

THE EFFECTS OF GLOBALIZATION ON EQUITY BANK IN KENYA

BY

AMOS ANTHONY NYAGAH

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DECLARATION

This research project is my original work and has not been submitted for examination to any other university.

Signature..... Date.....

AMOS ANTHONY NYAGAH

D61/63722/2011

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

Signature... Date.....

DR. JOHN YABS

SCHOOL OF BUSINESS

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DEDICATION

I dedicate this work to my mother who supported my education. I also do extend my sincere appreciation to all who believed in me and instilled in me a spirit of hard work by encouraging me always to aim high.

ABSTRACT

As international business developed many firms became successful and together international developments in science and technology brought about globalization. The drivers of globalization are Political; Technological; Market; Cost and Competition. The moving away from an economic system in which national markets are distinct entities isolated by trade barriers and barriers of distant, time and culture, and toward a system in which national markets are merging into one global marketplace. The objective of this study was to research the effects of globalization on Equity bank. Equity bank being an indigenous bank served as the study determinant and this allowed the researcher to interact with the fifteen (15) divisional directors (heads) in order to find the impact of globalization.

Globalization is a move towards open economic policies lifting up the restriction imposed on the international economic flows that in turn leads to a sharp increase in the quantum of such flows. However, the literature on the subject interprets globalization in three different ways. First of all, the hyper-globalist school feels that globalization leads to a single global economy transcending and integrating the different economic regions. Supported by technological sophistications and market integration, globalization leads to denationalization of strategic economic activities. Others term globalization to be a curse but for Equity bank it can be termed as a blessing to have come into their mode of business style. The effects of globalization are very diverse and its repercussions are being felt in developing countries to a large extent. The study finds a positive influence of the effects of globalization on Equity bank. The study is in a position to conclude that whereas Equity bank operated in the same environment with the other banks during a highly competitive field and time it was able to define its target market and able to attract them as needed.

TABLE OF CONTENT

CHAPTER ONE INTRODUCTION.....	1
1.1 Background of the study.....	1
1.1.1 Concept of International Business.....	2
1.1.2 Concept of globalization.....	3
1.1.3 The banking sector in Kenya.....	7
1.1.4 Equity Bank Limited.....	8
1.2 Research Problem.....	9
1.3 Research objective.....	11
1.4 Value of the study.....	11
CHAPTER TWO: LITERATURE REVIEW.....	12
2.1 Introduction.....	12
2.2 Theoretical foundation of globalization.....	12
2.3 Meaning of globalization.....	15
2.4 Effects of globalization in banking industry.....	15
2.5 Review of Empirical Literature.....	16
2.6 Role of banking system in economy.....	16
CHAPTER THREE: RESEARCH METHODOLOGY.....	18
3.1 Introduction	18
3.2 Research Design.....	18
3.3 Data collection.....	18
3.4 Data analysis.....	18

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS.....	19
4.1 Introduction.....	19
4.2 General Introduction.....	19
4.2.1 Reaction of Respondents.....	19
4.2.2 Demographic characteristics of respondents.....	19
4.2.3 Age of respondents.....	19
4.2.4 Occupation/Profession of respondents.....	20
4.2.5 Work experience of respondents.....	20
4.2.6 Passion for working with Equity Bank.....	20
4.3 Scope of business.....	20
4.3.1 Type of recruitment done by Equity Bank.....	21
4.3.2 The main complaints done by their customers.....	21
4.3.3 Competing banks locally and internationally.....	21
4.3.4 Why divisional heads enjoy working for Equity Bank.....	21
4.4 Globalization of Equity bank services.....	22
4.4.1 Services that are regularly used by customers.....	22
4.4.2 Network system of Equity Bank.....	22
4.4.3 How have the services been done due to globalization.....	22
4.4.4 Equity positioning as a brand.....	23
4.5 Expansion plans.....	23

CHAPTER FIVE SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	24
5.1 Introduction.....	24
5.2 Summary of findings.....	24
5.3 Conclusions.....	25
5.4 Recommendations.....	26
5.5 Limitations of the study.....	26
5.6 Suggestions for further research.....	26
REFERENCES.....	27
INTRODUCTION LETTER.....	I
APPENDICES.....	II

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

As international business developed many firms became successful and together international developments in science and technology brought about globalization. The drivers of globalization are Political; Technological; Market; Cost and Competition. The moving away from an economic system in which national markets are distinct entities isolated by trade barriers and barriers of distant, time and culture, and toward a system in which national markets are merging into one global marketplace. Donald, Wandell and McCulloch (2004). Globalization refers to the shift toward a more integrated and interdependent world economy. All firms operate in international business environment and they are affected by factors within the environment. Globalization is the tendency towards an international integration of things. Globalization was first coined by Theodore Levitt in which he maintained that new technologies had “Proletarian zed” communication, transport and travel, creating worldwide markets for standardized consumer products at lower prices. Globalization has also generated significant international opposition over concerns that it has increased inequality and environmental degradation.

