2012). The research design is the conceptual structure within which research study is carried out; it includes the plan for the data collection, measurement and analysis (Kothari, 2004). The study embraced an enlightening statistics review plan. An illustrative research plan is a logical strategy that includes depicting the conduct of subjects without impacting them in any capacity (Bryman, 2008).Maxwell (2012) opines that an unmistakable research outline decides and reports the way things are. The plan is utilised when information are gathered to depict people, associations, settings or marvels. A statistics overview gathers finish data from every one of the members of the populace (Kothari, 2004). This plan was fitting for the concentrate to set up and depict the relationship between the development of business banks and mass market procedure in Kenya.

3.3 Population of the Study

The target population is the total collection of elements about which the researcher wishes to make some inferences. The element is the subject on which the measurement is being taken and is the unit of study. The population of this survey consisted of all the forty-two commercial banks operating in Kenya. The population was relatively small for sampling. The study, therefore, adopted a census design of all the forty -two commercial banks operating in Kenya as at Dec 2015. This design allowed for the complete collection of information from all the forty-two commercial banks so as to establish the relationship between mass market strategy and growth of commercial banks.

3.4 Data Collection Method

The study used secondary data.The secondary data was obtained from annual reports of forty-two target banks and Central Bank of Kenya annual report. Secondary data was used because it was readily available from Central Bank annual reports. Secondary data was also used to facilitate trend analysis. The cross-section period of 2002-2014 also enhanced quick retrieval of the secondary data. A data collection sheet was used to collect data on corporate deposits, corporate deposit account, retail deposits and retail deposit accounts.

3.5 Data Analysis

The survey used both descriptive and inferential statistics to establish the relationship between mass market strategy and growth of commercial banks. Descriptive statistics involved the use of frequencies and percentages. Inferential statistics included the use regression and correlation analysis. The following equations summarise the multiple regression to be employed in this study:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon} \text{ .... } \textbf{Equation 1}$$

Where Y is mass market growth commercial banks represented by net profit, X_1 and X2represent retail deposits and retail deposits accounts respectively, and ε is an error term. Equation 1, therefore, is used to measure the growth of commercial banks due to retail banking.

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon} \text{ .... } \textbf{Equation 2}$$

Where Y is the growth of commercial banks as measured by total assets, X_1 and X_2 are corporate deposits and corporate deposit accounts respectively. Equation 2 was therefore used to establish the relationship between growths of commercial banks due to the business banking. The findings from equation 1 and two were compared to determine the strategy with an important effect on the growth of Kenya commercial banks.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the results of the data analysis and the interpretation of the results of the research. The study was established to find out the relationship between mass market strategy and the growth of commercial banks. SPSS aided in analysis, and the results are presented using both descriptive and inferential statistics.

4.2 Profile of Commercial Banks in Kenya

There were forty-two commercial banks involved in the survey. Out of the forty-two institutions, thirty-eight commercial banks and the mortgage finance system are privately owned while the Kenya Government holds controlling stakes in the remaining three commercial banks. Twenty-four of the thirty-eight privately owned banks and the one mortgage finance institution are locally owned while fourteen are foreign owned. The ownership structure is as profiled below.

PROFILE OF COMMERCIAL BANKS IN KENYA	NUMBER	%
Locally owned	28	67
Partially Foreign owned, and Partially Locally owned	10	23
Entirely Foreign-owned	4	10
Institutionally owned	18	42
Partially Institutionally owned and Partially Individually owned	24	58
Privately owned	36	86
Partially Private and Partially Publicly owned	3	10
Not Listed on the NSE	36	85
Partially Listed on The NSE	4	13
Entirely Listed on the NSE	2	2

Table 4.0 Profile of commercial banks in Kenya

- 67% are wholly locally owned, 23% partially foreign and partially locally owned and 10% are entirely foreign owned,
- 42% are entirely institutionally owned, 58% somewhat institutionally and partly individually owned while none are quite independently owned,
- 86% have no government ownership, 10% are partially government and somehow nongovernment-owned, and only 4% are completely government owned,

- 85% of the banks in Kenya are not listed on the NSE, 13% are partially listed, and only one bank representing 2% is entirely listed.

4.3 Deposits and Deposit Accounts

The majority of these banks have a branch network distribution across the whole country mainly in the larger towns. The overall contributions of these banks in the banking industry regarding growth in deposits and deposit accounts is summarised in Table 4.1.

