STRATEGIES ADOPTED BY COMMERCIAL BANKS IN KENYA IN THEIR RETAIL BANKING

BY
STEVE M. MURIUKI

A Management research project submitted in partial fulfilment of the requirements of the degree of Master of Business Administration (M.B.A), School of Business, University of Nairobi.

2007

DECLARATION

This management project is my original work and has not been submitted for degree award in any other university.

Signed.. Date 19/10/2007

Name: STEVE M MURIUKI

NO: D61/P/8397/05

This management project has been submitted for examination with my approval as university supervisor.

Signed.. Date 23/10/07

Mr. Jeremiah Kagwe

Department of Business Administration

University of Nairobi

DEDICATION

To my family, I thank you for your support during my study.

This study is dedicated to you.

May God bless you.

ACKNOWLEDGEMENT

I wish to thank the teaching and non teaching staff of the School of Business, University of Nairobi.

Special thanks to my supervisor Mr. Jeremiah Kagwe whose guidance and support have seen me through this project. His time devotion to my project deserves special mention.

Thanks also to those who availed themselves to respond to the personal interviews.

May the almighty God bless you all.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

This study sought to investigate the strategies adopted by commercial banks in their retail banking. The study targeted the 20 commercial banks engaged in retail banking. Response was received from 11 banks out of the 20 banks constituting a response rate of 55%.

The data was collected with the help of a personal interview guide. The data was then analyzed by use of a statistical package for social sciences (SPSS) and presented in form of percentages, frequency tables, mean and standard deviation.

Banks that adopted a differentiation focus or cost focus strategy accounted for 65% of the total, while those that adopted a broad strategy using cost leadership accounted for 35%. The reason why most banks adopted a focus strategy was because they had a medium size branch network that was only idle for a focus strategy

Overall most banks have performed well in retail banking with some exceeding their target customer numbers in the last two years. Profitability contribution of retail banking to overall bank performance for most banks was over 30%. The success in retail banking was achieved due to development of strategies that met the market requirements. Those that adopted a cost strategy were able to reconfigure their processes to reduce costs and then pass over the benefit to their customers. Those that adopted a differentiation focus strategy were able to provide convenience to their customers.

CHAPTER ONE: INTRODUCTION

1.1 Background

Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders' expectations.
Strategy is likely to be concerned with the long-term direction of an organization. It can be seen as the search for strategic fit with the business environment. Strategic decisions are normally about trying to achieve some advantage for the organization over competition (Johnson, Scholes & Whittington 2005).

Quinn (1980) identifies strategy as a plan that puts together an organization's major goals, policies and action sequences. A well formulated strategy enables an organization marshal and allocate its resources in a unique way on the basis of its relative internal competences and limitations, expected changes in the environment and contingent actions by competitors.
Strategy can be defined as the establishment of the long-term goals and objectives of an organization including the taking of actions and allocation of resources for achieving these goals. Due to scarcity of resources, the strategy that is chosen should be one that optimizes these resources in the pursuit of the organizational goals and objectives (Chandler 1962).

Basically, a strategy is a set of decisions-making rules for guidance of organizational behavior and there are four distinct types of such rules. Yardsticks by which, the present and future performance of the firm is measured. The quality of these yardsticks is usually called objectives and the desired quantity goals. Rules for developing the firm's relationship with its external environment: what products the firm will develop, where and to whom the products are to be sold and how the firm will gain advantage over competitors. This set of rules is called the product-market or business strategy. Rules for establishing the internal relations and processes within the organization; this is frequently called the organizational concept. The rules by which the firm conducts its day-to-day business called operating policies (Ansoff & McDonnell 1990)

Competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering and supporting its product. A systematic way of examining all the activities a firm performs and how they interact is necessary for analyzing the sources of competitive advantage. The value chain disaggregates a firm into its strategically relevant activities in order to understand the behavior of costs and the potential sources of differentiation. A firm gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors (Porter 1985).

Business managers evaluate and choose strategies that they think will make their business successful. Businesses become successful because they possess some advantage relative to their competitors. The two most prominent sources of competitive advantage can be found in the business's cost structure and its ability to differentiate the business from competitors. Businesses that create competitive advantage from one or both of these sources usually experience above-average profitability within the industry. Businesses that lack a cost or differentiation advantage usually experience average or below average profitability (Pearce & Robinson 1997).

When the different markets of the firm are all growing and are not turbulent, the future prospects can be determined through extrapolation of historical trends. But when the growth prospects are mixed and turbulent, before future prospects can be estimated, it becomes necessary to segment the firm's environment into distinctive areas of trends, threats and opportunities which are called strategic business areas. It further becomes necessary to identify units within the firm, which are to be responsible for the strategic development of the respective business areas, which are called strategic business units (Ansoff & McDonnell 1990).

1.1.1 Banking Industry

The most critical function of banks from the point of view of society and the economy is their role in the payment system. They supply the accounts through which payment transactions are made. They are specialists at assessing and monitoring credit risk due to their long-term relationships with customers. Banks also contribute to the supply of liquidity in the economy as deposits can be converted very quickly into cash or used for payments. The economy as a whole cannot afford easily the costs of disruptions in these services (Market Intelligence 2006).

Governments throughout the world, through their respective central banks do regulate their banking sectors in one way or another to ensure stability in the financial system. The centrality of commercial banks to confidence in the financial system and their essential role in supporting economic activity led to strong regulatory regime emerging worldwide right from the 1930s (Gilbert 1984).

In Kenya the Central Bank of Kenya is entrusted with the supervision of commercial banks in order to ensure efficient and sound financial system, in the interest of depositors and the economy as a whole. It also provides commercial banks with clearing facilities in order to promote the smooth operation of payments, clearing and settlement systems (Central Bank of Kenya 2006).

The Kenyan banking industry was made up of 41 commercial banks as at December 2006. The total industry assets and customers deposits were Ksh 755 billion and Khs 597 billion respectively. The total industry profitability was 27 billion for the year ended December 2006. Four banks accounted for 47% of the total industry's assets and customer deposits. They also accounted for 55% of the total industry profitability. These banks were Barclays Bank of Kenya, Kenya Commercial Bank, Standard Chartered Bank and Co-operative Bank of Kenya (Central bank of Kenya 2006).

