

FACTORS DETERMINING THE GROWTH OF COMMERCIAL BANKS IN
KENYA

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A RESEARCH PROJECT PRESENTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER 2012

DECLARATION

This research project is my own original work and has not been presented for award of a degree in any other University.



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This research project has been presented for examination with my approval as University supervisor.

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DEDICATION

I dedicate this study to my loving wife Loise Ndegwa for her unwavering support all through and my wonderful children Stephen, Beatrice and Lillian Ndegwa who have always believed in me and encouraged me to go on. To my mum, brothers and sisters for their encouragement and support.

ACKNOWLEDGMENT

First & foremost I am grateful to the Almighty God who has been my source of strength, inspiration and enabling me through my academic life.

I am heavily indebted to various people and organization without whose material and non material support this research would have come to naught. I take this opportunity to express my sincere thanks to each of these people and organizations.

The staff of the Jomo Kenyatta Library provided the opportunity to use the facilities especially in the MBA and the Electronic Library section. From these able staff I was able to access not only research reports from earlier MBA research findings but I was able to access scholarly publication from the wider academic sphere.

Much of the direction on what to do at each stage of this research from the generation of the research idea, to its conceptualization, to the drafting of the research proposal, to the analysis of samples and preparation of the report was provided by my supervisor Mr. Martin Odipo of the school business of the University of Nairobi.

The data of analysis was got from the databases and the staff of various commercial banks. It would not have been possible to conduct an analysis and extract out the relevant finding if the data was not available in the first place.

In my literature review I have cited quite a lot of scholarly publication. Some are from earlier research finding from project done by other MBA students. I have used scholarly papers from the wider academia. I could not have had a scholarly insight into this research without these works

I would wish, also to thank my family for providing me with encouragement throughout the period I was conducting this research.

ABSTRACT

The objective of this study was to establish the factors determining the growth of commercial banks in Kenya. Specifically it was to establish the factors and determine the relationship between the growth of commercial banks and these factors. The study was a descriptive research using a survey approach. The forty three commercial banks in Kenya made up the population of this study.

The findings, of the study was that most important financial factor was cash flow management, job safety and security, the upgrading and the educating of members, research and development, having technological edge above others, good management practices of the banks and their sites, maintenance of the high quality of products, commitment to customer satisfaction and maintenance of good relations with clients. The most important government support factor was government assistance/tax incentives. The regression analysis indicated that the constant term and the coefficients of the independent variables were not significant as shown by their p-values, but the whole regression was not significant. However, the coefficient of determination showed that the independent variables, strongly explained the growth of the banks.

The study therefore recommends that banks aiming at growth should reinforce cash flow management. Further, the banks should focus on job safety and security and the upgrading and the educating of members.

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ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CIDB	Construction Industry Development Board of Malaysia
DFID	Department for International Development
FHI	Food for the Hungry International
GDP	Gross Domestic Product
HRM	Human Resource Management
KNBS	Kenya National Bureau of Statistics
MFIs	Microfinance Institutions
NPA	Non-Performing Assets
SMEs	Small and Medium Enterprise
UK	United Kingdom
USA	United States of America
USAID	United States Agency of International Development

CHAPTER ONE: INTRODUCTION

1.1 Back ground of the study

The financial institution sector is the lifeline of modern trade and commerce for it provides sources of finance. This increasing phenomenon of globalization has made the concept of efficiency more important both for the non-financial and financial institutions and banks are the part of them. Banks largely depends on competitive marketing strategy that determines their success and growth. The modalities of the banking business have changed a lot in the new millennium compared to the way they used to be in the years bygone (Hussain and Bhatti, 2010). Banks are the dominant financial institutions, in the sense that loans from banks are the main source of external finance for business in all economies. Banks are most dominant in countries with the least developed and least dominant in the USA which has the most developed financial markets Wong and Fong (2007). Further, firms and households primarily rely on banks for payment of services.

Further, in all countries, banks are by far the most important source of external finance for SMEs. which are effectively dependent on banks for external finance, and the SME sector accounts for more than half of the output or employment in non-centrally planned economies. Typically, it is only high-tech growth firms that have access to venture and private equity funding and this is generally not highly developed in many countries.

Banks play essential role within economy due to their depositing and lending operations. Having a role of an intermediary between borrowers and lenders, banks (especially commercial banks) can positively contribute to the health and stability of economy,

Levine (1997). Therefore; most world economies, including East Africa economies, attempt to focus their efforts on growing and stabilizing their banking sectors. The policy makers, which comprise the Central Bank of Kenya (CBK), Ministry of Finance and related government and financial sector regulatory entities, have made several notable efforts to improve regulation in the sector. The sector now compares favourably with banking sectors in the region on metrics like growth, profitability and non-performing assets (NPAs). A few banks have established an outstanding track record of innovation, growth and value creation Macey and O'Hara (2003). This is reflected in their market valuation. However, improved regulations, innovation, growth, and value creation in the sector remain limited to a small part of it.

The huge appreciation in Agricultural commodities prices in 1970s benefited the East Africa region as a whole. This Tremendous growth and investment positively affected the countries in the region through big increase in worker remittances, trade, and capital flows, (Abed and Davoodi, 2003). The competitive environment of the region's commercial banks (with less direct government intervention, more regulatory requirements for better monitoring, low market concentration, better educated demanding generation, more diversity in financial products, increase demand for and offer of Islamic products, and higher entry level of foreign banks to industry) will be more effective and fundamentally stronger in the future, (World Bank, 2001).

This study analyzed the relationship between the growth of commercial banks in Kenya and the various factors that drive the growth of banks as discussed by Harker and Zenios (1998) and by Davidsson. Achtenhagen and Naldi (2012). The dependent variable was Growth. In this study growth was measured by the geometric average of the annual rates

of the changes in the assets of the commercial bank in question.

The independent variables were financial factors, human resource factors, technological factors, management factors, marketing factors, government support, and entrepreneurship which are the factors that drive growth according to Harker and Zenios (1998) and by Davidsson, Achtenhagen and Naldi (2012). The financial factors included good cash flow management, availability of capital and availability of bank loans and other credit. The human resource factors included focus on job safety and security, sufficient knowledge and experience, good team members, availability of skilled workers, and upgrading and educating members' skills. Technological factors included technical expertise, technological edge above competitors, internal efficiency, active innovation, active research and development, use of new technology and automation and diversity in expertise.

Management factors involved effective organization structure, good management of company and good site management. Marketing factors were commitment to customer satisfaction, good relations with clients, maintaining high quality of products, competitive prices of products/services and market specialization. Government support areas to used included political stability and peaceful environment, open economic policy of government and government assistance/tax incentives. The final set of factors is under entrepreneurship and they include forming joint ventures, expanding into new business lines and introduction of new products. The summarized response to each set was used as the variable for each of the banks in the study.

1.1.1 Growth of Commercial Banks in Kenya

Kenya has 43 banks and one mortgage finance institution. Out of the 44 financial institutions, 31 are locally owned while 13 are foreign owned. The locally owned financial institutions comprises 3 banks with significant shareholding by the Government and State Corporations, 27 commercial banks and 1 mortgage finance institution (CBK, 2012).

The banking sector expanded significantly between 2005 and 2008. The number of deposit accounts increased by 3.9 million, up from 2.5 million at end of 2005, to 6.4 million accounts at the end of 2008, an impressive growth of 152 percent. The Financial sector expanded by 4.6 per cent in 2009 compared to 2.7 per cent in 2008. Deposits increased 71 percent, from Ksh. 560 billion equivalent to 36 percent of GDP to Ksh. 864 billion, equivalent to 41 percent of GDP (FinAccess, 2009).

The branch network has also expanded considerably. Commercial banks opened 312 new branches, which expanded the network from 534 to 887 branches, representing a 60 percent expansion. The ATM infrastructure expanded fourfold, from 323 units to 1,325 units. Staff employed doubled from 12600 to 25,400. The pattern of expansion translates into a significant shift from reliance on staff to reliance on technology (CBK, 2012).

Although the number of accounts does not correspond to customer numbers, given that there is considerable number of multiple account holders, it is nonetheless reflective of the trend in customer acquisition. The growth in accounts has largely been driven by four banks categorized by the Central Bank as microfinance oriented, namely Equity, Cooperative Bank, K-Rep and Family Bank. These have accounted for 80 percent of the

growth in accounts, with Equity Bank alone accounting for 67 percent. This growth is reflected primarily in transactions accounts, which registered 1.5 million customers, marginally more than the total number of new customers, while the number of traditional savings account remained virtually unchanged in absolute terms. The number of bank account holders with ATM cards grew 120 percent from an estimated 1 million to 2.2 million, which translates into an increase from 40 percent to 57 percent of bank customers. Notably, a number of banks have also introduced ATM only accounts (FinAccess, 2009).

1.2 Research Problem Statement

In finance, institutional growth is the process of institutional expansion or "change in amount" due to increasing overall customer base, increased output per customer or representative, new sales, or any combination of the above. It can also come from mergers and acquisitions. Firm growth is a multidimensional phenomenon and that different forms of growth may have different determinants and effects (Davidsson and Wiklund, 2000). However, the prototypical growth firm is one that experiences relatively stable growth in sales over considerable time, and where this growth in sales is at least to some extent accompanied by accumulation of employees and assets, so that organizational and managerial complexity increases with growth (Davidsson, Achtenhagen and Naldi, 2012).

Kenya banks have compared favourably on growth, asset quality, and profitability with other regional banks over the last few years. The banking sector posted a more robust expansion of 8.8 per cent in 2010 compared to 4.6 per cent in 2009 (KNBS, 2011). The Kenyan Banking Sector continued on a growth trajectory with the size of assets standing

at Ksh. 2.2 trillion, loans & advances worth Ksh. 1.3 trillion, while the deposit base was Ksh. 1.7 trillion and profit before tax of Ksh. 53.2 billion as at 30th June 2012. During the same period, the number of bank customer deposit and loan accounts stood at 14,893,628 and 2,051,658 respectively (CBK, 2012).