Table 4.1 Deposits and Deposit accounts in Kenya

Banking Industry performance totals			**Mass market**	**Non-Mass market**	**Industry total**	**Mass market**	**Non-Mass market**	**Industry Total**
Pre-tax profit	**Net assets**	**ROA**	**No. of Deposit Accounts**	**No. of Deposit Accounts**	**No. of Deposit Accounts**	**Deposits in Kshs M.**	**Deposits in Kshs M.**	**Deposits in Kshs M.**
Kshs M.	Kshs M.	Profit /Net assets	< 100,000	>100,000	Total	< 100,000	>100,000	Total
1,485,867	37,226,574	29%	229,331,794	18,068,052	246,700,498	7,298,845	19,097,070	26,395,915

From the findings in Table 4.1, the average total pretax profit from 2002 to 2014 was Kshs. 1,485,867, net assets was Kshs. 37,226,574, Return on Assets, ROA was 29%, the number of deposit account for mass and the non-mass market was Kshs. 229,331, 794 and Ksh.18068052, the number of mass market and non-mass market deposits were Kshs. 7298845 and Kshs. 19,097,007 respectively. From the findings, mass market deposits were greater than non-mass deposits accounts; however, non-mass deposits were greater than mass market deposits.

4.3.1 Mass Market and Non-Mass Market Number of Deposit Accounts

Deposit accounts from both retail and corporate customers were identified as the variables of the study. These were divided in respect to mass and non-mass market respectively. The findings are presented in Figure 4.1.

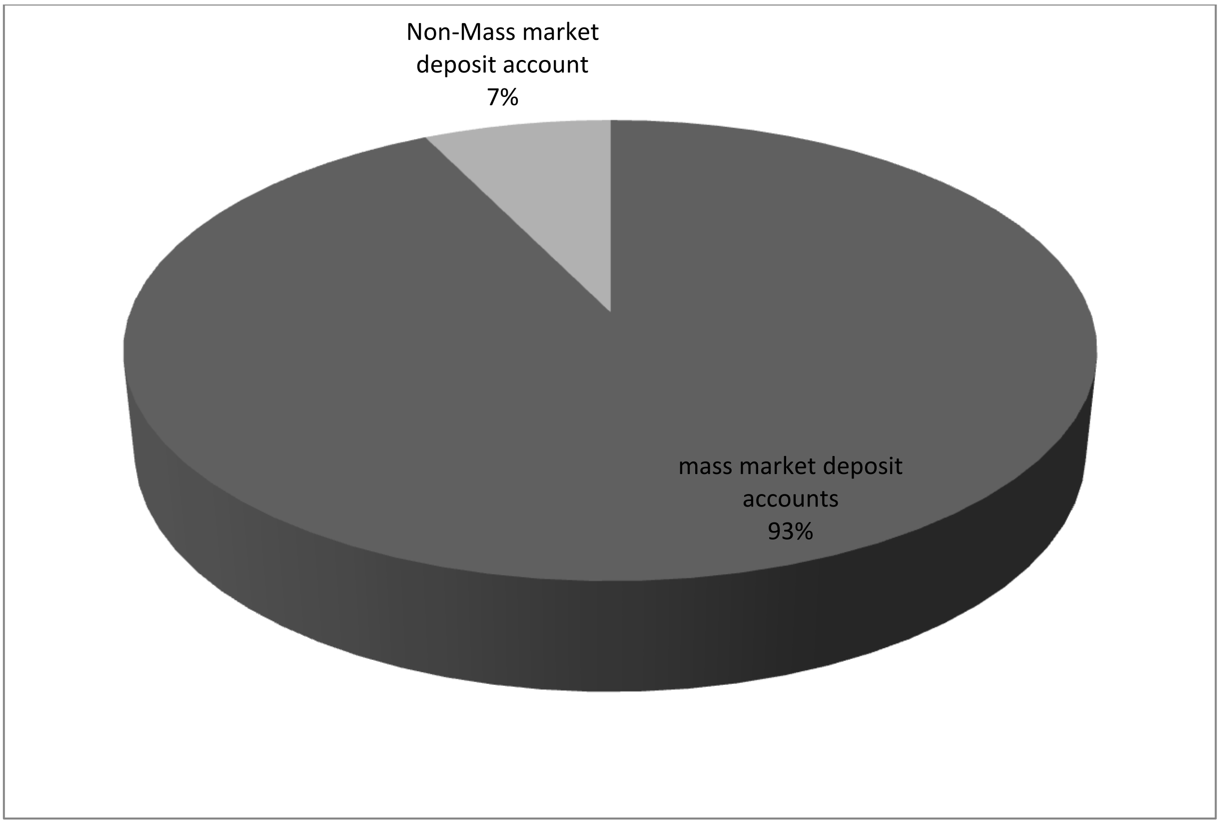

Figure 4. 1: Mass Market and Non-Mass Market Number of Deposit Accounts

From the findings in Figure 4.1, the mass market deposits accounts were 93% while the non-mass market deposits accounts were 7%. The results, therefore, indicate that retail customers have the largest portion of deposits in most commercial banks than retail deposits and therefore as need to attract more corporate customers so as to grow the number of deposit accounts. Corporate clients include large institutional that positively contribute to the growth of the bank portfolio. On the other hand, retail customers are widely spread across the country and forms primary source of financing in the banking sector. Banks have indeed realised the importance of corporate customers and have therefore increased their innovativeness regarding agency business so as to access more retail customers.