John; Lee and Daniel (2008) said that globalization is the door that opens up an otherwise resource-poor country to the international market. Where a country has little material or physical product harvested or mined from its own soil, large corporations see an opportunity to take advantage of the “export poverty” of such a nation. International business helps the countries to exchange goods between the countries besides helping the transfer of technology getting the products cheaper than what they can domestically produce.

Globalization is a move towards open economic policies lifting up the restriction imposed on the international economic flows that in turn leads to a sharp increase in the quantum of such flows. However, the literature on the subject interprets globalization in three different ways. First of all, the hyper-globalist school feels that globalization leads to a single global economy transcending and integrating the different economic regions. Supported by technological sophistications and market integration, globalization leads to denationalization of strategic economic activities

1.1.1 Concept of international business

International business comprises all commercial transactions that take place between two or more regions. Usually, private companies undertake such transactions for profit; governments undertake them for profit and for political reasons. A multinational (MNE) is a company that has a worldwide approach to markets and production or one with operations in more than a country. An MNE is often called multinational corporation (MNC) or transnational company (TNC). Areas of study within this topic include differences in legal systems, political systems, economic policy, language, accounting standards, labor standards, living standards, environmental standards, local culture, corporate culture, foreign exchange market, tariffs, import and export regulations, trade agreements, climate (Helen,2006).

International business means carrying on business activities beyond national boundaries. Production may either involve production of physical goods or provision of services like banking, finance, insurance, construction, trading, and so on. Thus, international business includes not only international trade of goods and services but also foreign investment. Multinational Corporations do not emerge overnight. Domestic firms, after expanding their operation and going through various stages of the evolution process, qualify for being called a multinational company. The process of evolution takes place in three successive stages. They are: trade; assembly or production; integrations. Some firms are able to innovate products for which demand gradually develops in foreign markets, leading to export orders. It is a fact that the desire to expand sales and revenue, to acquire inputs at the least cost, and to minimize business and financial risk through geographic diversification has led to the growth of multinational corporations; yet there are some other factors too that provided them a congenial atmosphere to expand their activities at a very fast rate. These factors are: rapid technological advancement; emergence of supportive institutions; openness of economic policies among large numbers of countries; increase in competition (Stanley, 1998).

Many firms have emerged up with innovated products or with improved process technology. With the demand for such products and technology being price-inelastic, these firms have moved abroad in order to reap large profits. Sometimes the developed technology is meant for a larger market than the domestic one and in such cases it is imperative for the firm to go international in order to achieve economies of scale. The development of information technology has brought

different countries closer and has encouraged firms to move abroad with the minimum of difficulties (Steven & Michael, 2003).

International business consists of transactions that are devised and carried out across borders to satisfy the objectives of individuals and organizations. A multinational enterprise has a worldwide approach to foreign markets and production and an integrated global philosophy encompassing both domestic and international markets. International management which is defined as a process of accomplishing the global objectives of a firm by effectively coordinating the procurement, allocation and utilization of the human, financial, intellectual and physical resources of the firm within and across national boundaries thus effectively charting the path toward the desired organizational goals by navigating the firm through a global environment that is not only dynamic but often very hostile to the firms very survival (Helen, 2006).

1.1.2 Concept of Globalization

Proponents of globalization say that it helps developing nations "catch up" to industrialized nations much faster through increased employment and technological advances. Critics of globalization say that it weakens national sovereignty and allows rich nations to ship domestic jobs overseas where labor is much cheaper. Globalization is the spreading of an idea, product, or technology around the world. Globalization refers to processes that increase world-wide exchanges of national and cultural resources. (PRUS, 2001). Advances in transportation and telecommunications infrastructure, including the rise of the telegraph and its posterity the Internet, are major factors in globalization. Though several scholars place the origins of globalization in modern times, others trace its history long before the European age of discovery and voyages to the New World. Some even trace the origins to the third millennium. In the late 19th century and early 20th century the connectedness of the world's economies and cultures grew very quickly. This slowed down from the 1910s onward due to the World Wars and the Cold War but has picked up again since neoliberal policies began in the 1980s and especially since the Post-Cold War era (Keith and Rick,2002).

In 2000, the International Monetary Fund (IMF) identified four basic aspects of globalization: trade and transactions, capital and investment movements, migration and movement of people and the dissemination of knowledge. The overland Silk Road that connected Asia, Africa, and

Europe is a good example of the transformative power of trans-local exchange that existed in the "Old World". In the 15th and 16th centuries, Europeans made important discoveries in their exploration of the oceans, including the start of transatlantic travel to the "New World" of the Americas. Global movement of people, goods, and ideas expanded significantly in the following centuries. Early in the 19th century, the development of new forms of transportation (such as the steamship and railroads) and telecommunications that "compressed" time and space allowed for increasingly rapid rates of global interchange. The advent of electronic communications, most notably mobile phones and the Internet, connected billions of people in new ways by the 2010s (Keith and Rick 2002).