Kithinji and Waweru (2007) investigated the effects of merger restructuring on the financial "performance and growth of commercial banks in Kenya. They compared the pre-merger and post merger financial performance of twenty Kenyan banks that had merged between 1993 and 2000. Their results indicated that the financial performance ratios measuring capital adequacy and solvency improved after the merger. However profitability ratios indicated that, the majority of the merged banks reported a decline in financial performance. Another study by Kiai (2010) was done on the challenges to the growth and development of microfinance institutions in Kenya. Mbaya (2008) evaluated the challenges faced by Kenya Commercial Bank in its regional growth strategy, Makau's (2010) study was on factors determining the profitability of Microfinance institutions in Kenya, Machuka (2010) studied business growth strategies used by commercial Banks in Kenya. A research gap exists for there is a need for a study to find out the factors that determine the growth of commercial banks in Kenya. This research therefore sought to answer the question: what factors determined the growth of commercial banks in Kenya?

1.3 Research Objective

To establish the factors determining the growth of commercial banks in Kenya

1.3.1 Specific objectives

- a) To establish the factors that determine the growth of commercial banks in Kenya
- b) To determine the relationship between the growth of commercial banks and the factors that determine their growth

1.4 Value of the Study

To scholars the research will fill up the gap left as a result of lack of a study to provide an explanation of the factors that determine the growth of commercial banks in Kenya. This study will therefore be useful to future researchers who will find it useful to cite the findings in furthering their argument.

The study will provide valuable information to the management that assisted them establishing an outstanding track record of innovation, growth and value creation in the banking sector. This will be reflected in market valuation. The findings and recommendation of the study will be useful to practicing CEOs, human resources managers and administrators in appreciating the importance of research in identifying organization strength and weakness in terms of growth and performance.

The information will also be important to the stakeholders in the financial industry, the human resource management and policy makers in the banking industry. The finding will assist stakeholders in financial institution to improved regulations; innovation, growth and value creation in this sector. Further the findings will help them take proper action targeting the identified factors that determine growth in the commercial banking subsector.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discussed the literature related to factors influencing the growth of financial institutions in Kenya. The theoretical literature focuses on Gibrat's Law, Jovanovich's Learning Model and the Modern theories of Firm Growth. The second part is focusing on past studies related to growth of financial institution.

2.2 Theoretical Literature Review

2.2.1 Gibrat's Law

Gibrat's law, sometimes called Gibrat's rule of proportionate growth is a rule stating that the size of a firm and its growth rate are independent. Growth is determined by random factors independent of the firm size. This law of proportionate growth gives rise to a distribution that is log-normal (Evans, 1986). The basic tenet underlying Gibrat's Law is that the growth rate of a given firm is independent of its size at the beginning of the examined period. In other words, the probability of a given proportionate change in size during a specified period is the same for all firms in a given industry - regardless of their size at the beginning of the period (Mansfield. 1962).

2.2.2 Jovanovich's Learning Model of Firm Growth

Jovanovic's model, in its simplest form, predicts that the annual growth rate of a firm will be a function of the accuracy of the manager's predictions regarding their ability, as well as the price of the product. The learning model also has implications about the relationships between growth rates and firm size and age. As a successful firm becomes older, its manager's estimate of its efficiency becomes increasingly accurate. This reduces the variance of the information-updating density, which in turn reduces the

probability that next period's output will be widely different from this period's. Therefore, on average, older firm grow more slowly than younger ones. With respect to firm size, larger firm grow more slowly controlling for firm age. Larger firm have small values of the cost parameter (that is, they are more efficient). Such firms have less and less room for further increases, given that the information distribution has a lower bound (Rizov and Mathijs, 2003).

However, Jovanovic's model has been criticized for the immutability of the efficiency parameter managers are born with an efficiency level, and while they learn what that level is over time, they cannot alter it. Pakes & Ericson (1998) extended the basic model to allow this parameter to be changed through human capital formation. Human capital formation is a lengthy process and in the specific conditions of the economies in transition managerial ability of new individual farmers will be fairly constant in the short to medium term. Firms with managers possessing greater stocks of human capital should be more efficient, and therefore should survive and grow relatively faster. fic management skills, and relying on other people (Pakes & Ericson, 1998).

2.2.3 Modern Theories of Firm Growth

Modern theory of endogenous growth by Romer, Lucas and others arose as a critique to Solow's (1956) explanation of economic growth by exogenous technological development. Romerian (1990) theory models the macro-level growth of an economy by endogenous development in technology due to firms' investments in human capital. Romer classifies human capita] as partly rival and partly non-rival, i.e., of public good in nature. For example, any new technology contained in a durable good becomes public when these goods are sold. This way technology diffuses throughout the firms in an

economy and around the world. In Romer's theory, the increase in the number of existing producer durables increases the efficiency of production processes and this way promotes growth.

Lucas (1988) measures an individual's human capital by his level of skills. The economy-level human capital then has both rival and non-rival components as in Romer's model; an improvement in skills of every individual increases the average level of skills in the economy. Lucas stresses the role of people's decisions how to allocate their time between working and developing their skills in the accumulation of human capital. Although Romer and Lucas both posit that the development of human capital is the unobservable magnitude or force' behind economic growth, by human capital they obviously mean different things.

Common to Romer's and Lucas' theories is that they model the balanced growth of an economy. When we measure the growth of an economy, however, we always observe varying growth rates at industries. Every growing economy contains industries which create the growth and those benefiting from the growing ones in the form of producing input goods or services to them; industries with negative growth rates may also exist. In a growing economy, the structure of consumption changes with consumers' wealth according to their preferences. These remarks question the tradition to model growth in an aggregated framework and the concentration on balanced growth (Estola, 2003).

The evolutionary theory of the firm provides an alternative explanation of the firm based on routines. In a world where agents differ in their perceptions of the environment, and where communication, acquisition of information and computation are limited and costly,

coordination can only be achieved by means of the definition of a common set of rules and codes which are understood and shared by the members of the organization involved in economic interaction. While it is true that the evolutionary theory focuses especially on the technological aspects of production, it also stresses the cognitive nature of the organizational structure of the firm (Holzl, 2005).

The evolutionary theory of the firm in its original form as proposed by Nelson and Winter (1982) is similar to the black-box view of neoclassical economics a device to study evolutionary dynamics. This view of the firm does not consider the organization of the firm in an explicit way. However, the firm is described as entity processing, storing and producing knowledge. The evolutionary theory of the firm can be more than a device to study industrial dynamics.

2.2.4 Firm Growth

Penrose (1959) characterizes the phenomenon of growth in firms and companies as the term used in ordinary discourse with two different connotations. It sometimes denotes merely an increase in amount; for example, growth in output, export, and sales. At other times, however, it is used in its primary meaning implying an increase in size or improvement in quality as a result of a process of development, likened to natural biological processes in which an interacting series of internal changes leads to increases in size accompanied by changes in the characteristics of the growing object.

From an inside-out perspective, firm's growth is now conceived as the endogenous outcome of perennial intra-firm knowledge creation (Volpe and Biferali, 2008). Firm growth demands the ability to master technologies, engender labor skill, organize the

production process as well as efficiently serve a market. A firm will exploit a growth opportunity as long as the benefits outweigh the costs, given the level of ability with which the firm was endowed at start-up (Bonaccorsi and Giannangeli, 2008).

According to Skrt and Antoncic (2004), in order for the firm to grow, the entrepreneur needs to formulate an exact, clear mission and vision for his or her firm. Strategic planning can be considered important in driving firm growth.

Precisely formulating visions and strategy, incorporating the elements of internationalization and networking in the firm vision, focusing on growth, profit, and market, performing analyses of market and competition, accurately formulating generic business strategies and achieving company wide support for strategies can all be beneficial for the growth of smaller firms. Weinzimmer (2000) has concluded that many researchers have examined the influence of strategy factors on organizational growth; the relationship between characteristics of top management and organizational growth; strategy and industry characteristics on organizational growth; and industry and top management characteristics on organizational growth. In his conclusion, three sets of determinants had been identified; namely, industry attributes, organization strategies and top management characteristics. Moreover, according to Schneider et al. (2007), it has been suggested in the literature that employee development is especially important for startup companies to achieve organizational performance and in particular high growth.

Growth can be seen as a very important measurement of firm performance. According to Baum et al. (2001), firm growth is frequently equated with success. Rossi et al. (2002) added that measurement of growth is somehow at a turning point nowadays. The total

quality paradigm is a good reference as it essentially means active participation of all involved subjects within an organization. Firm size is measured in terms of total number of workers, including employees, founders, and contract workers (Bonaccorsi and Giannangeli, 2008).

A firm's growth can be measured in terms of inputs (investment funds, employees), in terms of the value of the firm (assets, market capitalization, economic value added elements) or outputs (sales, revenues, profit). Each of the measures illustrates some feature of growth and each is subject to limitations as a growth indicator. Input, output and value growth in a firm may not be aligned, and so diverse growth measures should not be expected to correlate. The relationship between growth, size and age of firms is very sensitive with respect to the definition of growth and size (Stam et al., 2006).

2.2.5 Factors Contributing To Firms' Growth

There are several factors that contribute to firms' growth. It differs between small and large firms and also may vary from country to country, depending on their economic, geographical and cultural differences. In the study on small business growth. Morrison et al. (2003) noted that human factor was considered to be the overwhelming force that determines whether a business will prosper or not. Hillebrant and Cannon (1990) identify management as the most important determinant of the capacity as well as capability of construction firms. They suggest that construction is particularly management-intensive because of the large number of decisions which is require to be taken from day to day, on site as well as within the organization. Based on the study of small firms in the island nations of the South Pacific, Yusuf (1995) found that good management, access to financing, personal qualities of the entrepreneur, and satisfactory government support

were the most important factors to success.

Abu Bakar (1993) examined the factors affecting growth of construction companies in Malaysia and found that good financial backing; good cash flow management, technical expertise and good company management as some of the key factors that contribute to the success of companies. In the manufacturing industry. Wjewardena and De Zoysa (2005) have identified six principal factors that are perceived to be major contributors to the success or growth of manufacturing firms in Sri Lanka. These factors, in their order of importance, are customer orientation, product quality, efficient management, supportive environment, capital accessibility and marketing strategy. Meanwhile CIDB (2006) has identified 8 critical success factors that are pertinent for a successful business in the construction industry, which include productivity, quality, human resources, innovation, environment friendly practices, knowledge, industry sustainability and professionalism.

2.3 Empirical literature

Growth of banking institution is important for all parties: customers, bank managers and regulators. In a competitive financial market bank growth and performance provides signal to customer's investors whether to invest or withdraw funds from the bank. Regulator is also interested to know for its regulation purposes.