4.3.2 Mass Market and Non-Mass Market Deposits

The section highlights the number of deposits both from retail and corporate as a measure of the market strategy employed by commercial banks. The findings are presented in Figure 4.2.

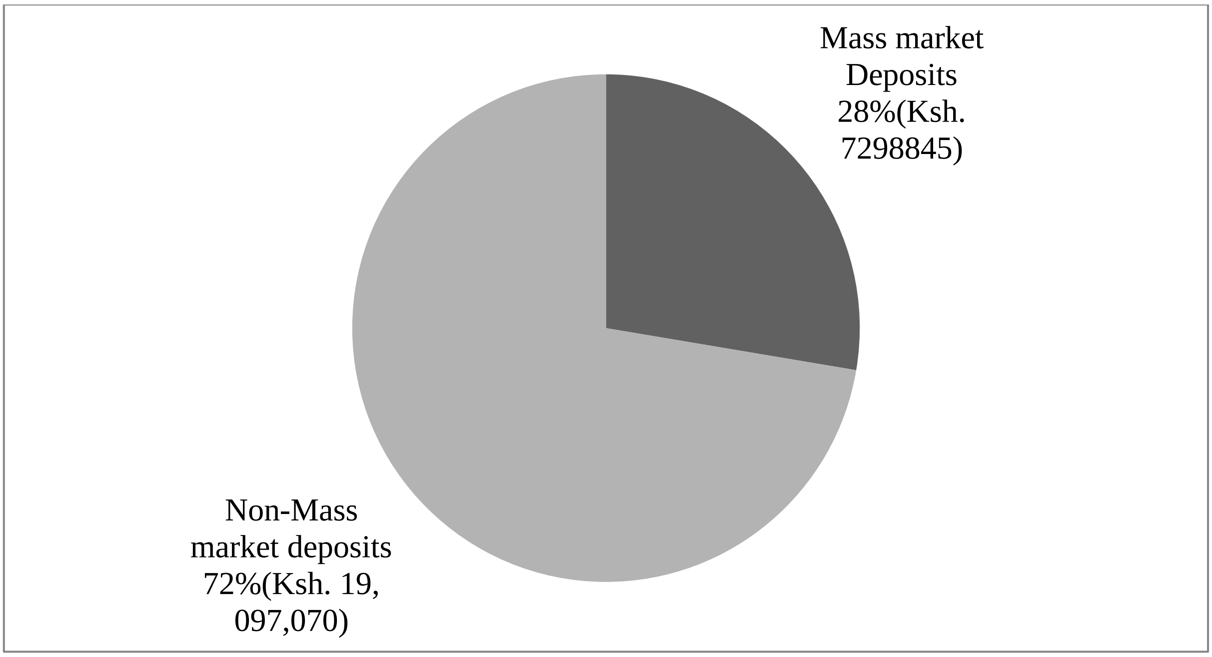

Figure 4.2: Mass Market and Non-Mass Market Deposits

From the results in Figure 4.2, the mass market deposits were 28 %(Kshs.7, 298,845) while the non-mass market deposits were 72 %(Kshs. 19,097,070). These findings indicate much of the deposits for the banking industry are from retail customers although their numbers of deposits accounts are lower than those of corporate clients.

4.4 Performance of Commercial Banks

The study sought to find out the relationship between mass, non-mass market strategies and performance of commercial banks. The mass market strategy was represented by the increase in profit before tax while growth in net assets represented the non-mass market. The findings are presented in subsequent sections.

4.4.1 Mass Market Strategy and Growth of Commercial Banks

This section brings out the effect of mass market strategy on growth of commercial banks. The findings are summarised in Figure 4.3.