The term globalization is derived from the word globalize, which refers to the emergence of an international network of social and economic systems. One of the earliest known usages of the term as a noun was in a 1930 entitled, *Towards New Education*, where it denoted a holistic view of human experience in education. A related term, corporate giants, was coined by Russell et al in 1897 to refer to the largely national trusts and other large enterprises of the time. By the 1960s, both terms began to be used as synonyms by economists and other social scientists. It then reached the mainstream press in the latter half of the 1980s. Since its inception, the concept of globalization has inspired competing definitions and interpretations, with antecedents dating back to the great movements of trade and empire across Asia and the Indian Ocean from the 15th century onwards (Conklin 2005).

There are both distal and proximate causes that can be traced in the historical factors affecting globalization. Large-scale globalization began in the 19th century. Archaic is seen as a phase in the history of globalization conventionally referring to globalizing events and developments from the time of the earliest civilizations until roughly 1600. This term is used to describe the relationships between communities and states and how they were created by the geographical spread of ideas and social norms at both local and regional levels. In this schema, three main prerequisites are posited for globalization to occur. The first is the idea of Eastern Origins, which shows how Western states have adapted and implemented learned principals from the East. Without the traditional ideas from the East, Western globalization would not have emerged the way it did. The second is distance. The interactions amongst states were not on a global scale and most often were confined to Asia, North Africa, the Middle East and certain parts of Europe. With early globalization it was difficult for states to interact with others that were not within close proximity. Eventually, technological advances allowed states to learn of others existence

and another phase of globalization was able to occur. The third has to do with interdependency, stability and regularity. If a state is not depended on another then there is no way for them to be mutually affected by one another. This is one of the driving forces behind global connections and trade; without either globalization would not have emerged the way it did and states would still be dependent on their own production and resources to function. It is argued that archaic globalization did not function in a similar manner to modern globalization because states were not as interdependent on others as they are today (Charles, 2009).

Globalization has affected management of banks in the whole world especially in the areas of planning, organizing, directing and controlling inputs and outputs and getting them delivered to the ultimate consumers with the objective of profit maximization for the shareholders. This research has been able to establish that there is a positive correlation between the events in the global economy and events in the world especially in the financial industry. Globalization has created better business opportunity for banks in the world to participate in and also created avenue for foreign business investor to bring their funds and other resources into the banking industry. The mutually reinforcing rise of financialization and globalization broke the bond between Kenyan capitalism and Kenya's interests. Fully employed impoverished workers, of which there are millions in Kenya, do not exist in developed countries (Scott and Timothy, 2006).

Although in its simplistic sense globalization refers to the widening, deepening and speeding up of global interconnection, such a definition begs further elaboration. At one end of the continuum lie social and economic relations and networks which are organized on a local and/or national basis; at the other end lie social and economic relations and networks which crystallize on the wider scale of regional and global interactions. Globalization can be taken to refer to those spatial-temporal processes of change which underpin a transformation in the organization of human affairs by linking together and expanding human activity across regions and continents (Fatehi 2004).

Private capital flows to developing countries soared during the 1990s, replacing "aid" or "development assistance" which fell significantly after the early 1980s. Foreign Direct Investment (FDI) became the most important category. Both portfolio investment and bank credit rose but they have been more volatile, falling sharply in the wake of the financial crisis of the late 1990s. The interconnectedness of these markets however meant that an economic

collapse in any one given country could not be contained.(Jeff,2008). Some use "globalization" to mean the creation of a world government which regulates the relationships among governments and guarantees the rights arising from social and economic globalization. Survival in the new global business market calls for improved productivity and increased competition. Due to the market becoming worldwide, companies in the banking industry have to upgrade their products and use technology skillfully in order to face increased competition.

1.1.3 The Banking sector in Kenya

The name bank derives from the Italian word banque "desk/bench", used during the Renaissance era by Florentine bankers, who used to make their transactions above a desk covered by a green tablecloth. However, traces of banking activity can be found even in ancient times. Some have suggested, the word traces its origins back to the Ancient Roman Empire, where moneylenders would set up their stalls in the middle of enclosed courtyards called macella on a long bench called a bancu, from which the words banco and bank are derived. As a moneychanger, the merchant at the bancu did not so much invest money as merely convert the foreign currency into the only legal tender in Rome (Stephen and Philip, 2007).

The Companies Act, the Central Bank of Kenya (CBK) Act and the Banking Act are the main regulators and governors of banking Industry in Kenya. These Acts are used together with the prudential guidelines which Central bank of Kenya issues from time to time. In 1995 the exchange controls were lifted after the liberalization of the banking in Kenya. Central Bank of Kenya is tasked with formulating and implementation of monetary and fiscal policies. Central bank is the lender of last resort in Kenya and is the banker to all other banks. The CBK ensures the proper functioning of the Kenyan financial system, the liquid in the country and the solvency of the Kenya shilling. To address issues that affect the Banking industry in Kenya, banks have come together and formed a forum under the Kenya Bankers Association. Kenyan Banks have realized tremendous growth in the last five years and have expanded to the east African region. There has been increased competition from local banks as well as international banks.