In the past the central bank of Kenya controlled the lending rates of commercial banks, with the liberalization of the economy the banking sector was also liberalized. The liberalization of the banking sector of Kenya in 1993 meant that commercial bank had a free hand to price their products, which led to increase in lending rates.
The average lending rate of commercial banks in December 1991 was 17.87% and in December 1993 it was 31.64% (Central bank of Kenya 2006). These high lending rates after the liberalization of the industry in 1993 meant that a number of organizations were unable to service their debt, which led to a high non-performing loans portfolio in the banking industry.

This scenario led commercial banks to place their excess funds in Government paper namely Treasury bills and more recently Treasury bonds at the expense of lending the private sector. These Government papers provided banks with low risk and high return rate for the last decade and constituted a major component of banks profits. Standard Chartered investment in Government paper accounted for 63% of their loans and advances compared to customer loans which accounted for 37% in the year 2002(Standard Chartered bank 2002).

The conversion of 20 non – banking financial institutions into commercial banks brought the total number of banks in Kenya to 42 in 1995. This meant that there was increased competition in the industry.

However, the Treasury bill return rate has been on a steady decline over the years. The return on the 91-day Treasury bill in December 1993 was 43.52% compared to 6.22% in December 2006 (central bank of Kenya 2006). This meant the return on the Treasury bill was dropping and commercial banks were finding it less attractive. This posed a dilemma for the commercial banks, on the one hand they were faced with the threat of declining earnings of Government paper, which constituted a larger part of their revenue, and on the other hand the risk avoidance attitude generally adopted by banks towards private sector lending still existed.

1.1.2 Retail Banking

Retail banking can be explained as the channel of distribution of bank financial services through an elaborate branch network that is centrally controlled from a head office. Retail banks exist to service the financial needs of the society. Over the past two decades, through advances in technology and the movement in global politics away from central control of economies, great changes began and continued to take place in the banking industry's operating environment. The deregulation of financial services markets in the 1980s and in particular the growing focus of the consumers and producers on quality has created a process of structural change in the banking industry. Retail banking is a commodity service and the effects of these changes are therefore experienced by most of the population (Grundy 1995).

Banks contribute to the supply of liquidity in the economy through conversion of deposits quickly into cash or used for payment and advancing of loans. The economy as a whole cannot afford easily the cost of disruptions of these services. In the Kenyan banking industry, retail banking provides over 90% of total customer deposits making it the foundation of banking in Kenya. These customer deposits are what banks then use to make payments and advance loans to their customers. Corporate customers prefer to keep their money in money making activities therefore their money hardly stays in their bank accounts while retail customers on the other hand are interested in safe keeping of their money in bank accounts. Banks are able to charge retail customers market interest rates on loans taken however corporate customers are able to negotiate for below market interest rates; this makes banks unit earnings from retail customers higher than corporate customers (Kenya Bankers Association 2006).

1.2 The Research Problem

Ansoff's strategic success formula emphasizes that there is a linkage between organizations and the external environment. Organizations' depend on the external environment for procurement of resources and also depend on the external environment to accept their products of value. Therefore according to the strategic success formula changes in the external environment require organizations to change their strategy and internal capability to match the new requirements in the external environment (Ansoff & McDonnell 1990).

During the 1990s Kenyan banking industry faced challenges in its external environment. The liberalization of the economy and therefore liberalization of the banking industry in 1993 brought in new challenges. For example the liberalization of the lending rate regime meant banks could charge lending rates according to market forces, the lending rate charged therefore raised from 17.8% in December 1991 to 31.64 in December 1993 (central bank of Kenya 2006). These high lending rates meant a number of organizations were unable to service their debt, the challenge for the banks was thus a huge non-performing loan portfolio.

The adoption of universal banking policy by the government of Kenya whereby both non-banking financial institutions and commercial banks were placed under the same regulation, led to the conversion of 20 non-banking financial institutions into commercial banks. This brought the total number of commercial banks in Kenya to 42 in 1995, which meant increased competition in the industry.

In addition during the period 2003-2006 the government reduced its previous heavy borrowing from the money market, as a result of improved economic performance and consequent increased revenue collection. The result was a decline in the interest rate of the 91-day Treasury bill from 43.5% in December 1993 to 6.22% in December 2006 (central bank of Kenya 2006). This meant that one of the commercial banks major sources of income; the Treasury bill was no longer profitable. This coupled with increased competition for corporate customers by the large number of commercial banks; most banks resorted to retail banking for survival. This paper seeks to establish the strategies adopted by commercial banks in retail banking in order to cope with the environmental challenges of the banking industry.

Ohaga (2004) looked at the strategic responses of commercial banks in Kenya to changes in their environment. He noted that in a fast changing environment, consistent and frequent environmental analysis provides the means of matching or fitting the organization to its environment. Commercial banks in Kenya need to take the process of environmental analysis more seriously if good and relevant strategies are to be formulated.

Mutugi (2006) looked at the strategic responses of Barclays Bank Kenya to the changes in retail banking. He noted that the major environmental changes that were identified included technological advancement, stiff competition and liberalization of the industry. He also noted that Barclays Banks responded to these environmental changes through market strategy, human resource strategy, Information technology strategy and operational strategy.

Odero (2006) looked at the Value Chain and competitive advantage in the Corporate banking industry, the case of Citi Bank Kenya. He noted that competitive advantage in banking might be accomplished by limiting service offering, by reducing the complexity of service delivery process or by limiting service support.

Njoroge (2006) looked at the Application of Porter's generic strategies by commercial banks in Kenya. He concluded that 60% of the commercial banks use Porter's generic strategies.
Although research has been done on commercial bank none seems to have focused on a survey of the strategies adopted by commercial banks in Kenya in their retail banking. This has left a study gap, which warrants research.

This study has tried to answer the following question.
What Strategies are adopted by commercial banks in their retail banking in Kenya?

1.3 Research Objectives

The following is the objective of this research.

1. To establish the strategies adopted by commercial banks in Kenya in their retail banking.
2. To establish how the commercial banks have undertaken to grow their strategies in retail banking in Kenya.

1.4 Importance

It is anticipated that the finding of the study will be of value to the following groups.