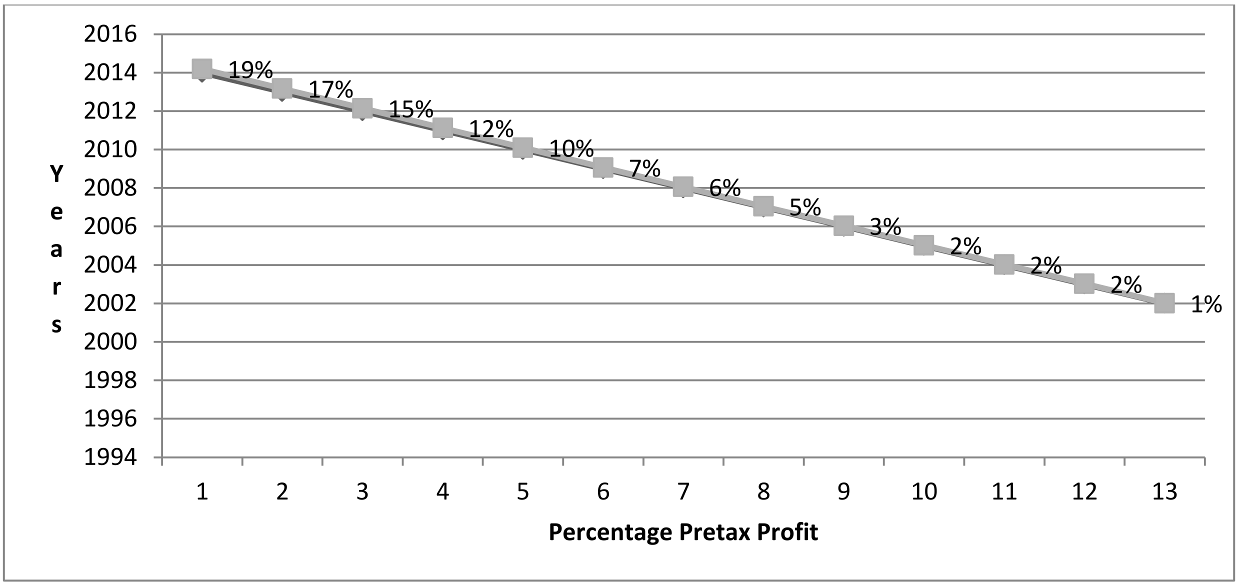

Figure 4.3: Pre-tax Profit in the mass market

From the findings in Figure 4.3, pre-tax profit for 2002 was 1%, 2 % for 2003, 2004 and 2005 respectively, 3% for 2006, 5% for 2007, 6% for 2008, 7% for 2009, 10% for 2010, 12% for 2011, 15% for 2012, 17% for 2013 and 19% for 2014. These findings indicate that there has been a general growth in pre-tax profit in the banking sector. This growth is due to the continuous innovativeness of the banks and rapid adoption of the information technology IT.

4.4.2 Non-Mass Market and Growth of Commercial Banks

The Section highlights the effect of non-mass strategy and growth of commercial banks in Kenya. The findings of the survey are shown in Figure 4.4.

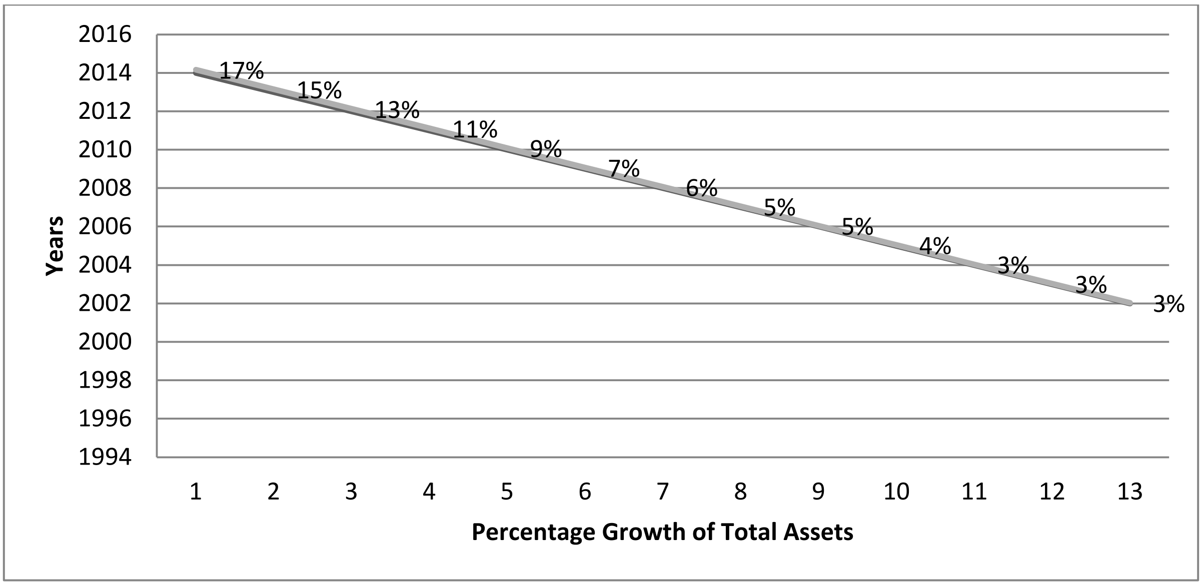

Figure 4.4: Total Assets

The findings in Figure 4.4 indicate that in 2002, the total assets in the banking sector were 3% all through to 2004, 4% in 2005, 5 % in 2006 all through to 2007, , 6% in 2008, 7% in 2009, 9% in 2010,11% in 2011, 13% in 2012, 15% in 2013 and 17% in 2014. These findings indicate that there has been an increasing trend in the growth in total assets in the period of consideration. Assets of any company facilitate accessibility to secured credit facilities both short term and long term as they act as collaterals. Access to credit facility drives the growth strategy of the banking sector as they seek to expand their operations locally, regionally and globally.