The Central bank of Kenya requires financial institutions to build up their minimum core capital requirement to Kenya shillings 1 Billion by December 2012. The Terrorist attacks on the twin towers in United States of America emphasized and led to the mandating Acts like Anti-money laundering. Nations are working closing to ensure that proceeds of crime do not get into the

financial systems of the world. The Global crisis experienced affected banking industry in Kenya and more so the mobilization of deposits and trade reduction. The Interest margins declines have also affected the banking industry in Kenya. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests. The KBA serves a forum to address issues affecting members.

1.1.4 Equity Bank

Equity Bank Limited is incorporated, registered under the Kenyan Companies Act Cap 486 and domiciled in Kenya. It is a financial services provider headquartered in Nairobi, Kenya. It is one of the forty-four (44) commercial banks licensed by the Central Bank of Kenya. As of October 2010, Equity Bank had the largest customer base in Kenya (Nation business weekly, 2010).

Equity Bank was first incorporated in 1984, as Equity Building Society. Later, Equity transformed into a microfinance institution and eventually into a commercial bank. Starting in 2008, Equity Bank started regional expansion by taking 100% shareholding in Uganda Microfinance Limited (UML), UML was renamed Equity Bank (Uganda) and started operating under the new name in April 2009. Also in 2008, Equity Bank obtained regulatory approval to open a subsidiary in South Sudan and in November 2011, Equity Bank commenced operations in Rwanda, launching officially in February 2012. As of April 2012, the bank has one hundred and thirty five (135) branches in Kenya, thirty eight (38) in Uganda, seven (7) in Rwanda, four (4) in South and two (2) in Tanzania (Published financial statements, 2012).

Their logo, a modest house with a brown roof, resonates with its target market and their determination to make small but steady gains toward a better life, seeking security and advancement of their dreams. Having been declared technically insolvent in 1993, Equity's transformation into a rapidly growing microfinance and then a commercial bank is widely considered to be an inspirational success story. By 2012, Equity Bank had more than 8 million customers making it the largest bank in terms of customer base in Africa and having nearly half of bank accounts in Kenya. The company's vision is "to be the champion of the socio-economic prosperity of the people of Africa" (Published financial statements, 2012).

Equity Bank's business model and its visionary leadership has continued to earn local, regional and global accolades and recognitions. The model is also studied in some of the leading business

schools in the world, as other developing countries in Africa and Asia seek to learn from Equity's low margin, high-volume model. Equity Bank in 2010 established the Equity Group Foundation. This innovation and creative vehicle has fully transformed the concept of philanthropy and corporate social responsibility. While Equity Group Foundation champions the socio-economic transformation of the people of Africa and seeks partnerships along six cluster thematic areas, Equity Bank provides the infrastructure of delivery hence reducing the operational costs for the Foundation and increasing the rate of return on any social investment. The six social thematic areas of focus are: education and leadership development; financial literacy and access; entrepreneurship, agriculture, health, innovations and environment. The vision for the bank is to be the champion of the socio-economic prosperity of the people of Africa. The mission is to offer inclusive; customer focused financial services that socially and economically empower their clients and other stakeholders. Equity provides Inclusive Financial Services that transform livelihoods give dignity and expand opportunities (Published financial statements, 2012).

1.2 Research Problem

With improvements in transportation and communication, international business grew rapidly after the beginning of the 20th century. International business includes all commercial transactions (private sales, investments, logistics, and transportation) that take place between two or more regions, countries and nations beyond their political boundaries. Such international diversification is tied with firm performance and innovation, positively in the case of the former and often negatively in the case of the latter. Usually, private companies undertake such transactions for profit. These business transactions involve economic resources such as capital, natural and human resources used for international production of physical goods and services such as finance, banking, insurance, construction and other productive activities (Brown, 1999).

International business arrangements have led to the formation of multinational enterprises (MNE), companies that have a worldwide approach to markets and production or one with operations in more than one country. A MNE may also be called a multinational corporation (MNC) or transnational company (TNC). Well known MNCs include fast food companies such as McDonald's and Yum Brands, vehicle manufacturers such as General Motors, Ford Motor Company and Toyota, consumer electronics companies like Samsung, LG and Sony, and energy companies such as ExxonMobil, Shell and BP. Most of the largest corporations operate in

multiple national markets. Businesses generally argue that survival in the new global marketplace requires companies to source goods, services, labor and materials overseas to continuously upgrade their products and technology in order to survive increased competition. An absolute trade advantage exists when countries can produce a commodity with less cost per unit produced than could its trading partner. By the same reasoning, it should import commodities in which it has an absolute disadvantage. While there are possible gains from trade with absolute advantage, comparative advantage—that is, the ability to offer goods and services at a lower marginal and opportunity cost—extends the range of possible mutually beneficial exchanges. In a globalized business environment, companies argue that the comparative advantages offered by international trade have become essential to remaining competitive (Thorell and Cavusgil, 1999).