(Chew and Chen, 2008) analyzed the structure and growth of commercial banks in Pakistan under the framework of industrial organization. Analysis of performance show that the profitability of state-owned banks deteriorated, especially after mid 1990s.

Zhao, Casu and Ferrari (2008) used a balanced panel data set covering the period of 1992-2004 and employing a Data Envelopment Analysis (DEA)-based Malmquist Total

Factor Productivity (TFP) index. The empirical study indicated that, after an initial adjustment phase, the Indian banking industry experienced sustained productivity growth, which was driven mainly by technological progress. Banks' ownership structure does not seem to matter as much as increased competition in TFP growth.

There is huge potential in rural markets of India, which is not yet explored by the major banks. Therefore ICICI Bank Ltd. has used mergers as their expansion strategy in rural market. They are successful in making their presence in rural India. It strengthens their network across geographical boundary, improves customer base and market share. Gelade and Ivery (2003) examined the growth and performance of Swiss banks from 1996 to 1999. Using a broad definition of bank output, they found evidence of large relative cost and profit inefficiencies in Swiss banks.

In a developing country like Bangladesh the banking system as a whole play a vital role in the progress of economic development. Goyal and Joshi (2011) tried out analysis of the development and growth of Selected Private Commercial Banks of Bangladesh. It is observed that all the selected private commercial banks are able to achieve a stable growth of branches, employees, deposits, loans and advances, net income, earnings per share during the period of 2002-2006. Seven trend equations have been tested for different activities of the private commercial banks. Among them the trend value of branches, employees, deposits and net income are positive incase of all the selected banks.

The analysis also indicated that Korean banks' loan quality is relatively low and their loan market appears to have been saturated. They gave recommendation on the basis of

the analysis that Korean banks adopt a more active marketing strategy to expand and create their own market, consider tighter control for their operations while considering banking regulations (e.g.. Financial Institutions Reform, Recovery, and Enforcement Act) and adopt the loan policy in a way that they can make a loan decision with more reliable cash flow analysis.

Levesque and McDougall (1996) investigated the major determinants of customer satisfaction and future intentions in the retail bank sector. They identified the determinants which include service quality dimensions (e.g. getting it right the first time), service features (e.g. competitive interest rates), service problems, service recovery and products used. It was found, in particular, that service problems and the bank's service recovery ability have a major impact on customer satisfaction and intentions to switch.

Gelade and Ivery (2003) studied the impact of customer-employee relationships on customer retention rates in a major UK retail bank. He revealed that employee and customer perceptions of service quality are related to customer retention rates and that employee and customer perceptions of service quality are related to each other.

Some scholars have suggested that compensation should be designed to achieve affective commitment as a strategic human resource management practices (Martocchio, 2009). Also, they addressed that the certain types of compensation plans also lead to higher affective organizational commitment. For example, in a study conducted by Grover and Crooker (1995), using data collected in a national survey of more than 1,500 U.S. workers, found a positive relationship between availability of benefits and affective commitment. They argued that organizations that offer such benefits are perceived by

employees as showing greater support and as being fair in their dealing with employees. Compensation research has adopted theories, such as the equity theory and job characteristic theory (Hackman and Oldham. 1980), to explore the issue of attitude with compensation.

Large-scale HRM innovation projects in particular are complicated and require significant collaboration among disparate organizational members who bring varied experiences, interests and objectives to such projects. Unique and truly valuable innovative HRM programs can face conflicting priorities, uneven control of resources and diversity in the backgrounds of participants, and may fail as a result. Contrasting the perceptions of different employee groups about innovative HRM programs calls for careful implementation of intended HRM practices in the organizations. In some cases, as noted by Wright and Nishi (2006), this entails a massive transformation of the initial ideas, while in others it simply requires minor adaptations.

2.4 Growth of Financial Institutions in Kenya

In Kenya, the last three years have seen dramatic changes in the financial sector landscape. First, commercial banks recognized that lowering barriers to entry (no requirements of minimum balances in opening bank accounts) can increase retail accounts. Second, banks realized that lowering costs of transacting across other bank accounts attracts more customers to open accounts. As a result of these changes, the number of bank accounts has increased from 2.3 million in 2006 to about 6.7 million in July 2009. Equally, deposits increased from Ksh 540bn (US\$ 7.2bn) in 2006 to Kshs

950bn (US\$12.6bn) in July 2009. This growth notwithstanding, many Kenyans still do not have access to financial services (CBK 2012).

Technological innovations have now made it possible to extend financial services to millions of poor people at relatively low cost. A case in point is mobile telephone money transfer services that allow mobile phone users to make financial transactions or transfers across the country conveniently and at low cost. Kenya's mobile payment service, known as M-PESA, provided by the main mobile phone company, Safaricom in conjunction with Vodafone, represents a good example of how low-cost approaches that use modern technology can effectively expand the financial services frontier. Today, millions of Kenyans use M-PESA to make payments send remittances and store funds for short periods. Many of those without bank accounts are able to use this service, at low risk and cost. As noted by *The Economist* (September 26, 2009), Kenya's M-PESA is probably the most celebrated success story of mobile banking in a developing country. What started as a mobile money transfer has become a success story of financial services development with a technological platform that makes it cost effective and safe (Kagwira, 2010).

Innovations that extend non-standard means of financial services to millions hold potential to reach those without bank accounts at low costs, but can also be associated with various risks with the potential to destabilize the financial system. Although M-PESA has expanded at an extremely fast pace, access has not been achieved at the expense of financial stability. In essence, expanding access need not result in instability if appropriate regulatory and supervisory safeguards are in place. Although the success of

M-PESA is as a result of a multiple of factors, we make the case that the primary factor is creation of an enabling environment through the establishment of prudent oversight that guarantees the simultaneous achievement of access and financial stability. In addition, investment in background research and continued improvements of the operating platform has ensured safety of the transactions. As other countries seek to expand access to financial services through mobile phone banking, there is a need to take into account the possible trade-off between access and financial stability. In particular, regulatory oversight must not lag technological innovations (FinAccess, 2009).

2.5 Conclusion

Growth of financial institutions is important for all parties: customers, bank managers and regulators. In a competitive financial market bank growth and performance provides signal to customer's investors whether to invest or withdraw funds from the bank. It's important for a company's values and philosophy to align with its strategies, which then must align with performance metrics and leadership approaches. Achieving and maintaining high performance will require companies to adapt to a changing marketplace and shifting social attitudes.

Organizational leaders will also need to adapt to new theories and understandings of high performance, staying abreast of the research in the field. After all, today's favored strategies and best practices can easily become tomorrow's failures of imagination.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases in completing this study. It involves a blueprint for the collection, measurement and analysis of data. This section is an overall scheme, plan or structure conceived to aid the study in answering the raised research question. In this stage, most decisions about how the research was executed and how respondents were approached, as well as when, where and how the research was completed is presented. This section identifies the procedures and techniques that were used in the collection, processing, and analysis of data. Specifically the following subsections are included: research design, target population, sample design, instrumentation, data collection and finally data analysis.

3.2 Research Design

This study was a descriptive research using a survey approach. A descriptive research design describes or defines a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction, (Cooper and Schindler, 2006. This approach was appropriate for this study, since the researcher intended to collect detailed and current information that would provide room for identifying and describing the current factors that determine the growth of commercial banks in Kenya. The survey enabled a comparative analysis of the variation of the factors determining change from bank to bank.

3.3 Population

According to Central bank of Kenya (2010), there are forty-three commercial banks in Kenya (see appendix). The forty three banks made up the population of this study.

3.4 Sample and Sampling Procedure

The study covered all the forty-three banks operating in Kenya making this study a census. Both qualitative and quantitative data were used. The quantitative data used were the values of assets reported in the annual financial reports of the banks for the five years starting 2007 to 2011. The primary data were collected through a questionnaire delivered to the forty-three commercial banks by the researcher.

3.5 Data collection

The study used a survey questionnaire administered to each commercial bank. The questionnaire was structured into two sections. Section A required the respondent to provide general information about the commercial bank and the values of assets in final financial statements of the five years starting 2007 to 2011. The second section, Section B utilized the Likert scale to elicit responses concerning the identified set of factors that determine growth of firms. The factors in the Likert scale are organized as follows: 1-3 are capturing the Financial factors; 4-8 the Human resource factors; 9-15 Technology factors, 16-18 Management factors; 19-23 Marketing factors; 24-26 Government Support; 27-29 Entrepreneurship. The average of the response to each set of questions provided a capture of the variable for each of the respondent commercial bank. This approach similar to that which was used by Davidsson, Achtenhagen and Naldi (2012) and Harker and Zenios (1998) in studies they conducted in analyzing growth of banks.

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Where

$G =$ Growth rate of bank

$a =$ Constant of regression

$F =$ Financial factor

$HR =$ Human Resource Factor

$T =$ Technological Factor

$MGT =$ Management Factor

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3.6 Data Analysis and Presentation

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Quantitative and qualitative data collected were analyzed by the use of descriptive statistics using MS Excel 07. To assess the relationship between growth and the factors the regression model below will be used.

$$G = a + \beta_1(F) + \beta_2(HR) + \beta_3(T) + \beta_4(MGT) + \beta_5(MKT) + \beta_6(GYT) + \beta_7(E) + e$$

Where

G = Growth rate of bank

a = Constant of regression

F = Financial factor

HR = Human Resource Factor

T = Technological Factor

MGT = Management Factor

MKT = Marketing Factor

GYT = Government Support

E = Entrepreneurship

β = The sensitivities of Growth to each of the factors

e = Error term

The F-Test at 95 % was used to test the significance of the regressed variables a and the β . The coefficient of determination R^2 was used to determine the strength at which the variation in the independent variables explained the variation in the dependent variable. MS. EXCEL 07 spreadsheet tools were utilized in the analysis and presentation findings.

3.7 Data Reliability and Validity

The reliability of the secondary data collected by this study was from audited financial statements of the banks under study. A pretest on the questionnaires was done to ensure the instrument was clearly worded and free from biases and whether it solicits the type of information envisioned.

CHAPTER FOUR:

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter focuses on the presentation of data and interpretation. The first part presents the analysis of the various factors affecting bank growth and ends with the regression analysis of growth versus the various independent variables. The second part of this section deals with the summary and the interpretation of the findings.