4.5 Relationship between Mass Market Strategy and Performance of commercial banks

Regression analysis was conducted to so as to test and compare the relationship between the growth of commercial banks and mass and non-mass market strategy. Regression analysis assumes that variables have normal distributions. This is because non-normally distributed variables can distort relationships and significance tests. The study shows that there is a linear relationship between the dependent variables the independent variables. The model further assumes homoscedasticity which means that the variance of errors is the same across all levels of the independent variables. When the difference in errors differs at different values of the IV, heteroscedasticity is shown.

4.5.1 Regression Analysis in Respect to Mass Market Growth Strategy.

This subsection lists the results of the regression analysis in respect to mass market growth strategy. Growth was measured on performance and growth of profits before tax this was a readily available figure from the Bank supervisory Annual report of the Central Bank CBK.

Table 4.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.757	.573	.571	2035.55421

From the findings of the regression model summary, the value of R is 0.757, R-square is 0.573 and adjusted R-square is 0.571. These results indicate that 57.3% variation in growth of commercial banks is explained by mass deposits accounts and mass deposits.

Table 4.2: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2956577906.816	2	1478288953.408	364.1515	.000
Residual	2204331868.730	543	4059543.035		
Total	**5160909775.546**	**545**			

The findings of ANOVA statistics of the processed data at 5% level of significance indicate that the value of F calculated is 364.1515 while F critical is 2.70. Since F calculated is greater than F critical, (364.1515>2.70), this indicate that the overall model was significant and therefore reliable in predicting the results on the effect of mass market strategy and growth of commercial banks.

Table 4.3: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	108.908	103.349		1.054	.292
Mass Market Deposits Accounts	.001	.000	.408	13.560	.000
Mass Market Deposits	.142	.008	.514	17.080	.000

The established equation becomes:

$Y=108.908+0.001\beta_1+0.142\beta_2+e$,

Where, Y is the growth of commercial banks as measured by profit before tax, $\beta_{1,}$ and β2represent mass market deposits accounts and mass market deposits while *e* is the error term. From the findings, therefore, holding all factors constant, the growth of commercial banks would be at 108.908. This means a unit increase in mass deposit account holding other factors constant would increase the growth of commercial banks by 0.001.

Furthermore, a unit increase in mass market deposit holding other factors constant would increase the growth of commercial banks by 0.142. Since p values the variables (0.000 and 0.000) are all less than 0.05, this shows significant statistical associations.

4.5.2 Regression Analysis on Non-mass Market Strategy and Growth of Commercial Banks

This subsection presents the findings of the regression analysis on non-mass market strategy and growth of commercial banks. The aggregate value of total assets was used to measure growth in the non-mass strategy. The findings are summarised in subsequent sections.

Table 4.4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.667	.445	.223	71939.24595

The findings of the model summary indicate that the value of R is 0.667, R-squared is 0.445 and adjusted R-squared is 0.223. The results show that 44.5% change in growth of commercial banks is explained by non-mass market deposits and non-mass deposits.

Table 4.5: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	20749202153.403	2	10374601076.701	217.7055	.229
Residual	25876275537.472	543	47654282.74		
Total	**46625477690.875**	**545**			

The findings of the ANOVA statistics of the processed data at 5% level of significance indicate that F calculated is 217.7055, and F critical value is 2.70. Since F calculated is greater than F critical, this shows that the overall model was significant.

Table 4.6: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	172285.742	48995.158		3.516	.017
Non-Mass Deposit Accounts	34.529	105.931	.277	.326	.008
Non-Mass Deposits	21.814	45.891	.404	.475	.005

The established equation becomes:

$Y=172285.742+34.529+21.814\ \beta_2+e$, Where Y is the growth of commercial banks as measured by total assets, $\beta 1$, β_2 represent non-mass deposits accounts and non-mass deposits.

From the findings, holding all variables constant, the growth of commercial banks would be at 172285.742, a unit increase in non-mass deposit accounts would increase the growth of commercial banks by 34.529 and a unit increase in non-mass deposit would increase the growth of commercial by 21.814. All the p values are less than o.05 and therefore significant.