Tiziana Terranova (2004) has stated that globalization has brought a culture of "free labour". In a digital sense, it is where the individuals (contributing capital) exploits and eventually "exhausts the means through which labour can sustain itself". Mugeru, A.W. (2009) Surveys the challenges faced by Kenya commercial bank limited when entering international markets; he noted that the bank has had to adopt several strategies such as focusing on staff training to develop expertise in different countries to cope with challenges of globalization. Mutua, J.M. (2012) writes on the effects of globalization on the Reinsurance companies in Kenya. Abishua, D.A (2010) studied the strategies used by Equity bank to compete in the Kenyan banking industry.

1.3 Research Question

What effect has globalization had on Equity Bank Limited

1.4 Research objective

To determine the effects of globalization on Equity bank in Kenya.

1.5 Value of the study

Scholars; academicians and researchers will find the study useful for enhancing their understanding of globalization and as a guideline for further research.

Current and new entrants in the industry will find the findings useful for improving their market entry strategies and improving their capability in globalization. Potential investors in the industry may understand better the key success factors in the industry and the resultant strategies used by banks.

It would benefit participants in the international business by advising them on whether or not they can take advantage on the need to go global in the banking industry. The findings of this research shall help the banking sector management improve their globalization planning strategy. Commercial banks shall become aware of the stable and emerging key success factors brought about by the changes in the industry along with customer expectations so as to plan and put in place effective market entry strategies. The findings of this study will confirm whether or not any significant effects exist in globalization.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter reviews the literature that forms the basis of this study. It will highlight the theoretical framework review the grounding theories of the study and analyze some of the empirical literatures done by various scholars locally and globally.

2.2 Theoretical foundation of globalization

A theoretical framework refers to how the researcher of the report not only questions, but ponders and develops thoughts or theories on what the possible answers could be, then this thoughts and theories are grouped together in to themes that frame the subject. It is the process of identifying a core set of connectors within a topic and showing how they fit together. The theoretical framework of the research project relates to the philosophical basis on which the research takes place and forms the link between the theoretical aspects and practical components of the investigation undertaken. The theoretical framework therefore “has implications for every decision made in this research process” (Mertens, 1998). Theories will be formulated to explain, predict and understand phenomena, and in many cases, to challenge and extend existing knowledge, within the limits of the critical bounding assumptions. The theoretical framework is the structure that will hold or support the theory of the research study. The theoretical framework will introduce and describe the theory which explains why the research problem under study exists. Globalization is defined as integration on the basis of the project which expands the role of markets on a global level (McMichael, 2000).

Hyper globalists conceive globalization as a process, which has the internal logic and predictable outcome, the global society based on a fully integrated market. In other words, all the variety of heterogeneous cultures withdraws in front of the unique social pattern, based on markets and institutions derived from the radically liberal cultural framework. In this sense, a well-known assumption about the "end of history" is generated, which implies that the modern, global capitalism with liberal democracy as the political framework represents the last word of socio-economic evolution (Fukuyama, 1992).

Transformationalists (Giddens, Anthony; 1990) are more moderate in terms of emphasis of ubiquity and linearity of the globalization process, as well as assessing of progressivism of its

effects. But they do not accept skeptic thesis about globalization either. For them, the indisputable fundamental changes in the organization of society that globalization brings are the growing overall integration and acceleration of socioeconomic dynamics through "compression" of space and time. However, their approach is multidimensional, taking into account mechanisms of globalization other than economic ones. The specified dimensions of modernity have enabled western countries to become the leading force in the world. Spreading dimensions of modernity, according to Giddens (1990), to all countries in the world is identified as the process of globalization. (Vuletić, 2001). There are also opinions that the liberal economic policy, which is inseparable from globalization, creates political backlash by groups whose interests are negatively affected. It is difficult to predict how much and in what direction will this political backlash influence future developments in the global economy.

Structural explanations perceive globalization as a lawful process, inherent to socioeconomic dynamics. Globalization presents an understandable result of the development of society, lead by the logic of technology and capital accumulation. Determinism present in this kind of approach is evident. Conjectural explanation of globalization considers consequence of unification of techno-economic tendencies with specific historical conditions and policies, which determine its character. This approach deals with the cyclic character of globalization, the causes of its acceleration or slowdown in certain periods. Social constructivist explanations are more interested in the origin of ideas about globalization, and the ways in which they became part of scientific and everyday discourse. By setting appropriate tendencies in the world economy and their classification under the concept of globalization, the process became socially and ideologically constructed. In this way, the idea of globalization itself becomes in a certain sense, through the influence on the awareness of actors, the initiator of the further process of global integration (Miletić, 2007). It can be concluded that each of the previous explanations can fit into one of the main directions of contemporary theories of globalization - hyper globalists, transformation lists.