1. The top management of banks shall be able to use the finding and recommendations of the study to develop better strategies in their retail banking.
2. Scholars, academicians and researchers will also find the study to be a useful reference point for further research into various aspects of strategy development.
3. Other interested organizations such as Central Bank Kenya, Kenya Bankers Association, Ministry of Finance and various journals shall find the research helpful especially in terms of increasing their understanding of strategies being adopted within their local banking industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategy

Strategy can be defined as the establishment of the long-term goals and objectives of an organization including the taking of actions and allocation of resources for achieving these goals. Due to scarcity of resources, the strategy that is chosen should be one that optimizes these resources in the pursuit of the organizational goals and objectives (Chandler 1962).

Quinn (1980) identifies strategy as a plan that puts together an organization's major goals, policies and action sequences. A well formulated strategy enables an organization marshal and allocate its resources in a unique way on the basis of its relative internal competences and limitations, expected changes in the environment and contingent actions by competitors.
Strategy can be seen either as the building of defenses against competitive forces or as the finding of positions in the industry where competitive forces are weakest (Pearce & Robinson 1997).

Basically, a strategy is a set of decisions-making rules for guidance of organizational behavior and there are four distinct types of such rules. Yardsticks by which, the present and future performance of the firm is measured. The quality of these yardsticks is usually called objectives and the desired quantity goals. Rules for developing the firm's relationship with its external environment: what products the firm will develop, where and to whom the products are to be sold and how the firm will gain advantage over competitors. This set of rules is called the product-market or business strategy. Rules for establishing the internal relations and processes within the organization; this is frequently called the organizational concept. The rules by which the firm conducts its day-to-day business called operating policies (Ansoff & McDonnell 1990).

Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders' expectations (Johnson, Scholes & Whittington 2005).

Strategy is likely to be concerned with the long term direction of an organization. Therefore future of an organization is determined by the strategic direction taken. Strategic decisions are likely to be concerned with the scope to an organization's activities. This is important in determining the organization's boundaries, which could include decisions about product range or geographical coverage.

Strategic decisions are normally about trying to achieve some advantage for the organization over competition. This involves providing better value than competitors to customers through offering better prices or quality.

Strategy can be seen as the search for strategic fit with the business environment. This could require major resource changes for an organization in the future. For example the decision to expand geographically may have significant implications in terms of the need to build and support a new customer base. The strategy of an organization is affected not only by environmental forces and strategic capability, but also by the values and expectations of those who have power in and around the organization (Johnson et al 2005).

Strategy is about understanding an industry structure and dynamics, determining the organization's relative position in that industry, and taking action to either change the industry's structure or the organization's position to improve organizational results. Industry structure and dynamics determine the broad parameters of growth and earnings potential and delimit what is realistically possible to achieve. The firm's relative position in a given industry structure sets its specific achievement profile and the scope of its strategic options. Finally industry or organizational change defines the specific organization responses to its strategic circumstances and aspirations (Oliver 2001).

2.2 Competitive Strategies

Competitive strategy is concerned with the basis on which a business unit might achieve competitive advantage in its market. The low price strategy seeks to achieve a lower price than competitors whilst trying to maintain similar perceived product or serve benefits to those offered by competitors. Sustaining low price strategy can be achieved through accepting reduced margins, win a price war, reduce costs or focus on specific segments. The next option is a broad differentiation strategy which seeks to provide products or services that offer benefits different from those of competitors and that are widely valued by buyers. The aim is to achieve competitive advantage by offering better products or services at the same price or enhancing margins by pricing slightly higher. Sustaining a differentiation strategy can be achieved by creating difficulties of imitation or achieve imperfect mobility of resources and competences. A hybrid strategy seeks simultaneously to achieve differentiation and a price lower than that of competitors. Here the success of the strategy depends on the ability to deliver enhanced benefits to customers together with low prices whilst achieving sufficient margins for reinvestment to maintain and develop the bases of differentiation. A focused differentiation strategy seeks to provide high-perceived product benefits justifying a substantial price premium, usually to a selected segment. In many markets these are described as premium products and are usually heavily branded (Johnson, Scholes & Whittington 2005).

Business managers evaluate and choose strategies that they think will make their businesses successful. Businesses become successful because they possess some advantage relative to their competitors. The two most prominent sources of competitive advantage can be found in the business's cost structure and its ability to differentiate the business from competitors. Businesses that create competitive advantage from one or both of these sources usually experience above-average profitability within the industry. Businesses that lack a cost or differentiation advantage usually experience average or below average profitability (Pearce & Robinson 1997).

Competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering and supporting its product. A systematic way of examining all the activities a firm performs and how they interact is necessary for analyzing the sources of competitive advantage. The value chain disaggregates a firm into its strategically relevant activities in order to understand the behavior of costs and the potential sources of differentiation. A firm gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors (Porter 1985).

When the different markets of the firm are all growing and are not turbulent, the future prospects can be determined through extrapolation of historical trends. But when the growth prospects are mixed and turbulent, before future prospects can be estimated, it becomes necessary to segment the firm's environment into distinctive areas of trends, threats and opportunities which are called strategic business areas. It further becomes necessary to identify units within the firm, which are to be responsible for the strategic development of the respective business areas, which are called strategic business units (Ansoff & McDonnell 1990).

Competitive strategy is the strategy adopted by a company to secure competitive advantage under particular industry conditions. It is common to distinguish generic types of competitive strategy, such as those resting on cost minimization, quality enhancement and product innovation. The assumption is that firms can or must respond to competition by choosing strategies that enable them to gain an advantage within their chosen product market. It is commonly recommended that human resource strategy should be developed to support competitive strategy, with techniques and policies being selected that will generate employee attitudes and behavior, which are congruent with a particular route to competitive advantage (Dictionary of human resource management 2001).

Resource-based view has become a significant approach to strategic management highlighting how a department using unique organizational resources can sustain superior performance (Wernerfelt 1984). Firms can obtain advantages by analyzing and re-assessing information about the assets they already control, if these assets are not controlled by a significant number of competitors. A resource-based view of the firm is a key for the strategic thinking in mature industries (Navarro 1988). Resources include all assets, capabilities, organizational processes, firm attributes, information and knowledge controlled by the firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Barney 1991). The resource-based approach proposes that the four empirical indicators of the potential of the firm's resources to generate competitive advantages are value, rareness, immutability and sustainability.

The Georgia manufacturing survey shows that companies basing their competitive strategies on the development of innovative products or processes enjoy higher returns on sales, pay better wages and have less fear about outsourcing than do manufacturers relying on other competitive strategies. Innovation whether in products or processes in organizations is one of the main paths through which manufacturers can become more distinctive, secure market premiums, satisfy customers, expand sales, reward workers and improve their bottom line (Georgia manufacturing survey 2006).