4.5.3 Correlation Analysis on the Growth of Commercial Banks and Mass Market Strategy.

Correlation analysis was carried out to establish the strength of association between the growth of commercial bank due to either mass strategy and non-mass. The study used Pearson product moment correlation where the correlation coefficient runs from -1 to +1 and it measures the extent of relationship in between identified variables. A coefficient in the range of 0.10 to 0.29 is deemed weak, from 0.30 to 0.49 is medium whereas above 0.50 but below and including 1.0 is considered to be strong. Nevertheless, a positive correlation coefficient implies a positive relationship between the study variables whereas a negative one implies a negative correlation.

This subsection presents the findings of the correlation analysis on the growth of commercial banks and mass market strategy.

Table 4.7: Correlation Analysis on the Growth of Commercial Banks and Mass Market Strategy.

		Pre-tax profit	**Mass-Market Deposits Accounts**	**Mass-Market Deposits**
Pre-tax profit	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	546		
Mass-Market Deposits Accounts	Pearson Correlation	.582	1	
	Sig. (2-tailed)	.000		
	N	546	546	
Mass-Market Deposits	Pearson Correlation	.653	.338	1
	Sig. (2-tailed)	.000	.000	
	N	546	546	572

The findings of the correlation analysis indicate a strong positive association between mass market deposits and pretax profit, mass deposits and pretax profit for Pearson correlation values are 0.582 and 0.653 respectively. There was also statistically significant association between a mass market deposit account and pretax profit, mass market deposits and pretax profit for the p values are 0.000 and 0.000 respectively which are all less than 0.05.

4.5.4 Correlation Analysis on the Growth of Commercial Banks and Non-Mass Market Strategy.

This subsection presents the findings of the correlation analysis on the growth of commercial banks and non-mass market strategy.

Table 4.8: Correlation analysis on the growth of commercial banks and non-mass market strategy.

		Total Assets	**Non-Mass Deposit Accounts**	**Non-Mass Deposits**
Total Assets	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	572		
Non-Mass Deposit Accounts	Pearson Correlation	.648	1	
	Sig. (2-tailed)	.082		
	N	572	572	
Non-Mass Deposits	Pearson Correlation	-.298	.597	1
	Sig. (2-tailed)	.437	.000	
	N	572	572	572

From the findings in Table 4.9, shows a strong positive correlation between non-mass deposit accounts and total assets, non-mass deposit and non-mass deposit account for Pearson correlation coefficients were 0.648 and 0.597 respectively. There was also statistically significant association between non-mass deposit and non-mass deposit account.

4.6 Discussion of Findings

The study found out that the mass market deposits were 28% while the non-mass market deposits were 72%. The study also figured out that pre-tax profit as a measure of mass market growth was 1%, mass deposit accounts were96%, and mass deposits were 3%. These findings, therefore, imply that much of the deposit account driving growth in commercial banks originates from corporate customers as determined by the net profit and therefore there is a need for commercial banks to increase retail deposits. This is consistent with the findings of Mwadime (2010) who found out that political environment, vision and ego are some of the non-economic reasons why firms grow into other countries other than to increased profits, growth of client base/market share, growth of bank deposits, increase revenues, stronger corporate image, following existing customers, increase investor confidence, increase shareholder value, growth of its balance sheet, increase shareholder base, building more powerful brand name, presence of virgin market in other countries.

The study also established that the total assets as a measure of non-mass market strategy had 50%, non-mass deposits accounts had 24%, and non-mass deposits had 26%. These findings indicate that much of the growth of the banking sector as determined by non-mass market strategy is due to deposits, and therefore more emphasis should be put on creation and opening of deposit accounts by the customers. These findings concur with Rui (2012) who found out that seven factors namely exchange rate, bank's risk management- equity ratio, bank's size, net interest margin factors, interest income ratio and deposit assets ratio are key determinants of bank performance in China.

These findings of the study further established that 57.3% variation in growth of commercial banks is explained by mass deposits accounts and mass deposits. The study proved that holding all factors constant, the growth of commercial banks would be at 108.908. These findings mean that a unit increase in a mass deposit account is holding other factors constant would increase the growth of commercial banks by 0.001, a unit increase in mass market deposit holding other factors constant would increase the growth of commercial banks by 0.142. Since p values the variables (0.000 and 0.000) are all less than 0.05, this shows significant statistical associations. These findings, therefore, indicate that mass market deposit accounts and mass market deposits all affect the growth of commercial banks as a result of the mass market strategy.

The findings of the study established further that 44.5% change in growth of commercial banks is explained by non-mass market deposits and non-mass deposits. The study also determined that holding all variables constant, the growth of commercial banks would be at 172285.742, a unit increase in non-mass deposit accounts would increase the growth of commercial banks by 34.529 and a unit increase in non-mass deposit would increase the growth of commercial by 21.814. All the p values are below 0.05 and therefore significant. These findings, therefore, indicate that non-mass deposit accounts and non-mass deposits all affect the growth of commercial banks.