4.2 Data Presentation

This section discusses the data in seven parts under the titles financial factors, human resource factors, technology factors, management factors, marketing factors, government support and entrepreneurship factors. It further discusses the findings of the regression analysis in which growth rate is the dependent variable. Out of the 43 expected responses from the commercial banks in Kenya, 11 successfully participated in the survey, leading to 26 % response rate.

4.2.1 Financial Factors

Financial factors were analyzed on the basis of all the respondents together; on the basis of the size of the workforce; on the basis of the duration a bank had been operational in Kenya and on the basis of the number of branches the banks had. Table 1 below indicates that cash flow management was the most seriously considered financial factor that contributed to the growth of the commercial banks ($M = 4.27$). On the other hand, though important, availability of capital ($M = 4.09$) and availability of bank loans and other credit ($M = 4.09$) were perceived as being of comparatively less importance towards bank

growth. The grand mean of 4.15 indicates that, generally, the financial factors identified contributed a lot to the growth of banks..

Table 31 Financial Factors Based on All Firms Together

Factors	MEAN	SD
Good cash flow management	4.27	0.75
Availability of capital	4.09	0.67
Availability of bank loans and other credit	4.09	0.67
GRAND MEAN	4.15	

Source: Researcher, 2012

Table 2 below shows the analysis of the financial factors based on the size of the banks proxy-ed by the number of workers. The banks with less than 1000 workers indicated that availability of capital (M = 4.33) was the most significant contributor to bank growth as compared to cash flow management (M = 4.17) and availability of bank loans and other credit (M = 4.17). The grand mean of 4.22 indicated that the factors were important in driving bank growth. Among the banks with more than 1000 workers the most important factor was cash flow management (M = 4.40). while the least important factor was availability of capital (M = 3.80). the grand mean of 4.07 showed the factors were significant contributors to banks growth.

Table 32 Financial Factors by Number of Workers

Factors	LESS 1000		ABOVE 1000	
	MEAN	SD	MEAN	SD
Good cash flow management	4.17	0.75	4.40	0.89
Availability of capital	4.33	0.82	3.80	0.45
Availability of bank loans and other credit	4.17	0.75	4.00	0.71
GRAND MEAN	4.22		4.07	

Source: Researcher, 2012

Table 3 presents the analysis of the financial factors based on the period of time the banks

had been operational in Kenya. The grand mean for the banks that had been operational for less than 10 years was 4.19 which indicated that the identified financial factors were important drivers of growth among these banks. However, the most important factors were cash flow management (M = 4.29) and availability of capital (M = 4.29). The least important factor was the availability of bank loans and other credit (M = 4.00).

Table 3 also indicates that the grand mean for the banks that had been operational for between 11 and 19 years was 4.08 meaning that the financial factors identified were significant contributors towards their growth. However, cash flow management was viewed as the most important factor (M = 4.50) while availability of capital was viewed as the least important financial factor (M = 3.75). Older banks that had been in the banking business in Kenya for over 20 years had a grand mean of 4.33 and indicated that the identified factors were of higher importance than the younger banks. The factor these banks felt was of most importance was availability of capital (M = 5.00) while the least important factors were cash flow management (M = 4.00) and the availability of bank loans and other credit (M = 4.00).

Table 33 Financial Factors by Period of Operation

Factors	LESS 10		11 TO 19		ABOVE 20	
	MEA		MEA		MEA	
	N	SD	N	SD	N	SD
Good cash flow management	4.29	0.7	4.50	0.5	4.00	1.0
Availability of capital	4.29	0.7	3.75	0.5	5.00	0.0
Availability of bank loans and other credit	4.00	0.8	4.00	0.8	4.00	1.0
GRAND MEAN	4.19		4.08		4.33	

Source: Researcher, 2012

Table 4 presents the analysis of the financial factors on the basis of the number of branches the banks had. The banks that had less than 20 branches had a grand mean of 3.83 which indicated that the financial factors identified were, fairly, important. To these banks the most important financial factor that drove growth was availability of capital (M = 4.50) while the least important financial factors were cash flow management (M = 3.50) and the availability of bank loans and other credit (M = 3.50).

Table 4 also shows that the banks that had 21 to 30 branches attached the highest importance to the financial factor with their high grand mean of 4.22. However, the banks felt that the most important financial factor was cash flow management (M = 4.67) while availability of capital (M = 4.00) and availability of bank loans and other credit (M = 4.00) were viewed as of lesser importance. Firms that had more than 30 branches attached the least importance to the identified financial factors for they had a grand mean of 3.17. However, to them the most important factor was the availability of bank loans and other credit (M = 3.50) while the least important factors were cash flow management (M = 3.00) and availability of capital (M = 3.00).

Table 34 Financial Factors by Number of Branches

Factors	LESS 20		21 TO 30		ABOVE 30	
	MEA	SD	MEA	SD	MEA	SD
Good cash flow management	3.50	0.7	4.67	0.5	3.00	1.0
Availability of capital	4.50	0.7	4.00	0.6	3.00	1.0
Availability of bank loans and other credit	3.50	0.7	4.00	0.6	3.50	0.5
GRAND MEAN	3.83	1	4.22	3	3.17	8

Source: Researcher, 2012

4.2.2 Human Resource Factors

This section analyzes the human resource factors on the basis of all the banks together, on the basis of the number of employees a bank has, on the basis of period of length the bank had been operational in Kenya and on the basis the number of branches a bank has. Table 5 shows that the firms indicated that the identified human resource factors identified were significant contributors to the growth of the banks (Grand M = 4.27). However, the banks indicated that the most important factors were the focus on job safety and security (M = 4.45) and the upgrading and the educating of members (M = 4.45). The least important human resource factor was the availability of skilled workers (M = 3.91).

Table 35 Human Resource Factors Based on All Firms Together

Factors	MEAN	SD
Focus on job safety and security	4.45	0.50
Sufficient knowledge and experience	4.27	0.96
Good team members	4.27	0.62
Availability of skilled workers	3.91	0.67
Upgrading and educating members	4.45	0.50
GRAND MEAN	4.27	

Source: Researcher. 2012

Table 6 provides the analysis of the human resource factors based on how many employees a bank had. Banks with less than 1000 employees had a grand mean of 4.23 indicating that the factors were generally important to growth. However, the most important factors were sufficient knowledge and experience (M = 4.67) and good team membership (M = 4.33). The least important factor was the availability of skilled workers (M = 3.83). Banks with more than 1000 employees indicated that the human resource factors were more important to them than to the banks with less than 1000 employees

(Grand M = 4.32). However, the most important factors were the focus on job safety and security (M = 4.80) and the upgrading and educating of members (M = 4.80) while the least important human resource factor was the presence of sufficient knowledge and experience (M = 3.80).

Table 36 Human Resource Factors by Number of Employees

Factors	LESS 1000		1⁺ ABOVE 1000	
	MEAN	SD	MEAN	SD
Focus on job safety and security	4.17	0.41	4.80	0.45
Sufficient knowledge and experience	4.67	0.52	3.80	1.30
Good team members	4.33	0.52	4.20	0.84
Availability of skilled workers	3.83	0.75	4.00	0.71
Upgrading and educating members	4.17	0.41	4.80	0.45
GRAND MEAN	4.23		4.32	

Source: Researcher. 2012

Table 7 analyzes the human resource factors based on the length of time a bank had been operational in Kenya. With a Grand mean of 4.45, the banks that had been operational in Kenya for less than 10 years indicated that the identified human resource factors were important contributors to bank growth. The most important factors were the focus on job safety and security (M = 4.75) and the upgrading and educating of members (M = 4.75) while the least important factors were availability of sufficient knowledge and experience (M = 4.25) and the availability of skilled workers (M = 4.00).

The banks that had been operational in Kenya for between 11 and 19 years also indicated that the identified human resource factors were important to their growth (Grand mean = 4.15). However, the most important factors to them were: the upgrading and educating of members (M = 4.25); the availability of sufficient knowledge and experience (M = 4.25) and focus on job safety and security (M = 4.25). The least important factors were the

availability of skilled workers (M = 4.00) and good team membership (M = 4.00). Banks that had been in Kenya for over 20 years had a grand mean of 4.20 which also indicated that the identified human resource factors were important to their growth. The most important factors to them were: the upgrading and educating of members (M = 4.33); focus on job safety and security (M = 4.33); the availability of sufficient knowledge and experience (M = 4.33) and good team membership (M = 4.33). The least important factor was the availability of skilled workers (M = 3.67).

Table 37 Human Resource Factors by Period of Operation

Factors	LESS 10		11 TO 19		ABOVE 20	
	MEAN	SD	MEAN	SD	MEAN	SD
Focus on job safety and security	4.75	0.50	4.25	0.50	4.33	0.58
Sufficient knowledge and experience	4.25	0.96	4.25	1.50	4.33	0.58
Good team members	4.50	0.58	4.00	0.82	4.33	0.58
Availability of skilled workers	4.00	0.82	4.00	0.82	3.67	0.58
Upgrading and educating members	4.75	0.50	4.25	0.50	4.33	0.58
GRAND MEAN	4.45		4.15		4.20	

Source: Researcher, 2012

According to Table 8, the banks that had less than 20 branches had a grand mean of 4.30 which indicated that the human resource factors identified were of importance to their growth. The most important contributors to their growth, however, were: the availability of sufficient knowledge and experience (M = 5.00); focus on job safety and security (M = 4.50) and the upgrading and educating of members (M = 4.50). The least important contributor to growth was the availability of skilled workers (M = 3.50).

The banks that had between 21 and 30 branches had a grand mean of 4.23 which also indicated that the identified human resource factors were important to their growth. However, the most important factors were focus on job safety and security (M = 4.50)

and the upgrading and educating of members (M = 4.50) while the least important factors were the availability of sufficient knowledge and experience (M = 3.83) and the availability of skilled workers (M = 4.00). Banks with more than 30 branches gave the strongest indication that the identified human resource factors were important to their growth with a grand mean of 4.33. The most important factors were: the availability of sufficient knowledge and experience (M = 4.67); the upgrading and educating of members (M = 4.33); focus on job safety and security (M = 4.33) and good team membership (M = 4.33). The least important factor was the availability of skilled workers (M = 4.00).