Utilization of supply chain management strategies have an implicit objective of gaining an advantage over one's business arena partners, whether they be competition or supply chain partners. Four bases of strategic competition are cost based, resource based, time based and knowledge based upon which a supply chain management derived competitive advantage might be built. An effective supply chain management program influences key success drivers for example expenses, asset utilization and process cycle time, available to it in a manner that maximizes the firm's competitive position given its chosen strategy (Ibrahim & Kennedy 2007).

2.2.1 Porter's Generic Competitive Strategies

The nation underlying the concept of generic strategies is that competitive advantage is at the heart of any strategy and achieving competitive advantage requires a firm to make a choice. If a firm is to attain competitive advantage it must make a choice about the type of competitive advantage it seeks to attain and the scope within which it will attain it.

Figure 1: COMPETITIVE ADVANTAGE

1. Cost Leadership	2. Differentiation
3A. Cost Focus	3B. Differentiation Focus

Source: Porter,M.E.(1985). Competitive Advantage: The Free Press. Page 12

The behavior of a firm's costs and its relative cost position stem from the value activities the firm performs in competing in an industry. A meaningful cost analysis therefore examines costs within these activities and not the costs of the firm as a whole. Each value activity has its own cost structure and the behavior of its costs may be affected by the linkages and interrelationships with the activities both within and outside the firm. A firm has a cost advantage if its cumulative cost of performing its value activities is lower than its competitors' costs. The sources of cost advantage include the pursuit of economies of scale, proprietary technology and preferential access to raw material. Cost advantage leads to superior performance if the firm provides an acceptable level of value to the buyer so that its cost advantage is not nullified by the need to charge a lower price than competitors. Two major ways that a firm can gain a cost advantage are firstly controlling cost drivers; these are value activities that represent a significant proportion of total costs. Secondly the firm can reconfigure the value chain to adopt a different and more efficient way to design, produce, distribute or market its product. The strategic value of cost advantage hinges on its sustainability. Sustainability will be present if the sources of a firm's cost advantage are difficult for competitors to replicate or imitate.

A firm differentiates itself from its competitors when it provides something that is valuable to buyers beyond simply offering a low price. Differentiation stems from the specific activities a firm performs and how they affect the buyer, which grows out of the firm's value chain. Differentiation allows the firm to command a premium price, to sell more of its product at a given price, or to gain equivalent benefits such as greater buyer loyalty during seasonal downturns. Differentiation leads to superior performance if the price premium achieved exceeds any added costs of being unique. Uniqueness does not lead to differentiation unless it is valuable to the buyer. A successful differentiator finds ways of creating value for buyers that yield a price premium in excess of the extra cost. A firm creates value for a buyer that justifies a premium through lowering buyer costs or by raising buyer performance. A firm can enhance its differentiation in two basic ways. It may become more unique in performing its existing value activities or it may reconfigure its value chain in some way that enhances its uniqueness. Sustainability of differentiation depends on two things, its continued perceived value to buyers and the lack of imitation by competitors.

The focus strategy is quite different from the others because it rests on the choice of a narrow competitive scope within the industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. The focus strategy has two variants, in cost focus a firm seeks a cost advantage in its target segment and in differentiation focus a firm seeks differentiation in its target segment. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyer in certain segments. Such differences imply that the segments are poorly served by broadly-targeted competitors who serve them at the same time as they serve others. The focuser can achieve competitive advantage by dedicating itself to the segments exclusively. Successful focus strategies frequently stem from innovative segmentation of an industry.

Technology affects competitive advantage if it has a significant role in determining relative cost position or differentiation. Since technology is embodied in every value activity and is involved in achieving linkages among activities it can have a powerful effect on both cost and differentiation. Technology will affect cost or differentiation if it influences the cost drivers or drivers of uniqueness of value activities.

While competitors can surely be threats, the right competitors can strengthen rather than weaken a firm's position in many industries. Good competitors can serve a variety of strategic purposes that increase a firm's sustainable competitive advantage and improve the structure of its industry. Competitors can absorb fluctuations in demand brought on by cyclicality, seasonality or other causes allowing a firm to utilize its capacity more fully over time. Competitors can enhance a firm's ability to differentiate itself by serving as a standard of comparison. A firm's competitors can be happy to serve industry segments that it finds unattractive, but that would otherwise be forced to serve in order to get access to desirable segments or for defensive reasons. A high-cost competitor can sometimes provide a cost umbrella that boosts the profitability of a low-cost firm. Competitors also help improve bargaining position with labor or regulators, increase motivation and lower antitrust risk (Porter 1985).

A research was conducted on the competitive strategies in the food retailing industry sector in Germany to investigate the applicability of the porter's framework. Managers of food retail channels were surveyed in order to derive the basic dimensions of competitive advantages that companies attempt to achieve in this industry sector. In a second study based on consumers, the central dimensions of retail store perception were investigated. Both studies revealed that three basic types of competitive advantage seem to prevail in food retailing; these were price, quality and convenience (Morschett, Swoboda & Schramm-Klein 2006).

2.2.2 Ansoff's Product/market expansion grid

Ansoff has proposed a useful framework for detecting new intensive growth opportunities called a product/market expansion grid shown on the figure below.

Figure 2: INTENSIVE GROWTH

	Current Products	New Products
Current markets	1. Market penetration strategy	3. Product development strategy
New markets	2. Market development strategy	(Diversification strategy)

Source: Kotler,P. (1985). Marketing Management: Prentice Hall. Page 59.

Market penetration strategy, management looks for ways to increase the market share of its current products in their current markets. There are three major ways to do this. A company could try to encourage its current customers to buy and use more of its product. This could make sense if most of its customers were infrequent buyers and could be shown the benefits of using more of the product. Management could also try to attract the customers of competitors to switch to its brand. This would make sense if the company notices a lot of weaknesses in the competitors' product or marketing program that it could exploit. Finally, management could try to convince current nonusers of the product who resemble current users to start using the product.

Market development strategy, here management should also look for new markets whose needs might be met by its current products. First, it might examine whether there are any potential user types in the current locations not now buying the product whose interest in the product might be stimulated. Second, the company might consider expanding to new locations to reach other users in these locations. If it has been selling its products only through dealers, it might add mass merchandising channels. Third, the company might consider expanding to new locations here or abroad. Thus if company sold their products in only one country it may consider expanding to other countries.