The results of the study from the correlation analysis found out a strong positive association between mass market deposits accounts and pretax profit, mass deposits and pretax profit for Pearson correlation values are 0.582 and 0.653 respectively. There was also statistically significant association between a mass market deposit account and pretax profit, mass market deposits and pretax profit for the p values are 0.000 and 0.000 respectively which are all less than 0.05. These findings indicate that increase in mass market deposit accounts or mass deposit all increases pretax profits of commercial banks.

The study also found a strong positive relationship between mass deposit accounts and total assets; non-mass deposit and non-mass deposit account for Pearson correlation coefficient were 0.648 and 0.597 respectively. There was also statistically significant association between non-mass deposit and non-mass deposit account. These findings, therefore, indicate that an increase in non-mass deposits accounts and non-mass deposits all affect growth in the banking industry.

CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section presents a summary of the research finding, discussions, conclusions, recommendations for the study and further research. Secondary data was gathered exclusively using a data collection sheet. The data collection sheet was designed in line with the objective of the survey. The sheet collected data on retail and corporate deposits and deposit accounts respectively.

5.2 Summary of the Findings

The study found out that the average total pretax profit from 2002 to 2014 was Kshs. 1,485,867, net assets were Ksh.37, 226,574. Return on Assets ROA was 29%, the number of deposit account for mass, and the non-mass market was Ksh.229, 331, 794 and Ksh.18, 068,052. The number of mass markets and non-mass market deposits were Ksh.7, 298,845 and Ksh.19, 097, 007respectively. The study also established that the mass market deposits accounts were 93% while the non-mass market deposits were 7%.

The findings of the survey indicate that the mass market deposits were 28% while the non-mass market deposits were 72%. The study further established that pre-tax profit for 2002 was 1%, 2 % for 2003, 2004 and 2005 respectively, 3% for 2006, 5% for 2007, 6% for 2008, 7% for 2009, 10% for 2010, 12% for 2011, 15% for 2012, 17% for 2013 and 19% for 2014. The study also established that the total assets in the banking sector were 3% all through to 2004, 4% in 2005, 5 % in 2006 all through to 2007, 6% in 2008, 7% in 2009, 9% in 2010, 11% in 2011, 13% in 2012, 15% in 2013 and 17% in 2014.

These findings of the study also established that 57.3% variation in growth of commercial banks is explained by mass deposits accounts and mass deposits. The study proved that holding all factors constant, the growth of commercial banks would be at 108.908. This finding means that a unit increase in a mass deposit account is holding other factors constant would increase the growth of commercial banks by 0.001. Furthermore, a unit increase in mass market deposit holding other factors constant would increase the growth of commercial banks by 0.142. Since p values the variables (0.000 and 0.000) are all less than 0.05, this shows significant statistical associations.

The study found out further that 44.5% change in growth of commercial banks is explained by non-mass market deposits and non-mass deposits. The study also established that holding all variables constant, the growth of commercial banks would be at 172285.742, a unit increase in non-mass deposit accounts would increase the growth of commercial banks by 34.529 and a unit increase in non-mass deposit would increase the growth of commercial by 21.814. All the p values are less than o.05 and therefore significant.

From the findings of the correlation analysis results, there is a strong positive association between mass market deposits and pretax profit, mass deposits and pretax profit for Pearson correlation values are 0.582 and 0.653 respectively. There was also statistically significant association between mass market deposits account and pretax profit, mass market deposits and pretax profit for the p values are 0.000 and 0.000 respectively which are all less than 0.05.

The study further established a strong positive correlation between non-mass deposit accounts and total assets, non-mass deposit and non-mass deposit account for Pearson correlation coefficients were 0.648 and 0.597 respectively. There was also statistically significant association between non-mass deposit and non-mass deposit account.

5.3 Conclusion

Based on the findings, the study concludes that much of the deposit account driving growth in commercial banks originates from corporate customers as determined by the net profit and therefore there is a need for commercial banks to increase retail deposits.

The study also concludes that much of the growth of the banking sector as determined by non-mass market strategy is due to deposits, and therefore more emphasis should be put on deposit accounts.The study also concludes that mass market deposit accounts and mass market deposits all affect the growth of commercial banks as a result of the mass market strategy. These findings, therefore, indicate that non-mass deposit accounts and non-mass deposits all affect the growth of commercial banks.

There is a strong positive association between mass market deposits accounts and pretax profit, mass deposits and pretax profit. There is also a statistically significant association between mass market deposit accounts and pretax profit, mass market deposits and pretax profit. An increase in mass market deposit accounts or mass deposit all increases pretax profits of commercial banks.

There is also a strong positive correlation between non-mass deposit accounts and total assets, non-mass deposit and non-mass deposit account. There is also statistically a significant association between non-mass deposit and non-mass deposit account. An increase in non-mass deposits accounts and non-mass deposits all affect growth in the banking industry.