As per Beardshaw and Palfreman (1995) Survival in the new global business market calls for improved productivity and increased competition. Due to the market becoming worldwide, companies in various industries have to upgrade their products and use technology skillfully in order to face increased competition. The advent of global environmental challenges that might be solved with international cooperation, such as climate change, cross-boundary water and air

pollution, over-fishing of the ocean, and the spread of invasive species. Since many factories are built in developing countries with less environmental regulation, globalism and free trade may increase pollution. On the other hand, economic development historically required a "dirty" industrial stage, and it is argued that developing countries should not, via regulation, be prohibited from increasing their standard of living. Growth of cross-cultural contacts; advent of new categories of consciousness and identities which embodies cultural diffusion, the desire to increase one's standard of living and enjoy foreign products and ideas, adopt new technology and practices, and participate in a "world culture". Some bemoan the resulting consumerism and loss of languages (Jonas and Ivan, 2008).

Spreading of multiculturalism, and better individual access to cultural diversity (e.g. through the export of Hollywood and Bollywood movies). Some consider such "imported" culture a danger, since it may supplant the local culture, causing reduction in diversity or even assimilation. Others consider multiculturalism to promote peace and understanding between peoples. WHO estimates that up to 500,000 people are on planes at any one time; Greater immigration, including illegal immigration. Worldwide fads and pop culture such as Pokémon, Sudoku, NumaNuma, Origami, Idol series, YouTube, Orkut, Face book, and MySpace are accessible to those who have Internet or Television, leaving out a substantial segment of the Earth's population (Gilles and Michel,2009).

2.3 Meaning of Globalization

Roland Robertson, (2011) defined globalization as: the compression of the world and the intensification of the consciousness of the world as a whole. Martin and Elizabeth (2008) define globalization as: all those processes by which the peoples of the world are incorporated into a single world society. In *The Consequences of Modernity*, Anthony Giddens (2009) states that Globalization can be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa. It pertains to the increasing ease with which somebody on one side of the world can interact, to mutual benefit, with somebody on the other side of the world.

After the Second World War, work by politicians led to the Bretton Woods conference, an agreement by major governments to lay down the framework for international monetary policy, commerce and finance, and the founding of several international institutions intended to facilitate

economic growth multiple rounds of trade opening simplified and lowered trade barriers. Initially, the General Agreement on Tariffs and Trade (GATT), led to a series of agreements to remove trade restrictions. GATT's successor was the World Trade Organization (WTO), which created an institution to manage the trading system. Globalization has various aspects which affect the world in several different ways such as: Industrial; Financial; Economic and Informational. The most popular language is English. The Social development of the system of non-governmental organizations as main agents of global public policy, including humanitarian aid and developmental efforts has been noticed to influence globalization.

2.4 Effects of globalization in the banking industry

During the 19th century, globalization approached its modern form. Industrialization allowed standardized production of household items using economies of scale while rapid population growth created sustained demand. Globalization in this period was decisively shaped by nineteenth-century imperialism. In the 19th century, steamships reduced the cost of international transport significantly and railroads made inland transport cheaper. The invention of shipping containers in 1956 helped advance the globalization of commerce. Development of a global telecommunications infrastructure and greater trans-border data flow, using such technologies as the Internet, communication satellites, submarine fiber optic cable, and wireless telephones (Philip and John, 2009).

Helen(2006) defines culture as patterns of human activity and the symbols that give these activities significance. Culture is what people eat, how they dress, beliefs they hold, and activities they practice. Globalization has joined different cultures and made it into something different. As ErlaZwingle, from the National Geographic article titled “Globalization” states, “When cultures receive outside influences, they ignore some and adopt others, and then almost immediately start to transform them.”

2.5 Review of Empirical Literature

The fundamental objective of banks management is to maximize shareholders wealth; this goal is interpreted to mean maximizing the market value of a firm’s common stock (Scott and Timothy 2006).

2.6 Role of Banking System in the Economy

The modern complex economic system cannot function without banks. The banking system has facilitated the personal transactions such as deposit and remittance of money, and lending and borrowing of money.

The banks encourage thriftiness and saving more among people. The men can be free of the future anxiety when they do not have income on account of savings. Since banks provide attractive interest on saving and fixed deposits, people are encouraged to save more. The bank, therefore, has made it possible to collect small savings from all corners of the country. The less developed countries like Kenya are suffering from low capital formation. The bank collects idle money from people. This money is channeled by banks to the individuals, businesses and government for productive investments. This increases capital formation by increasing productive investments.

The spread of bank branches to the rural areas increases the banking habit of people. People keep their excess money in banks and withdraw at the time of need. This leads to the monetization of rural areas. Unemployment is a serious problem, which may result into severe social, political and economic consequences. In Kenya, pressure of population on land is high. A large share of labour force is unemployed and under-employed. The bank helps to relieve the economy from the pressure of unemployment. The bank provides loans to businessmen, entrepreneurs and farmers in different forms.