Product development strategy, management should consider some new product development possibilities. It could develop new product features and it could develop other qualities of the product for the mass market. Or it could research an alternative technology to develop the product. By examining all of these intensive growth strategies – deeper market penetration, market development, and product development – management will hope to discover ways to achieve more sales growth.

Diversification growth makes sense when good opportunities can be found outside the present businesses. A good opportunity, of course, is one were the industry is highly attractive and the company has the mix of business strengths needed to be successful. Three types of diversification can be considered. The company could seek new products that have technological and/or marketing synergies with existing product lines, even though the product may appeal to a new class of customers. Second the company might search for new products that could appeal to its current customers though technologically unrelated to its current product line. Finally, the company might seek new businesses that have no relationship to the company's current technology, products or markets.

2.2.3 Grand Strategies

Grand strategies, often called master or business strategies provide basic direction for strategic action. They are the basis of coordination and sustainable efforts directed towards achieving long-term business objectives. Grand strategies indicate the time period over which long-range objectives are to be achieved. Thus a grand strategy can be defined as a comprehensive general approach that guides a firm's major actions.

Concentrated growth is the strategy of the firm that directs its resources to the profitable growth of a single product, in a single market, with a single dominant technology. The main rational for this approach sometimes called market penetration or concentration strategy is that the firm thoroughly develops and exploits its expertise in a delimited competitive area. This is done by increasing the present customers' rate of use, attracting competitors' customers and attracting nonusers to buy the product. Market development consists of marketing present products, often with cosmetic modifications to customers in related market areas by adding channels of distribution or by changing the content of advertising or promotion. It involves opening additional geographical markets and attracting other market segments.

Product development involves the substantial modification of existing products or the creation of new but related products that can be marketed to the current customers through established channels. The product development strategy often is adopted either to prolong the life cycle of current products or to take advantage of a favorite reputation or brand name. This could involve developing new product feature, developing quality variations or developing additional models and sizes. An innovation strategy seeks to reap the initially high profits associated with customer acceptance of a new or greatly improved product. Firms rather than face stiffening competition as the basis of profitability from production or marketing competences shift to search for original or novel ideas. The underlying rationale for the grand strategy of innovation is to crate a new product life cycle and thereby make similar existing products obsolete. Thus, this strategy differs from the product development strategy of extending an existing product life cycle.

When a firm's long-term strategy is based on growth through the acquisition of one or more similar firms operating at the same stage of the production-marketing chain, its grand strategy is called horizontal integration. Such acquisitions eliminate competitors and provide the acquiring firm with access to new markets. When a firm's grand strategy is to acquire firms that supply it with inputs for example raw material or customers for its outputs for example warehousing, vertical integration is involved. The reason for backward integration is the desire to increase the dependability of the supply or quality of the raw material used in production. Forward integration is a preferred grand strategy if great advantages accrue to stable production, a firm can increase the predictability of demand for its output through forward integration (Pearce & Robinson 1997).

Existing research indicate that organizations adopt appropriate strategies to cope with changing environments.

Kiptugen (2003) looked at the strategic response to changing competitive environment, the case study of Kenya Commercial Bank. He cites the dynamic competitive environment in which banks operate as a major challenge. He gives the example of the increasing number of cooperatives societies and micro finance with front office banking facility that provide alternative sources of funds for loans as a major source of competition for banks.

Ohaga (2004) looked at the strategic responses of commercial banks in Kenya to changes in their environment. He noted that in a fast changing environment, consistent and frequent environmental analysis provides the means of matching or fitting the organization to its environment. Commercial banks in Kenya need to take the process of environmental analysis more seriously if good and relevant strategies are to be formulated.

Mutugi (2006) looked at the strategic responses of Barclays Bank Kenya to the changes in retail banking. He noted that the major environmental changes that were identified included technological advancement, stiff competition and liberalization of the industry. He also noted that Barclays Bank responded to these environmental changes through market strategy, human resource strategy, Information technology strategy and operational strategy.

Odero (2006) looked at the Value Chain and competitive advantage in the Corporate banking industry, the case of Citi Bank Kenya. He noted that competitive advantage in banking might be accomplished by limiting service offering, by reducing the complexity of service delivery process or by limiting service support.

Njoroge (2006) looked at the Application of Porter's generic strategies by commercial banks in Kenya. He concluded that 60% of the commercial banks use Porter's generic strategies.
However no study seems to have addressed the strategies adopted by Kenyan commercial banks in their retail banking.

CHAPTER THREE: RESEARCH METHODOLOGY

This chapter provides information on the research design, population, data collection and data analysis techniques applied in the study.

3.1 Research Design

This research was a census survey study; a census survey was necessitated due to the relative small size of the population. Its aim was to identify the strategies adopted by commercial banks in Kenya in their retail banking.

3.2 Population

The population consists of all licensed Commercial banks in Kenya, which are in retail banking, As at December 2006 they were 20 banks engaged in retail banking (Central bank of Kenya). Since the focus of study was banks engaged in retail banking only banks engaged in retail banking were included in the study.

3.3 Data collection

A personal interview guide attached herewith was used; the guide helped the researcher to collect the necessary information. The respondents were the heads of retail banking in each bank. Personal interviews were conducted with the heads of retail banking in each bank. A total of 11 banks responded to the interviews out of a population of 20 banks giving a response rate of 55%.

3.4 Data Analysis

On receiving the feedback through personal interview from the banks, the data was arranged to enable data coding and tabulation. Descriptive statistics was used to analyze the data. These include frequency distribution tables, percentages and other descriptive statistics such as mean and standard deviation. The statistical package for social sciences (SPSS) was used to help calculate the statistics.

CHAPTER FOUR: DATA ANALYSIS

This chapter contains analyses and findings from the study with possible interpretations. The chapter is divided into two sections. The first section analyses general information of the commercial banks. The second section analyses strategies adopted and the supportive functions used by the commercial banks in their retail banking.

4.1. General Information

4.1.1 Years in Operation

Years in Operation	Frequency	Percentage
1- 10	1	9%
11-20	3	27%
Over 20	7	64%
Total	11	100%

Source: Research Data

Overall most banks have been in Kenya for over twenty years.