Table 38 Human Resource Factors by Number of Branches

Factors	LESS 20		21 TO 30		ABOVE 30	
	MEAN	SD	MEAN	SD	MEAN	SD
Focus on job safety and security	4.50	0.71	4.50	0.55	4.33	0.58
Sufficient knowledge and experience	5.00	0.00	3.83	1.17	4.67	0.58
Good team members	4.00	0.00	4.33	0.82	4.33	0.58
Availability of skilled workers	3.50	0.71	4.00	0.63	4.00	1.00
Upgrading and educating members	4.50	0.71	4.50	0.55	4.33	0.58
GRAND MEAN	4.30		4.23		4.33	

Source: Researcher, 2012

4.2.3 Technology Factors

This section of the report analyses Technology on the basis of all the banks together, on the basis of the work force of the banks, on the basis of the period the banks had been operational in Kenya and on the basis of the number of branches a bank had. Table 9 presents an analysis of the technology factors focusing on all banks together. The grand mean of 4.26 indicated that the identified technology factors were important to the growth of the banks. The most important technology factors were activeness in research

and development (M = 4.64) and having technological edge above others (M = 4.55). the least important factors were the diversification in expertise (M = 4.00) and the use of new-technology and automation (M = 4.09).

Table 39 Technology Factors Based on All Banks Together

Factors	MEAN	SD
Technical expertise	4.18	0.83
Technological edge	4.55	0.50
Internal efficiency	4.18	0.72
Active in innovation	4.18	0.57
Active in research and development	4.64	0.48
Use of new technology and automation	4.09	0.90
Diversify expertise	4.00	0.85
GRAND MEAN	4.26	

Source: Researcher, 2012

As shown in Table 10, banks that had less than 1000 employees had a grand mean of 4.36 which indicated that the technology factors had important role in the growth of the banks. However, the most important contributors to growth were: having technical expertise (M = 4.67); being active in research and development (M = 4.50); being active in innovation (M = 4.50) and having technological edge above others (M = 4.50). The least important factors were internal efficiency (M = 4.00) and having diversity in expertise (M = 4.00). Among banks with more than 1000 employees, the grand mean was 4.14 showing the technological factors were important in driving growth. The most important factors were: being active in research and development (M = 4.80); having technological edge above others (M = 4.6) and internal efficiency (M = 4.40). the least important factors were: being active in innovation (M = 3.80): use of new technology and automation (M = 3.80) and having technical expertise (M = 3.60).

Table 40 Technology Factors by Number of Employees

Factors	LESS 1000		ABOVE 1000	
	MEAN	SD	MEAN	SD
Technical expertise	4.67	0.52	3.60	0.89
Technological edge	4.50	0.55	4.60	0.55
Internal] efficiency	4.00	0.89	4.40	0.55
Active in innovation	4.50	0.55	3.80	0.45
Active in research and development	4.50	0.55	4.80	0.45
Use of new technology and automation	4.33	0.82	3.80	1.10
Diversify expertise	4.00	0.89	4.00	1.00
GRAND MEAN	4.36		4.14	

Source: Researcher, 2012

Table 11 provides the analysis of the technology factors based on the length of time a bank had been operational in Kenya. Firms that had been in Kenya for less than 10 years had a grand mean of 4.18 indicating that the technological factors identified were important to their growth. However, the most important factors were having technological edge above others (M = 4.75) and being active in research and development (M = 4.75) while the least important factors were: the use of new technology and automation (M = 3.75); being active in innovation (M = 3.75) and having technical expertise (M = 3.75).

Banks that had been in operation for between 10 to 19 years had a grand mean of 4.32 indicating a strong importance of the identified technological factors in their growth. However, the most important factors were: internal efficiency (M = 4.75); the use of new technology and automation (M = 4.50) and being active in research and development (M = 4.50). The least important factors were having the technological edge (M = 4.00) and having technical expertise (M = 4.00). Banks that were over 20 years old in Kenya indicated that technological factors were important in their growth through the grand

mean of 4.29. to these banks, the most important technological factors were: having technical expertise (M = 5.00); being active in research and development (M = 5.00); being active in innovation (M = 4.67) and having technological edge above others (M = 4.67).

Table 41 Technology Factors by Period of Operation

	LESS 10		10 TO 19		ABOVE 20	
	MEAN	SD	MEAN	SD	MEAN	SD
Technical expertise	3.75	0.96	4.00	0.82	5.00	0.00
Technological edge	4.75	0.50	4.00	0.00	5.00	0.00
Internal efficiency	4.25	0.50	4.75	0.50	3.33	0.58
Active in innovation	3.75	0.50	4.25	0.50	4.67	0.58
Active in research and development	4.75	0.50	4.50	0.58	4.67	0.58
Use of new technology and automation	3.75	1.26	4.50	0.58	4.00	1.00
Diversify expertise	4.25	0.96	4.25	0.96	3.33	0.58
GRAND MEAN	4.18		4.32		4.29	

Source: Researcher. 2012

Table 12 analyzes the technological factors by the number of branches that a bank had. The banks had a grand mean of 4.07 indicating that the technological factors were important to these banks. However the most important factors were having technological edge above others (M = 5.00) and the use of new technology and automation (M = 4.50). The least important technological factors were internal efficiency (M = 3.50) and being active in innovation (M = 3.50).

As shown in Table 8, banks with 21 to 30 branches had a grand mean of 4.26 which indicated that the technological factors had importance to their growth. The most important factors, however, were being active in research and development (M = 4.83), internal efficiency (M = 4.50) and having technological edge above others (4.50). On the contrary, the least important factors were having diversified expertise (M = 3.83), the use

of new technology' and automation (M = 4.00) and having technical expertise (M = 4.00). Larger banks with more than 30 branches had a grand mean of 4.38 indicating that technological factors had more importance towards their growth than the banks with fewer branches. However, the most important factors were, having technical expertise (M = 4.67), being active in innovation (M = 4.67) and being active in research and development (M = 4.67). The least important factors were internal efficiency (M = 4.00) and the use of new technology and automation (M = 4.00).

Table 42 Technology Factors by Number of Branches

	LESS 20		21 TO 30		ABOVE 30	
	MEAN	SD	MEAN	SD	MEAN	SD
Technical expertise	4.00	1.41	4.00	0.89	4.67	0.58
Technological edge	5.00	0.00	4.50	0.55	4.33	0.58
Internal efficiency	3.50	0.71	4.50	0.55	4.00	1.00
Active in innovation	3.50	0.71	4.17	0.41	4.67	0.58
Active in research and development	4.00	0.00	4.83	0.41	4.67	0.58
Use of new technology and automation	4.50	0.71	4.00	1.10	4.00	1.00
Diversify expertise	4.00	1.41	3.83	0.98	4.33	0.58
GRAND MEAN	4.07		4.26		4.38	

Source: Researcher, 2012

4.2.4 Management Factors

The analysis of management factors was done here according to all banks together, according to the number of workers a bank has. according to the time the banks had operated in Kenya, and according to the number of branches a bank had. Table 13 provides the analysis of the management factors after grouping together all the banks. The grand mean was 4.21 which indicated that the banks generally found the management factors as important to their growth. However, the most important factors were management of the banks (M = 4.27) and site management (M = 4.27). The least important factor was effective organization structure (M = 4.09)

Table 43 Management Factors Based on All Banks Together

	<u>MEAN</u>	<u>SD</u>
Effective organization structure	4.09	0.79
Good management of company	4.27	0.62
Good site management	4.27	0.62
GRAND MEAN	4.21	

Source: Researcher, 2012

Table 14 indicates that banks with less than 1000 employees had a grand mean of 4.21 indicating the high importance of management factors towards growth of the banks. However, the most important management factor was the effectiveness of the organizational structure (M = 4.50) while the least important factor was the management of the banks' sites (M = 4.00). Among banks that had over 1000 workers, the grand mean was 4.13 which also indicated the high importance of the management factors to their growth. To these banks, however, the most important factor was site management (M = 4.60) while the least important factor was the effectiveness of the organizational structure (M = 3.60).

Table 44 Management Factors by Number of Workers

	LESS 1000		ABOVE 1000	
	MEAN	SD	MEAN	SD
Effective organization structure	4.50	0.55	3.60	0.89
Good management of company	4.33	0.82	4.20	0.45
Good site management	4.00	0.63	4.60	0.55
GRAND MEAN	4.28		4.13	

Source: Researcher, 2012

Table 15 indicates that among banks which had been in operation for less than 10 years, the grand mean was 4.17 which showed that the management factors were important to the growth of the banks. However, the strongest factor was site management (M = 4.50) while the weakest factor was the effectiveness of organizational structure (M = 3.75). The management factors were also important to the banks that had been operational for between 10 and 19 years as indicated by the grand mean of 4.08. The banks indicated that the proper management of the company was the most important factor in their growth (M = 4.25) while the least important factors were the effectiveness the organizational structure (M = 4.00) and site management (M = 4.00). The banks that had been operational for over 20 years had a grand mean of 4.44 which was the strongest indication of the importance of the management factors to their growth. However, the most important management factor was the effectiveness of the organizational structure (M = 4.67) while the weakest factors were management of the banks (M = 4.33) and site management (M = 4.33).

Table 45 Management Factors by Period of Operation

	LESS 10		10 TO 19		ABOVE 20	
	MEAN	SD	MEAN	SD	MEAN	SD
Effective organization structure	3.75	0.96	4.00	0.82	4.67	0.58
Good management of company	4.25	0.50	4.25	0.96	4.33	0.58
Good site management	4.50	0.58	4.00	0.82	4.33	0.58
GRAND MEAN	4.17		4.08		4.44	

Source: Researcher. 2012

As shown in Table 16 below, banks that had less than 20 branches had a grand mean of 4.25 indicating that the factors were important to them. The most important factor to these banks was site management (M = 4.50) while the least important factor was the

effectiveness of the organizational structure (M = 4.00). Firms that had between 21 and 30 branches had a grand mean of 4.33 which indicated that the factors were also important to these banks. However, the most important factor was site management (M = 4.50) while the least important factors were the effectiveness of the organizational structure (M = 4.25) and management of the banks (M = 4.25). Among banks that had more than 30 branches, the factors had the least importance as compared to the others as shown by the grand mean of (M = 4.00). Among the banks with more than 30 branches, the most important factor was management of company (M = 4.33) while the least important factor was site management (M = 3.67).