According to Jacobson (2010), “Economic growth can be compared with the construction of a good House with stability at its foundation. The bankers have a key responsibility in the building task for economic growth”. The banks make available loans of different periods to agriculture, industry and trade. They make direct investments in industrial sectors. The development of these sectors accelerates the pace of economic growth. The economic growth, in turn leads to increase in national income and alleviation of poverty.

The tendency of men to keep the money and other valuables in other's custody for safety had led to the origin of banks in reality. This tendency is still found on men. The banks collect people's money and keep them safely. These practices reduce unnecessary expenditure and increases

savings. The money can be transferred easily from one place to another and from one country to another by the help of a bank.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter dealt with how the research was to be undertaken. The study focused on Equity bank and the financial year 2012-2013. To meet the objective of this study an interview guide was used. The researcher interviewed the fifteen (15) divisional heads (department directors).

3.2 Research Design

The research design refers to the overall strategy that the researcher chooses to integrate the different components of the study in a coherent and logical way, thereby, ensuring he will effectively address the research problem; it constituted the blueprint for the collection, measurement, and analysis of data. A case study method was used; as it enabled the researcher to collect in-depth data on the effects of globalization on Equity Bank limited.

3.3 Data collection

This is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses, and evaluate outcomes. While methods vary by discipline, the emphasis on ensuring accurate and honest information collected remained utmost. The researcher undertook the interview using a questionnaire and the relevant questions were addressed and collected the required information.

3.4 Data Analysis

Analysis of data is the process of inspecting, cleaning, transforming, and modeling data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making. The data that was obtained from the interview was integrated to address the research objective. Content analysis was used.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION.

4.1 Introduction

The research objective was to establish the effects of globalization on Equity bank in Kenya. This chapter presents the analysis and findings with regard to the objective and discussion of the same.

4.2 General Introduction

This focuses on the demographics, age, position or designation of the respondent and also the work experience.

4.2.1 Reaction of the respondents

The respondents were all welcoming and eager to answer the questionnaire as they informed the researcher that this was a good way to be recognized by the society for their impact.

4.2.2 Demographic characteristics of respondents

There were a total of fifteen (15) respondents out of the targeted fifteen (15) making 100% of the respondents.

4.2.3 Age of respondents

All respondents interviewed were between forty (40) and fifty five (55) years. Those between 40-45 years were the majority at 47% followed by 46-50 years at 27% whereas 51-55 years were 26%.

4.2.4 Occupation/Profession of respondents

All the fifteen (15) interviewed were bankers. They all head the main departments at Equity Bank. It is worth noting that five (5) were female whereas the other ten (10) were male.

4.2.5 Work experience of respondents

All the respondents have had over ten (10) years of experience working for the bank. They have all had over fifteen (15) years of experience in the working arena. All the respondents informed the researcher that they were subjected to a rigorous interview before joining Equity bank as the bank recruits professionally. They also stated that they would recommend a friend to join Equity bank.

4.2.6 Passion for working with Equity bank

All the fifteen head of divisions loved working for the emerging bank (Equity Bank) as it was all portrayed in their enthusiasm; a lot was being done so as to ensure that all is seen by the customers they serve.

4.3 Scope of business

This shall discuss the main interests that are usually experienced in Equity bank. It shall show the main concerns that are ensuring the bank stays at the top of the banking industry.

4.3.1 Type of recruitment done by Equity bank

When it comes to the recruitment of supervisors and below Equity bank recruits locally for all of this positions however if a local suitable candidate is not possible it does international recruitment. For all its management positions international recruitment is done so as to enhance competition hardly does it do head hunting; only in rare cases does it do it.

4.3.2 The main complaints done by Equity customers

50% of the divisional heads stated that most customers complained about the systems whereas 30% stated that most customers complain about the long queues experienced in the branches, the other 20% stated that all their customers are happy with their services.

4.3.3 Competing banks locally and internationally

All the divisional heads stated that Family Bank limited is the main competing bank locally whereas they stated that Barclays Bank and Standard Chartered bank are the main competitors internationally.

4.3.4 Why Divisional heads enjoy working for Equity bank

All divisional heads having worked in other banks and other organizations they all state that the culture and family of Equity bank is so friendly that they all feel at home during working hours it is in this regard that they are usually in a position to effectively execute their strategies and plans for the entity.

4.4 Globalization of Equity bank services

This shall highlight the main services and also how Equity bank has been able to serve its customers well using its different optional services

4.4.1 Services that are regularly used by customers

The most widely used service is the savings account service where the customers prefer banking with Equity bank because of its wide area network and also the issue of not having any deductions in this account. Due to the fact that Equity bank offers loans at very reduced interest rates the customers under the savings account are eligible for loans to ensure they are liquid.