4.1.2 Ownership

Ownership	Frequency	Percentage
Mostly foreign	3	27%
Mostly Kenyan	8	73%
Total	11	100%

Source: Research Data

The banks that were mostly Kenyan owned were 73%, those that were mostly foreign were 27%. This shows that in retail banking Kenyans dominate ownership of the banks.

4.1.3 Branch Network

Number of Branches	Frequency	Percentage
1-5	0	0%
6-10	3	27%
11-20	2	18%
Over 20	6	55%
Total	11	100%

Source: Research Data

There was no bank with a branch network of five and below, majority of the banks had a branch network of over 20 branches. This explains the need of a medium to large branch network to be effective in retail banking.

4.1.4 Profit from retail banking

Profit	Frequency	Percentage
Below 10%	1	9%
11-20%	1	9%
21-30%	3	27%
Over 30%	6	55%
Total	11	100%

Source: Research Data

For most of the banks the profitability contribution of retail banking was above 30%. Some of the banks expect retail banking to achieve 40% to 50% of overall profitability contribution within the next three years. This shows the significance of retail banking to the overall performance of banks in the industry.

4.2 Strategies Adopted

The banks surveyed were a total of eleven; however six of those banks had adopted two strategies therefore bringing the total number of strategies to seventeen.

4.2.1 Strategy

Strategy	Frequency	Percentage
Cost Leadership	6	35%
Differentiation Focus	8	47%
Cost Focus	3	18%
Total	17	100%

Source: Research Data

The study involved finding out what strategies the banks have adopted in retail banking. The findings were that most of the banks adopted a differentiation focus or cost focus strategy in retail banking. In total focus strategies accounted for 65% of the strategies adopted while cost leadership accounted for 35%. This was due to the fact that most banks had a medium size branch network which was only idle for a focus strategy.

4.2.2 Strategy Success

Strategy Success	Mean	Standard Deviation
Cost Leadership	.754	.07222
Differentiation Focus	.816	.0566
Cost Focus	.841	.014435

Source: Research Data

The study also involved finding out how successful the banks were in their strategies. The findings were that overall most banks performed well in retail banking. The banks that adopted a cost leadership or a cost focus strategy achieved their success by reconfiguring their processes which reduced their costs and thus enabled them to pass over the benefit to their customers. Those that adopted a differentiation focus strategy achieved their success by providing convenience in terms of easy of access to bank services to their customers.

However the banks that adopted a focus strategy did better than those that adopted a broad strategy using cost leadership. This was attributed to the fact that the focusers were able to easily learn their market segments faster than those who adopted a broad strategy.

4.2.3 Growth of Strategy through Market penetration

Market Penetration	Mean	Standard Deviation
Cost Leadership	.7583	.09174
Differentiation Focus	.8000	.0000
Cost Focus	.8333	.02887

Source: Research Data

The study included extend to which growth of the strategy was achieved using market penetration. The findings were that banks that adopted a cost focus or a differentiation focus strategy did better in market penetration than those that adopted a cost leadership strategy. This was because the banks that adopted a focus strategy were able to learn more about their customer segments hence able to develop more products that addressed specific needs of their customers thus penetrate the market easier through encouraging more usage of their products. Those banks that adopted a cost leadership strategy were not as successful as the focusers due to their inability to fully learn their customers due to wide array of needs their customers possessed.

4.2.4 Growth of strategy through Market development

Market Development	Mean	Standard Deviation
Cost Leadership Strategy	.8500	.05270
Differentiation Focus Strategy	.7250	.11323
Cost Focus Strategy	.7500	.0000

Source: Research Data

The study also included extend to which growth of the strategy was achieved using market development. The findings were that banks that adopted a cost leadership strategy did better in market development than those who adopted a cost focus or differentiation focus. This was due to the fact that cost leadership strategy involves getting the mass market hence these banks have gone opening branches in the poorly banked regions like the rural areas. They have employed large direct sales personnel to go into new regions to get new customers. The banks that have adopted a focus strategy have been very cautious in increasing their branch network and direct sales personnel. This has limited the number of new customers they can get in new regions.

4.3 Supportive Functions

4.3.1 Information Technology Usage to achieve strategy

Information Technology	Mean	Standard Deviation
Cost Leadership Strategy	.7583	.09174
Differentiation Focus Strategy	.8500	.08660
Cost Focus Strategy	.8250	.03536

Source: Research Data

Overall the usage of information technology was high with banks using information technology to improve on efficiency and provide convenience to their customers in order to achieve their strategies. The banks that adopted a cost leadership strategy and a cost focus strategy used information technology to bring about efficiency and therefore reduce costs. They did this through automating salary processing systems where employers were able to send salaries of their staff through the Internet therefore eliminating processing time by the bank. They provided their customers with automated teller machine cards therefore reducing customer numbers in the banking halls and hence reduced bank staff required. They also networked all their branches together to enable the processing of data at one central location and yet available to all authorized persons staff or customer. The differentiation focus strategy allowed the banks to achieve all the above benefits and more. They were for example able to provide their customers with electronic banking. This allowed their customers to transact with their bank from the comfort of their personal computer on a real time basis hence providing convenience to these customers.

4.3.2 Branch Network Expansion to achieve strategy

Branch Network	Mean	Standard Deviation
Cost Leadership Strategy	.8500	.07071
Differentiation Focus Strategy	.7000	.000
Cost Focus Strategy	.7688	.09978

Source: Research Data

In the cost leadership strategy there was a large increase in branch network in order to achieve their strategy. This is in order to reach the mass market in new regions that were poorly banked. However the banks that have adopted cost focus and differentiation focus strategies did a medium increase in their branch network. This is because they prefer to piggyback on their corporate clients in order to venture into retail banking. They use the close relationships they enjoy with corporate customers to introduce themselves to the corporate clients employees. They then target these employees to open bank accounts with the bank. Since most corporate clients are in the few major towns in Kenya the banks that adopted a focus strategy do not require opening many bank branches.

4.3.3 New Products usage to achieve strategy

New Products	Mean	Standard Deviation
Cost Leadership Strategy	.7000	.0000
Differentiation Focus Strategy	.8313	.0651
Cost Focus Strategy	.8500	.0000

Source: Research Data

Generally innovation of new products has taken place with the introduction of salary processing software provided by the banks to enable employers' process their employees' salaries and send the same through the internet. The introduction of unsecured loans to the retired people, they service the loan repayment using their pension payment. The introduction of electronic banking, here high net worth customers have access to their bank accounts through the internet and can transact with the bank from their personal computer. One of the challenges that the banking industry faces with regard to innovation is the high levels of imitation. Banks imitate innovative products developed by their competitors through for example staff poaching from one bank to another.