Table 46 Management Factors by Number of Branches

	LESS 20		21 TO 30		ABOVE 30	
	MEAN	SD	MEAN	SD	MEAN	SD
Effective organization structure	4.00	1.15	4.25	0.96	4.00	0.00
Good management of company	4.25	0.50	4.25	0.50	4.33	1.15
Good site management	4.50	0.58	4.50	0.58	3.67	0.58
GRAND MEAN	4.25		4.33		4.00	

Source: Researcher, 2012

4.2.5 Marketing Factors

This section analyzes the marketing factors determining growth among the commercial banks in Kenya. The section analyzes the factors according to all the banks grouped together; according to the size of the workforce of the banks; according to the time the banks had been operational and according to the number of branches the banks had. According to Table 17 below, the grand mean of all the banks together was 4.40 which indicated that the factors were important to the growth of the banks. However, the marketing factors that had the greatest importance were the maintenance of the high

quality of products (M = 4.64): commitment to customer satisfaction (M = 4.55) and maintenance of good relations with clients (M = 4.45). The least important factors were the competitiveness of the prices of products/services (M = 4.36) and market specialization (M = 4.00).

Table 47 Marketing Factors Based on All Banks Together

	MEAN	SD **
Commitment to customer satisfaction	4.55	0.93
Good relations with clients	4.45	0.69
Maintaining high quality of products	4.64	0.50
Competitive prices of products/services	4.36	0.67
Market specialization	4.00	0.89
GRAND MEAN	4.40	

Source: Researcher, 2012

As shown by Table 18 below, banks with less than 1000 workers had a grand mean of 4.47 indicating that the marketing factors were important in driving their growth. From the table the most important marketing factors to these banks were commitment to customer satisfaction (M = 4.83) and maintenance of good relations with clients (M = 4.83) while the least important factors were the competitiveness of the prices of products/services (M = 4.50) and market specialization (M = 3.50). Banks with more than 1000 workers indicated that marketing factors were also important in their growth and recorded a grand mean of 4.32. However, the most important factors to these banks were the maintenance of high quality of products (M = 4.60) and market specialization (M = 4.60) while the least important factor was the maintenance of good relations with clients (M = 4.00).

Table 48 Marketing Factors by Number of Employees

	LESS 1000		ABOVE 1000	
	MEAN	SD	MEAN	SD
Commitment to customer satisfaction	4.83	0.41	4.20	1.30
Good relations with clients	4.83	0.41	4.00	0.71
Maintaining high quality of products	4.67	0.52	4.60	0.55
Competitive prices of products/services	4.50	0.55	4.20	0.84
Market specialization	3.50	0.84	4.60	0.55
GRAND MEAN	4.47		4.32	

Source: Researcher, 2012

Table 19 shows the analysis of the marketing factors according to the period of time the banks had been operational in Kenya. As shown, the grand mean of the banks that had been operational for less than 10 years was 4.30 showing the marketing factors were important growth drivers for the banks. However, the most important factors were the maintenance of the high quality of products (M = 4.50), the competitiveness of the prices of products/services (M = 4.50) and market specialization (M = 4.50). The marketing factors were even more important to the banks that had been operational for between 10 and 19 years as indicated by the grand mean of 4.45. The most important marketing factors to these banks were the Maintenance of the high quality of products (M = 4.75), commitment to customer satisfaction (M = 4.75) and maintenance of good relations with clients (M = 4.50) while the least important factors were market specialization (M = 4.25) and the competitiveness of the prices of products/services (M = 4.00).

The table also indicates that the marketing factors were important to the banks that had been operational for over 30 years as indicated by their grand mean of 4.47. The banks also indicated that the most important marketing factors were the good relations with clients (M = 5.00) and commitment to customer satisfaction (M = 5.00) while the least

important factor was market specialization (M = 3.00).

Table 49 Marketing Factors by Period of Operation

	LESS 10		10 TO 19		ABOVE 20	
	MEA		MEA		MEA	
	N	SD	N	SD	N	SD
Commitment to customer satisfaction	4.00	1.4	4.75	0.5	5.00	0.0
Good relations with clients	4.00	0.8	4.50	0.5	5.00	0.0
Maintaining high quality of products	4.50	2	4.75	0.5	4.67	0.5
Competitive prices of products/services	4.50	8	4.00	0.8	4.67	8
Market specialization	4.50	0.5	4.25	0.9	3.00	0.0
GRAND MEAN		4.30		4.45		4.47

Source: Researcher, 2012

Table 20 analyzes the marketing factors according to the number of branches a bank had and it shows that firms with less than 20 branches found the marketing factors important as indicated by the grand mean of 4.35. Among these banks as shown, the most important marketing factors were the maintenance of high quality of products (M = 4.75) and market specialization (M = 4.50) while the least important factor was the good relations with clients (M = 4.00). Banks with between 21 and 30 branches also, by a grand mean of 4.45 indicated that the marketing factors were important to their growth. The most important factor to them was commitment to customer satisfaction (M = 4.75) while the least important factor was market specialization (M = 4.00).

Banks with more than 30 branches had a grand mean of 4.40 effectively indicating that the marketing factors were important to their growth. However, the most important marketing factors were Good relations with clients (M = 5.00), commitment to customer

satisfaction (M = 4.67) and the maintenance of high quality of products (M = 4.67) while the least important factor was market specialization (M = 3.33).

Table 50 Marketing Factors by Number of Branches

	LESS 20		21 TO 30		ABOVE 30	
	MEA		MEA		MEA	
	N	SD	N	SD	N	SD
Commitment to customer satisfaction	4.25	1.5 0	4.75	0.5 0	4.67	0.5 8
Good relations with clients	4.00	0.8 2	4.50	0.5 8	5.00	0 0
Maintaining high quality of products	4.75	0	4.50	8	4.67	8
Competitive prices of products/services	4.25	0.5 0	4.50	1.0 0	4.33	0.5 8
Market specialization	4.50	1.0 0	4.00	0.8 2	3.33	0.5 8
GRAND MEAN		4.35		4.45		4.40

Source: Researcher, 2012

4.2.6 Government Support Factors

This section analyzes the government support factors determining growth among the commercial banks in Kenya. The section analyzes these factors according to all the banks grouped together; according to the size of the workforce of the banks; according to the time the banks had been operational and according to the number of branches the banks had. According to Table 21 the grand mean of all the banks together was 4.36 indicating that the identified Government Support factors were important to the growth of the banks. However, the most important factor was government assistance/tax incentives (M = 4.55) while the least important factor was the open economic policy of the government (M = 4.18).

Table 51 Government Support Factors based on All Banks Together

	MEAN	SD
Political stability and peaceful environment	4.36	0.67
Open economic policy of government	4.18	0.60
Government assistance/tax incentives	4.55	0.52
GRAND MEAN	4.36	

Source: Researcher, 2012

Analysis of the government support factors based on the size of the workforce revealed that firms with less than 1000 employees, according to Tabled 22, found the factors important to their growth as indicated by the grand mean of 4.444. These firms showed that the most important factor was political stability and the peaceful environment (M = 4.67) while the least important factor was the open economic policy of government (M = 4.17). Among the firms that had more than 1000 workers, the government support factors were equally important and recorded a grand mean of 4.27. The most important factor was government assistance/tax incentives (M = 4.27) while the least important factor was the political stability and peaceful environment (M = 4.00).

Table 52 Government Support Factors by Number of Employees

	LESS 1000		ABOVE 1000	
	MEAN	SD	MEAN	SD
Political stability and peaceful environment	4.67	0.52	4.00	0.71
Open economic policy of government	4.17	0.41	4.20	0.84
Government assistance/tax incentives	4.50	0.55	4.60	0.55
GRAND MEAN	4.44		4.27	

Source: Researcher, 2012

Table 23 presents the analysis of the government support factors according to the length of time the banks had been operational in Kenya. As shown in the table, banks with less than 10 years of operation had a grand mean of 4.17 showing that the factors were of

importance to them. However, the most important factor to them was government assistance/tax incentives (M = 4.50) while the least important factors were political stability and peaceful environment (M = 4.00) and the open economic policy of government (M = 4.00).

Banks that had been operational in Kenya for between 10 and 19 years had a grand mean of 4.50 indicating high importance of the government factors to their growth. However, the most important factor was government assistance/tax incentives (M = 5.00) while the least important factors were the political stability and the peaceful environment (M = 4.25) and the open economic policy of government (M = 4.25). Banks that had been operational in Kenya for over 20 years had a grand mean of 4.44 which indicated that the government factors were important to their growth. The most important government factor to them was the political stability and the peaceful environment (M = 5.00) while the least important factor was government assistance/tax incentives (M = 4.00).

Table 53 Government Support Factors by Period of Operation

	LESS 10		10 TO 19		ABOVE 20	
	MEAN	SD	MEAN	SD	MEAN	SD
Political stability and peaceful environment	4.00	0.82	4.25	0.50	5.00	0.00
Open economic policy of government	4.00	0.82	4.25	0.50	4.33	0.58
Government assistance/tax incentives	4.50	0.58	5.00	0.00	4.00	0.00
GRAND MEAN	4.17		4.50		4.44	

Source: Researcher, 2012

As shown in Table 24 banks with less than 20 branches had a grand mean of 4.42 which showed that the banks felt the government factors were important to their growth. However, the most important factor was the government assistance/tax incentives (M = 4.75) while the least important factors were the political stability and the peaceful

environment (M = 4.25) and the open economic policy of the government (M = 4.25).

Banks that had between 21 and 30 branches had a grand mean of 4.25 indicating that the government factors were important to their growth. However, all the factors were equally important with mean of 4.25. Among banks with more than 30 branches, the grand mean was 4.44 indicating importance of the government support factors. The most important factors to these banks were the political stability and the peaceful environment (M = 4.67) and the government assistance/tax incentives (M = 4.67) while the least important factor was the open economic policy of the government (M = 4.00).