5.4 Implication on Theory, Policy and Practice

This study will contribute to knowledge base existing regarding expansionary growth strategies adopted by most commercial banks that drive their growth in an ever competitive environment. The study will help management of commercial banks in formulating proper policy regarding growth. This is in consideration of both the retail and corporate banking. The study will offer practical solutions to current instability witnessed in the banking. The findings in this study will help CBK in the formulation of proper policies to regulate the banking sector**.**

5.5 Limitations of the Study

This study relied on secondary data collected using data collection sheet. The data was collected from CBK annual reports. The study did not, therefore, use primary data. Similar studies can be carried out by combining both primary and secondary data. This will enhance proper decision making.

This study was cross-sectional. It covered a period of 2002 to 2014. The results from the study could, therefore, vary with a similar study carried out in a different period. There is a need, therefore, to conduct a similar study using a different time horizon for comparison of the results.

The study used 42 listed commercial banks operating in Kenya. Some of the commercial banks have few years in operation. This implies that data on some of the banks could not be established as they have been in business only for few years. Some of these banks include Guaranteed Trust Bank, Equatorial Commercial Bank and Eco bank.

5.6 Suggestion for Further Research

This study mass market strategy only covered commercial banks in Kenya. Similar studies can be extended to other financial markets such as capital and insurance companies so as to give room for comparison of the results. The study further relied on cross-sectional; data from 2002 to 2014. Similar studies can be carried out but with a different cross section period. Other similar studies can be extended to money transfers including Mshwari, a product between Commercial Bank of Africa CBA and Mpesa and this shall give more room for comparison of the results hence informed decisions.

5.7 Recommendation

This study recommends that commercial banks should come up with proper strategies on attracting and retaining a huge number of retail customers which shall boost the level of deposits. These strategies include organising for road shows and public rallies.

Commercial banks should also lower their interest rates offered to customers as this shall make it attractive for borrowing as well as deposits. There is a need to focus also on the corporate customers to grow their deposits further, and this shall also increase the profitability and hence growth.

Commercial banks are encouraged to open up more branches, increase the direct sales force besides being tech-savvy so as to tap more customers which shall increase the deposit accounts and deposits and this shall sustain their growth.

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APPENDICES

APPENDIX I: Request to Carry Out Research at the Bank

Dear

HR/Operations Manager,
Head office,

I am a postgraduate student at the University of Nairobi pursuing a Master of Business Administration (MBA) program. I'm currently undertaking my research project entitled "mass market innovation and growth of commercial banks in Kenya".

This bank has been selected as the unit of analysis in this study. I, therefore, request you to kindly facilitate the collection of the required data, as per the attached research tool. Please note that the information sought is purely for academic purposes and will be treated with utmost confidentiality.

I look forward to your co-operation.

Yours faithfully,

Jones Nyangweso

APPENDIX II: Raw Secondary Data Collection Tool

Please provide the following data;

Name of the Bank…………..………………………..

Year	Net profit after tax	Total Assets	Retails Banking/Customers			Corporate/Prestige Banking/ Customers		
			No. of customers	Total Deposit Amount	Loan Portfolio	No. of customers	Total Deposit Amount	Loan Portfolio
2002								
2003								
2004								
2005								
2006								
2007								
2008								
2009								
2010								
2011								
2012								
2013								
2014								

APPENDIX III: List of Commercial Banks in Kenya

A complete list of Commercial Banks in Kenya (Adapted from the published accounts of all commercial banks as at April 30, 2016, Central Bank of Kenya)

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. CfC Stanbic Holdings
7. Chase Bank Kenya (In Receivership)
8. Citibank
9. Commercial Bank of Africa[
10. Consolidated Bank of Kenya
11. Cooperative Bank of Kenya
12. Credit Bank
13. Development Bank of Kenya
14. Diamond Trust Bank
15. Eco Bank Kenya
16. Equatorial Commercial Bank
17. Equity Bank
18. Family Bank
19. Fidelity Commercial Bank Limited
20. First Community Bank
21. Giro Commercial Bank
22. Guaranty Trust Bank Kenya
23. Guardian Bank
24. Gulf African Bank
25. Habib Bank
26. Habib Bank AG Zurich
27. Housing Finance Company of Kenya
28. I&M Bank
29. Imperial Bank Kenya (In Receivership)

30. Jamii Bora Bank
31. Kenya Commercial Bank
32. Middle East Bank Kenya
33. National Bank of Kenya
34. NIC Bank
35. Oriental Commercial Bank
36. Paramount Universal Bank
37. Prime Bank (Kenya)
38. Sidian Bank(Formerly K-Rep Bank)
39. Standard Chartered Kenya
40. Trans National Bank Kenya
41. United Bank for Africa[
42. Victoria Commercial Bank