4.3.4 Market Communication usage to achieve strategy

Market Communication	Mean	Standard Deviation
Cost Leadership Strategy	.7000	.0000
Differentiation Focus Strategy	.7500	.0000
Cost Focus Strategy	.7062	.03204

Source: Research Data

Market communication in cost leadership has taken place in the print and electronic media where they educate the mass population about their products. The wide branch network has also been used to depict the same identity so as to act as a reminder to the customers. The banks with a differentiation focus strategy have chosen to use a targeted communication strategy therefore some of their communication will be seen in sponsorship of high end sports like golf.

4.3.5 Customer Service usage to achieve strategy

Customer Service	Mean	Standard Deviation
Cost Leadership Strategy	.6000	.0000
Differentiation Focus Strategy	.8000	.0000
Cost Focus Strategy	.7688	.06512

Source: Research Data

Customer service is very important especially in the service industry hence banks have endeavored to improve on customer service in order to achieve their strategy.

Due to the large customer base enjoyed by the cost leaders it has been a challenge to achieve the customer service levels that they would wish to provide their customers. However, recently most of the banks that have adopted this strategy have started to implement a call centre service. This would enable customers' give their queries and get solutions through the telephone and hence reduce customer numbers in the banking hall. Those that have adopted a cost focus or differentiation focus have not had much of a challenge with customer service due to the relative lower customer numbers they deal with.

4.3.6 Human Resource Training to achieve strategy

Human Resource	Mean	Standard Deviation
Cost Leadership Strategy	.6250	.03536
Differentiation Focus Strategy	.8000	.0000
Cost Focus Strategy	.7500	.07559

Source: Research Data

Overall all banks have performed fairly regarding Human resource training. The staff training has focused on educating the staff on new products and processes so that uniformity is realized towards achieving the company strategy. However the cost leaders face a challenge due to the high staff numbers they have that are scattered in their wide branch network. The challenge they face is to provide uniformity with regard to staff training in all the branches.

CHAPTER FIVE: CONCLUSIONS

5.1 Summary, discussions and conclusion

Retail banking was a banking division that was not given much attention in the past. However with the drop in Treasury bill interest rate due to a reduction in Government borrowing banks had to find new ways to lend out their excess money. Retail banking seemed to be the new opportunity with only 20% of bankable Kenyans having bank accounts; there was therefore a high opportunity for growth in this market. The last five years has seen a lot of competition by banks with new products coming up in this market segment.

Overall most banks have performed well in retail banking with some exceeding their target customer numbers in the last two years. The low level of market penetration in the segment and the aggressiveness that the banks adopted drove this. Banks were able to increase their interest income through lending to the retail customers with a low level of non-performing loans repayment recorded. Income from fees and commissions also increased due to the large customer volumes that the banks had acquired.

Banks that adopted a focus strategy did better in market penetration than those that adopted a broad strategy. This was because those that adopted a focus strategy were able to learn about their customer segments hence able to develop more products that addressed their customer needs thus encouraging increased usage of their products. However the banks that adopted a broad strategy were not able to fully learn their customers due to the wide customer base with differing needs.

Banks that adopted a broad strategy did better in market development because they went out to the poorly banked regions. They employed large numbers of direct sales personnel to get new customers in the new regions. However banks that adopted a focus strategy were cautious in their regionally spread, preferring to concentrate in the major towns. They get most of their retail from their corporate clients and the corporate clients are mostly based in major towns.

Information technology is greatly used by all the banks to bring about efficiency in the bank operations and convenience to their customers. Banks automated their internal processes and also networked the branches to ensure all authorized personnel had access to information. This has increased the speed in decision-making and thus improved on efficiency. They have provided their customers with automated teller machine cards in order to enable their customers have full time access to their cash. However the banks that adopted a differentiation focus strategy did better by also providing their customers with electronic banking. Customers are able to transact with their banks on a real time basis from the comfort of their personal computer at home or in their office.

Branch network expansion has been on the increase with banks that have adopted a broad strategy opening branches in the rural regions that were previously poorly banked. Those that adopted a focus strategy have not done as well with most concentrating in urban centers only. Innovation in new products and services was high; products that bring about efficiency and thus reduced costs were developed. Products that brought about convenience and uniqueness to the customers were also developed. However one great challenge to the industry was the high level of imitation of innovative products. Banks have addressed this by trying to make it difficult to imitate or be more efficient in the execution of their innovation.

There has also been an increase in market communication through the print and electronic media. Those banks that adopted the differentiation focus strategy have taken a more focused approach by directing their market communication strategies to locations where they expect their target customers to frequent.

Customer service has greatly improved in most banks with the setting up of customer service desks in the banking halls of the branches to solve customer queries. However banks that have adopted a broad strategy still have a challenge due to high customer volumes in the branches. They have addressed this recently by setting up call centers where customers give their queries and are offered solutions through the telephone. This has helped reduce the customer numbers in banking halls and thus improve customer service levels. Banks that adopted a focus strategy have done better due to the relative lower customer numbers they deal with in the banking halls

Overall profitability in retail banking has improved for all the banks in the recent past. For most banks contribution of retail banking to overall profitability of the banks was over 30% with some receiving as high as 40%. Banks did also attribute some of their good performance to the economic growth experienced in the last four years which has increased the number of bankable Kenyans. In the next three years these banks expect that profitability contribution of retail banking to be in the region of 40% to 50%. This will be a very significant contribution to the overall performance of the banks and thus we should expect greater attention given to retail banking by the banks.

5.2 Limitations

Getting appointments from some of the respondents proved difficult and in some cases appointments that had already been scheduled had to be rescheduled. There was also a general fear from the respondents that releasing their strategies to an outsider may make their strategies available to their competition.

5.3 Recommendation for Further Research

I recommend further research into factors that influence the choice of various strategies in retail banking since this was not part of my study.

REFERENCES

Ansoff, H.I., & McDonnell, E.J. (1990). *Implanting Strategic Management*. Prentice Hall

Bank Supervision Annual Report. (2006). Central Bank of Kenya.