Table 54 Government Support Factors by Number of Branches

	LESS 20		21 TO 30		ABOVE 30	
	MEAN	SD	MEAN	SD	MEAN	SD
Political stability and peaceful environment	4.25	0.96	4.25	0.50	4.67	0.58
Open economic policy of government	4.25	0.50	4.25	0.96	4.00	0.00
Government assistance/tax incentives	4.75	0.50	4.25	0.50	4.67	0.58
GRAND MEAN	4.42		4.25		4.44	

Source: Researcher, 2012

4.2.7 Entrepreneurship Factors

This section of the report analyses entrepreneurship factors on the basis of all the banks together, on the basis of the work force of the banks, on the basis of the period the banks had been operational in Kenya and on the basis of the number of branches a bank had. Table 25 shows that the grand mean was 4.27 indicating that the entrepreneurship factors were important to the growth of the banks, though the most important factor was the introduction of new products (M = 4.64) while the least important factor was the formation of joint ventures (M = 3.82).

Table 55 Entrepreneurship Factors Based on All Banks Together

	MEAN	SD
Forming joint venture	3.82	0.60
Expanding into new business lines	4.36	0.50
Introduction of new products	4.64	0.50
GRAND MEAN	4.27	

Source: Researcher, 2012

Table 26 indicates that the grand mean of the banks with less than 1000 workers had a grand mean of 4.33 which meant entrepreneurship factors contributed importantly to their growth. However, the most important entrepreneurship factor was the introduction of new products (M = 4.67) while the least important factor was formation of joint ventures (M = 4.00). The entrepreneurship factors also contributed importantly to the growth of firms that had more than 1000 employees as they had a grand mean of 4.20. The most important entrepreneurship factor was the introduction of new products (M = 4.60) while the least important factor was the formation of joint ventures (M = 3.60).

Table 56 Entrepreneurship Factors by Number of Employees

	LESS 1000		ABOVE 1000	
	MEAN	SD	MEAN	SD
Forming joint venture	4.00	0.00	3.60	0.89
Expanding into new business lines	4.33	0.52	4.40	0.55
Introduction of new products	4.67	0.52	4.60	0.55
GRAND MEAN	4.33		4.20	

Source: Researcher, 2012

As shown in Table 27, the banks with less than 10 years of operation in Kenya had a grand mean of 4.25 indicating that the identified entrepreneurship factors were important to their performance. However, the most important factors were expanding into new business lines (M = 4.50) and introduction of new products (M = 4.50) while the least

important factor was the formation of joint ventures (M = 3.75). The grand mean for the banks that had operated for between 10 and 19 years was 4.17 indicating that the entrepreneurship factors contributed significantly to the growth of these banks though the most important factor was the introduction of new products (M = 4.50). The least important factor was the formation of joint ventures (M = 3.75). Older firms that had been operational for over 20 years had a grand mean of 4.44 which indicated that the identified entrepreneurship factors contributed significantly to their growth. However, the most important contributor was the introduction of new products (M = 5.00) while the least important factor was the formation of joint ventures (M = 4.00).

Table 57 Entrepreneurship Factors by Period of Operation

	LESS 10		10 TO 19		ABOVE 20	
	MEAN	SD	MEAN	SD	MEAN	SD
Forming joint venture	3.75	0.96	3.75	0.50	4.00	0.00
Expanding into new business lines	4.50	0.58	4.25	0.50	4.33	0.58
Introduction of new products	4.50	0.58	4.50	0.58	5.00	0.00
GRAND MEAN	4.25		4.17		4.44	

Source: Researcher, 2012

The analysis by branches as shown in Table 28 showed that the firms with less than 20 branches had a grand mean of 4.25 indicating that the entrepreneurship factors contributed significantly to their growth. The most important factor was introduction of new products (M = 4.50) while the least important factor was the formation of joint ventures (M = 4.00). Firms that had between 21 and 30 branches had a grand mean of 4.25 also, which indicated the entrepreneurship factors also contributed significantly to their growth. However, they showed that the most important factor was also the introduction of new products (M = 4.75) while the least important factor was the

formation of joint ventures (M = 3.50). Firms with more than 30 branches also had a similar pattern for despite having a higher value of the grand mean, the most important factor was introduction of new products (M = 4.67) while the least important factor was the formation of joint ventures (M = 4.00).

Table 58 Entrepreneurship Factors by Number of Branches

	LESS 20		21 TO 30		ABOVE 30	
	MEAN	SD	MEAN	SD	MEAN	SD
Forming joint venture	4.00	0.82	3.50	0.58	4.00	0.00
Expanding into new business lines	4.25	0.50	4.50	0.58	4.33	0.58
Introduction of new products	4.50	0.58	4.75	0.50	4.67	0.58
GRAND MEAN	4.25		4.25		4.33	

Source: Researcher, 2012

4.2.8 Correlation Among the Variables

The dependent variable for this study was Growth which was the geometric mean of the various annual growth rates in the book values of the assets of the banks. The independent variables, namely: Financial Factors, Human Resource factors, Technology Factors, Management Factors, Marketing Factors, Government Support Factors and Entrepreneurship factors were measured by averages of the responses to the items in the questionnaire in the Appendix I. the variables used for this correlation analysis and the regression analysis are as presented in the table in Appendix II.

The correlation coefficients between the variables are as presented in Table 29. There was positive correlation between Growth and Human Resource factors, $r(9) = 0.609, p > 0.05$, between Growth and Technology Factors, $r(9) = 0.503, p > 0.05$, between Growth and Management Factors, $r(9) = 0.324, p > 0.05$, between Growth and Government Support Factors.

$r(9) = 0.529, p > 0.05$. There was also positive correlation between Financial Factors and Human Resource factors $r(9) = 0.027, p > 0.05$ - between Financial Factors and Entrepreneurship factors, $r(9) = 0.135, p > 0.05$ - between Human Resource factors and Technology Factors, $r(9) = 0.417, p > 0.05$ - and between Human Resource factors and Management Factors $r(9) = 0.592, p > 0.05$.

Further, there was positive correlation between Technology Factors and Management Factors, $r(9) = 0.484, p > 0.05$ between Technology Factors and Government Support Factors, $r(9) = 0.128, p > 0.05$ - between Management Factors and Entrepreneurship, $r(9) = 0.327, p > 0.05$; and between Marketing Factors and Entrepreneurship. $r(9) = 0.214, p > 0.05$.

There was Positive correlation between Marketing Factors and Entrepreneurship, $r(9) = 0.284, p > 0.05$ and between Government Support Factors and Entrepreneurship Factors, $r(9) = 0.332, p > 0.05$. except for the correlation between Financial Factors and Management Factors, $r(9) = 0.00, p > 0.05$. all the other correlations were negative.

Table 59 Correlation Matrix

	G	F	HR	T	MGT	MKT	GVT	E
G	1	-0.325	0.609	0.503	0.324	-0.148	0.529	-0.47
F		1	0.027	-0.041	0	-0.544	-0.341	0.135
HR			1	0.417	0.592	-0.158	-0.067	-0.122
T				1	0.484	-0.188	0.128	-0.106
MGT					1	-0.237	-0.207	0.327
MKT						1	0.214	0.284
GVT							1	0.332
E								1

Source: Researcher, 2012

4.2.9 Regression Relationship Among the Variables

The regression results presented in Table 30 show that the constant term was 209.44 which was not significant. $F = 0.34, p > 0.05$. The coefficient of the Financial factors was -67.57 which was not significant. $t = -2.09, p > 0.05$. The coefficient of the Human Resource factors was -32.07 which was not significant, $t = -1.29, p > 0.05$, while the coefficient of the Technology factors was 24.09 which was also not significant, $t = 0.75, p > 0.05$. Further, the coefficient of the Management factors was -1.12 which was not significant, $t = -0.06, p > 0.05$, and the coefficient of Marketing factors was 45.17 which was not significant. $t = 0.24, p > 0.05$. The coefficient of the Government factors was -38.25 which was not significant, $t = -1.73, p > 0.05$ while that of the Entrepreneur factors was 23.82 which was not significant, $t = 1.14, p > 0.05$. The seven independent variables strongly explained the Growth of the banks, $R^2 = 0.75$. adjusted $R^2 = 0.13$, $F = 3.93, p > 0.05$.

Table 60 Regression results of Growth Rate and the Independent Variables

Variable	Coefficient	T-Value	P-Value
GROWTH RATE	209.44	0.84	0.47
F	-67.52	-2.09	0.13
HR	-32.07	-1.29	0.29
T	24.09	0.75	0.51
MGT	-1.12	-0.06	0.96
MKT	45.17	0.24	0.30
GVT	-38.25	-1.73	0.18
E	23.82	1.14	0.34
R SQ	0.75		
ADJ RSQ	0.18		
F-Value	3.93		0.14
DW	2.11		

Source: Researcher, 2012

The regression model is as below:

$$G = 209.44 - 67.52(F) - 32.07(tfj?) - 24.09(7) - 1.12(MG7) - 45.17(MAT) \\ - 3825(GIT) - 23.82(E)$$

4.3 Summary and Interpretation of Findings

This study revealed that the financial factors, the human resource factors, technological factors, management factors, government factors, government support factors, and entrepreneurship factors were of significance to the growth of the banks. According to Table 1 the most important financial factor was cash flow management while availability of capital and availability of credit were of lesser importance to bank growth. Table 5 shows that that though the Human Resource factors were important the most important factors were the focus on job safety and security and the upgrading and the educating of members. The least important human resource factor was the availability of skilled workers.

As shown in Table 9 the most important technology factors were activeness in research and development and having technological edge above others while the least important factors were the diversification in expertise and the use of new technology and automation. Table 13 shows that the most important management factors were management practices of the banks and their site management while the least important factor was effective organization structure. According to Table 17, the marketing factors that had the greatest importance were the maintenance of the high quality of products, commitment to customer satisfaction and maintenance of good relations with clients. The least important marketing factors were the competitiveness of the prices of products/services and market specialization.

Table 21 shows that the most important government support factor was government assistance & tax incentives while the least important factor was the open economic policy of the government. In Table the most important entrepreneurship factor was the introduction of new products while the least important factor was the formation of joint ventures. The regression analysis indicated that the constant term and the coefficients of the independent variables were not significant as shown by their p-values. The f-value showed that the whole regression was not significant despite the coefficient of determination showing that the independent variables strongly explained the growth of the banks.

The findings of this study support the finding of Morrison et al. (2003) noted that the human factor overwhelmingly drove growth among small businesses. The study also agrees with the findings of Hillebrant and Cannon (1990) that identified management as one of the most important determinants of the capacity as well as capability of construction firms. Other studies by Abu Bakar (1993) and Yusuf (1995) which found that good management, access to financing, good cash flow management, technical expertise, personal qualities of the entrepreneur, and satisfactory government support were the most important factors to success also find support from this research.

CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings of this study. The first section provides a summary of the findings. The other sections provide the conclusions of the study, the limitations of the study, suggestions for further research and recommendations for quality and practice in that order.

5.2 Summary

This study established the various factors that drive the growth of commercial banks in Kenya. The study grouped the factors into financial factors, human resource factors, technological factors, management factors, government factors, government support factors, and entrepreneurship factors. The factor had significant contribution to the growth of banks. The most important financial factor was cash flow management while availability of capital and availability of credit were of lesser importance to bank growth. The most important factors in the Human Resource were job safety and security and the upgrading and the educating of members.

The most important technology factors were research and development and having technological edge above others. Diversification in expertise and the use of new technology and automation did not seem to contribute much to bank growth. Good management practices of the banks and their sites contributed strongly to growth. The marketing factors that had the greatest importance to bank growth were the maintenance of the high quality of products, commitment to customer satisfaction and maintenance of good relations with clients. The most important government support factor was

government assistance/tax incentives. Open economic policy of the government did not seem to contribute much. The introduction of new products, as opposed to formation of joint ventures contributed more to commercial bank growth.

The regression analysis indicated that the constant term and the coefficients of the independent variables were not significant as shown by their p-values. Further, the *F*-value showed that the whole regression was not significant. However, the coefficient of determination showed that the independent variables, namely, financial factors, human resource factors, technological factors, management factors, government factors, government support factors, and entrepreneurship factors strongly explained the growth of the banks.

5.3 Conclusions

According to the findings of this study financial factors, human resource factors, technological factors, management factors, government factors, government support factors, and entrepreneurship factors play significant role towards the growth of banks in Kenya. The most important financial factor was cash flow management while availability of capital and availability of credit were of lesser importance to bank growth. The most important Human Resource factors to commercial bank growth were job safety and security and the upgrading and the educating of members as opposed to the availability of skilled workers.

The most important technology factors that drive commercial bank growth were research and development and having technological edge above others. The diversification in expertise and the use of new technology and automation did not seem to contribute much

to bank growth. Good management practices of the banks and their site contributed strongly to growth as opposed to effective organization structures. The marketing factors that had the greatest importance to bank worth were the maintenance of the high quality of products, commitment to customer satisfaction and maintenance of good relations with clients. Price competitiveness of products/services and market specialization were not very important. The most important government support factor was government assistance/tax incentives as opposed to the open economic policy of the government while the introduction of new products, as opposed to formation of joint ventures contributed more to commercial bank growth.

The regression analysis indicated that the constant term and the coefficients of the independent variables were not significant as shown by their t -values. The f -value showed that the whole regression was not significant despite the coefficient of determination showing that the independent variables strongly explained the growth of the banks.

5.4 Policy Recommendations

The most important financial factor was cash flow management while availability of capital and availability of credit were of lesser importance to bank growth. The study therefore recommends that banks aiming at growth should reinforce cash flow management. Further, the banks should focus on job safety and security and the upgrading and the educating of members.

The banks should also be active in research and development and aiming to acquire technological edge above others and not just focusing on the diversifying their expertise

and the mere use of new technology and automation. These are to be coupled with management practices that are of benefit to the banks. The banks should also manage their sites properly. However good organizational structures are, they are not the key to growth according to the findings of this research.

The marketing strategies that growth-focused commercial banks should focus on are the maintenance of the high quality of products. The banks should also increase commitment to customer satisfaction and maintenance of good relations with clients. However, despite being important, pricing is not a key ingredient of commercial bank growth.

Government should provide stronger assistance and tax incentives. Since the least important factor to the growth of the banks was the open economic policy of the government, this study recommends that the government puts in some stronger economic measures that will positively control activities of the Kenyan commercial banks in contrast to the current open policy.

Banks should aim at the introduction of new products in accordance with the ever changing needs of the customers. They should, however, not focus so much on the formation of joint ventures for such endeavors do not help much in the growth of the commercial banks.

5.5 Limitations of the Study

The data covers a few banks. The findings may not be applicable to all the banks in Kenya in their varied nature. The results given by this study are therefore limited to the banks studied. Further, the findings may not be applicable universally because the sampling was limited to Kenyan banks.

The nature of the data also weakens the findings of this research. The operationalization of the independent variables used the non-quantitative Likert scale. The findings are therefore highly dependent upon the views, attitudes and the expertise of the opinions of the respondents.

The research has not provided an indication as to why the independent variables are not strongly relating to the dependent variable as shown in the regression analysis. The best it has done is to show that the independent variables strongly explain the variation in growth. This is because the study has fallen short of determining the nature of the causal relationship between the dependent variable and the independent variables.

5.6 Suggestions for Further Studies

A study can improve the findings of this study by expanding it to cover as many banks as possible. Also given that Kenya is a key player in the East African community the study can be expanded to cover other banks within the East African community in order to provide result that will be useful in that context.

A future researcher can study the same topic, but using quantitative data. This is with the assumption that the quantitative data will provide results that are better than those provided by the qualitative data used in this study. Using quantitative data can help solve the possible objectivity issues that arise.

A future researcher can conduct the research with the aim of determining whether there is a causal relationship between bank growth and the independent variables. This will help provide an explanation of why the coefficients of the regression were not statistically

significant. Such a study will provide solution as to which other factors can be included to make the relationship stronger.

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APPENDICES

Appendix 1: Questionnaire

SECTION A: ASSET VALUE INFORMATION

Please complete this section by filling the table below

Fill in the table below the values of assets as reported in the final financial statements of the indicated years

YEAR	VALUE OF ASSETS
2007	
2008	
2009	
2010	
2011	

SECTION B

On a scale of 1 to 5 indicate by ticking the extent to which the following factors determine the growth of your bank

1= Not at all, 2= Little extent, 3=Moderate extent. 4=Great extent, 5=Very great extent

I. FINANCIAL FACTORS

FACTOR	1	2	3	4	5
1. Good cash flow management					
2. Availability of capital					
3. Availability of bank loans and other credit					

II. HUMAN RESOURCE FACTORS

FACTOR	1	2	3	4	5
1. Focus on job safety and security					
2. Sufficient knowledge and experience					
3. Good team members					
4. Availability of skilled workers					
5. Upgrading and educating members					

III. TECHNOLOGY FACTORS

FACTOR	1	2	3	4	5
1. Technical expertise					
2. Technological edge					
3. Internal efficiency					
4. Active in innovation					
5. Active in research and development					
6. Use of new technology and automation					
7. Diversify expertise					

IV. MANAGEMENT FACTORS

FACTOR	1	2	3	4	5
1. Effective organization structure					
2. Good management of company					
3. Good site management					

V. MARKETING FACTORS

FACTOR	1	2	3	4	5
1. Commitment to customer satisfaction					
2. Good relations with clients					
3. Maintaining high quality of products					
4. Competitive prices of products/services					
5. Market specialization					

VI. GOVERNMENT SUPPORT

FACTOR	1	2	3	4	5
1. Political stability and peaceful environment					
2. Open economic policy of government					
3. Government assistance/tax incentives					

VII. ENTREPRENEURSHIP FACTORS

FACTOR	1	2	3	4	5
1. Forming joint venture					
2. Expanding into new business lines					
3. Introduction of new products					

APPENDIX II: Table of Variables

	GROWTH	F	HR	T	MGT	MKT	GVT	E
BANK 1	22.87	4.33	4.60	4.57	4.33	4.60	3.67	3.67
BANK 2	7.39	4.67	4.00	4.57	4.00	4.40	4.67	4.67
BANK 3	7.63	4.33	4.60	4.29	4.33	4.40	4.33	4.33
BANK 4	51.57	4.00	4.40	4.43	4.67	4.60	4.33	4.00
BANK 5	47.58	3.67	4.40	4.29	3.67	4.40	4.33	4.00
BANK 6	21.67	4.33	4.40	4.43	4.33	4.40	4.33	4.67
BANK 7	31.95	4.00	3.80	4.00	4.00	4.40	4.67	4.00
BANK 8	17.08	4.00	4.20	4.14	4.33	4.60	4.67	4.33
BANK 9	4.56	3.67	4.40	4.00	4.00	4.00	4.67	4.00
BANK 10	35.10	4.00	4.40	3.71	4.00	4.20	4.00	4.67
BANK 11	12.20	4.67	3.80	4.43	4.67	4.40	4.33	4.67

APPENDIX III: List of Commercial Banks in Kenya

1. African Banking Corporation Ltd.
2. Bank of Africa Kenya Ltd.
3. Bank of Baroda (K) Ltd.
4. Bank of India
5. Barclays Bank of Kenya Ltd.
6. CFC Stanbic Bank Ltd.
7. Charterhouse Bank Ltd
8. Chase Bank (K) Ltd.
9. Citibank N.A Kenya
10. Commercial Bank of Africa Ltd.
11. Consolidated Bank of Kenya Ltd.
12. Co-operative Bank of Kenya Ltd.
13. Credit Bank Ltd.
14. Development Bank of Kenya Ltd.
15. Diamond Trust Bank (K) Ltd.
16. Dubai Bank Kenya Ltd.
17. Ecobank Kenya Ltd
18. Equatorial Commercial Bank Ltd.
19. Equity Bank Ltd.
20. Family Bank Ltd
21. Fidelity Commercial Bank Ltd
22. Fina Bank Ltd
23. First community Bank Limited
24. Giro Commercial Bank Ltd.
25. Guardian Bank Ltd
26. Gulf African Bank Limited
27. Habib Bank A.G Zurich
28. Habib Bank Ltd.
29. Imperial Bank Ltd
- 30.1 & M Bank Ltd
31. Jamii Bora Bank Ltd.
32. Kenya Commercial Bank Ltd
33. K-Rep Bank Ltd
34. Middle East Bank (K) Ltd
35. National Bank of Kenya Ltd
36. NIC Bank Ltd
37. Oriental Commercial Bank Ltd
38. Paramount Universal Bank Ltd
39. Prime Bank Ltd
40. Standard Chartered Bank (K) Ltd
41. Trans-National Bank Ltd
42. Victoria Commercial Bank Ltd
43. UBA Kenya Bank