Banking Industry Analysis. (2006). Kenya Bankers Association.

Barney, J. (1991). *Firms resources and sustainable competitive advantage*. Journal of management, 17(1), 99-120.

Chandler, A. (1962). *Strategy and Structure*. Cambridge: MIT Press.

Competitive Strategy. (2001). Dictionary of human resources management, p.50.

Georgia Manufacturing Survey (2006, Jan). Industrial Engineering Journal, 38(1), p.14.

Gilbert, A. (1984). *Bank market structure and competition*. Journal of money credit and banking, 16(4),617-645.

Grundy, T. (1995). *Breakthrough strategies for growth*. Financial Times: Pitman Publishing.

Ibrahim, R., & Kennedy, D. (2007). *Supply chain management program*. International Journal of Advanced Manufacturing Technology, 34(1), 201-210.

Johnson, G., Scholes, K., & Whittington, R. (2005). *Exploring Corporate Strategy*. Prentice Hall.

Kiptugen, E.J. (2003). *Strategic responses to changing competitive environment, the case of Kenya Commercial Bank*. Unpublished M.B.A project, University of Nairobi.

Kotler, P. (1985). *Marketing Management* : Prentice Hall.

Morschett, D., Swoboda, B., & Schramm-Klein, Hanna. (2006). *Competitive strategies in retailing*. Journal of retailing & consumer services, 13(4), 275-287.

Mutugi, R.M. (2006). *Strategic responses of Barclays Bank to changes in retail banking in Kenya*. Unpublished M.B.A project, University of Nairobi.

Navarro, J.R. (1988). *Turnaround and renewal in Spanish shipyard*. Long Range Planning, 31(1), 51-59.

Njoroge, D.G (2006). *Application of Porter's generic strategies by commercial banks in Kenya*. Unpublished M.B.A project, University of Nairobi.

Odero, S.B. (2006). *The Value Chain and Competitive advantage in the Corporate banking industry: The case of Citi bank*. Unpublished M.B.A project, University of Nairobi

Ohaga, O.C. (2004). *Strategic responses of commercial banks in Kenya to changes in their environment*. Unpublished M.B.A project, University of Nairobi.

Oliver, R.W. (2001). What is Strategy, Anyway. Journal of business strategy, 22(6), 7-10.

Pearce, J.A., & Robinson, R.B. (1997). *Strategic Management*. The McGraw-Hill Publishers.

Porter, M.E. (1985). *Competitive Advantage*. The Free Press.

Quinn, J.B. (1980). *Strategies for change. Logical Incrementalism* : Irwin, Homeland, IL.

Standard Chartered Bank Audited Results (2004, February 27). Nation Newspaper, p.29.

The Banking Survey in Kenya. (2006). Market Intelligence, p.4.

Wernerfelt, S. (1984). *A resource view of the firm*. Journal of strategic management, 5, 171-174.

PERSONAL INTERVIEW GUIDE

Section A- General Information

1. How long has your bank been in operation in Kenya

   1-10 years 11-20 years over 20 years

2. What is your ownership structure?

   Mostly Foreign Mostly Local

3. How many branches does your bank have in Kenya

   1-5 6-10 Over 10

4. What was the contribution of retail banking to overall profitability of the bank last year?

Section B- Strategies Adopted

1. What strategies has your bank adopted in retail banking?

a. Cost leadership, differentiation or focus strategies

   . Has your bank adopted any of the above strategies towards retail customers?

   . What was the objective?

   . How has this process been undertaken?

   . What challenges were faced and how were they overcome?

   . To what extend have the objectives been achieved

   0%-25% 26%-50% 51%-75% 76%- 100%

b. Has your bank undertaken growth of your strategy through market penetration and market development strategies?

   . How has this process been undertaken?

   . What challenges were faced and how were they overcome?

. To what extend has the growth been achieved

0%-25% 26%-50% 51%-75% 76%- 100%

2. How has your bank used the following to help it achieve its strategy

a. Information Technology

. Has there been increased use of Information Technology

. How has this process been undertaken?

. What challenges were faced and how were they overcome?

. How has this contributed towards achieving your strategy?

0%-25% 26%-50% 51%-75% 76%- 100%

b. Branch Network

. Has there been an increase and refurbishment in your branch network

. How has this process been undertaken?

. What challenges were faced and how were they overcome?

. How has this contributed towards achieving your strategy?

0%-25% 26%-50% 51%-75% 76%- 100%

c. Product Innovation and Product development

. Has there been product innovation and development for your retail customers

. How has this process been undertaken?

. What challenges were faced and how were they overcome?

. How has this contributed towards achieving your strategy?

0%-25% 26%-50% 51%-75% 76%- 100%

d. Market Communication

. Has there been market communication about your strategy to the retail customers

. How has this process been undertaken?

. What challenges were faced and how were they overcome?

. How has this contributed towards achieving your strategy?

0%-25% 26%-50% 51%-75% 76%- 100%

e. Customer Service

. Has there been improvement in customer service offered to your retail customers

. How has this contributed towards achieving your strategy?

. How has this process been undertaken?

. What challenges were faced and how were they overcome?

. How has this contributed towards achieving your strategy?

0%-25% 26%-50% 51%-75% 76%- 100%

f. Human Resource Training

Has there been improved staff training on retail banking

How has this process been undertaken?

What challenges were faced and how were they overcome?

. How has this contributed towards achieving your strategy?

0%-25% 26%-50% 51%-75% 76%- 100%

LIST OF RETAIL COMMERCIAL BANKS

1. African Banking Corporation Limited
2. Bank Of Africa Limited
3. Barclays Bank of Kenya Limited
4. CFC Bank Limited
5. Commercial Bank of Africa Limited
6. Co-operative Bank of Kenya Limited
7. Consolidated Bank of Kenya Limited
8. Diamond Trust Bank Kenya Limited
9. EABS Bank Limited
10. Equity Bank Limited
11. Fina Bank Limited
12. Investment & Mortgages Bank Limited
13. Imperial Bank Limited
14. Kenya Commercial Bank Limited
15. K-Rep Bank Limited
16. National Bank of Kenya Limited
17. National Industrial Credit Bank Limited
18. Prime Bank Limited
19. Stanbic Bank Kenya Limited
20. Standard Chartered Bank Limited

Source: Central Bank of Kenya