4.4.2 Network system of Equity Bank

Since the globalization of Equity bank the systems have been upgraded severally in order to ensure that the customers are well served and this ensures that all is well with the services that Equity bank is offering its customers. Before the upgrading was done the customers used to complain of the slowness of the systems as per the divisional heads conclusions.

4.4.3 How have the services been done due to globalization

All the divisional heads travel around East Africa to the other subsidiaries in order that they can supervise what is happening there under their docket. The success of Equity Bank is well concluded to have been the factors such as professionalism; integrity; creativity and innovation; teamwork; unity of purpose; respect and dedication to customer care; effective corporate governance. All the divisional heads interact with international clients under their area of expertise. Clients also do transact foreign currency with Equity banks' treasury department.

4.4.4 Equity positioning as a brand

The divisional heads stated that they exist to transform the lives and livelihoods of their people socially and economically by availing them modern, inclusive financial services that maximize their opportunities. They aim to be the champion of the socio-economic prosperity of the people of Africa. They also stated that they offer inclusive, customer focused financial services that socially and economically empower our clients and other stakeholders. The divisional heads stated that they would associate Equity bank with the lower end citizens who had been neglected by the existing bankers.

4.5 Expansion Plans

This shall state the whether or not they intend to extend beyond the borders and the strategies they would want to use. The current countries covered are: Uganda; South Sudan; Tanzania; Rwanda and Kenya. The main countries to be invested in to are the African countries especially West African countries and Southern Africa. The main reason for going global is in order to maximize the shareholders returns; who have invested heavily they also assured the researcher that the reason for going global is in order to transform the lives and livelihoods of the people socially and economically. They stated that they boast to be the leading African bank in terms of customer accounts opened.

CHAPTER FIVE: SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter highlights the conclusions of the study, presents recommendations and pinpoints the limitations of the study. This chapter also suggests areas for further study.

5.2 Summary of findings

The targeted respondents were interviewed giving a response rate of 100%. Equity bank limited usually has a positive influence on globalization. The main local competitors for Equity bank is Family bank whereas the main international competitors are Barclays bank and Standard Chartered Bank.

Equity bank has encountered several challenges in dealing with globalization such as customer migration and system overload. Equity bank has circumvented various solutions to ensure that the challenges are minimized thus remaining profitable. On customer migration the bank has introduced several packages and products for its customers in order to remain competitive and gain a competitive edge over the other banks. Regarding the systems over load, as Equity bank is the leading bank in customer base in Africa it has ensured that it gets the best information technology platforms for faster and reliable operation purposes. In order for Equity bank to enhance service quality and satisfy its customers effectively, the company on training its staff through refresher courses and other training and development programs on various aspects of the company to increase employee competency.

In responding to local and international competition the bank decided to expand its foothold by establishing a branch to the unbanked towns, it also partnered with the local community to open

up agency banking. The respondents (the divisional directors) stated that all towns and at least every major village has a branch or is being served by an Equity bank agent.

This expansion was effective as it has ensured Equity Bank is able to deal efficiently with globalization. It has lifted customer growth by 11.5%. Branches have brought in 65% of the banks revenue. Further growth in profits was expected due to the expansion plans. In addition the interviewees indicated that they could not rate introduction of new services such as beba-pay as an effect on globalization since it was ongoing and the benefit was yet to be realized. Equity bank has opened new branches to serve its top crème clientele such as the Equity centre branch in Upper-hill, this has helped these clients be served at a quicker and affordable rate.

5.3 Conclusions

The study finds a positive influence of the effects of globalization on Equity bank. The study is in a position to conclude that whereas Equity bank operated in the same environment with the other banks during a highly competitive field and time it was able to define its target market and able to attract them as needed.

5.4 Recommendations

The findings indicate that globalization particularly in regards to Equity bank has a positive effect on the firm. Based on the findings firms should ensure that they are upto the task of competing globally.

5.5 Limitations of the study

Though this study addresses the effects of globalization on Equity bank in Kenya it should be evaluated in light of the following limitations. Firstly we have used only one firm (Equity Bank), this shortens the time needed to collect data and minimizes the cost of the study but assumes the

selected firm is a representative of all other companies. Secondly the study covered relatively a short period of time. This was occasioned by constraints of data availability. Thirdly our case research is limited to Kenya; because of this limitation it is not possible to extend our findings and conclusions to situations in other developing countries. Similar research could be made in other countries in order to have the possibility of comparison.

5.6 Suggestions for further research

There is much to be done about the effects of globalization in Kenya. The researcher suggests that further research be conducted on the same topic within the same industry or different industries. Future research may also consider extending the time period. It would also be of interest to study the impact of information technology on globalization in Equity Bank.

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APPENDIX I

INTERVIEW GUIDE:

1. Are you male or female
2. What is your age.....
3. Which department do you work in.....
4. Which position do you hold in the organization.....
5. We would like to ask you some questions relating to the globalization of Equity Bank; do you accept ...
6. Why do you love working with Equity bank?
7. Do you do local or you also do international recruitment in your department?
8. What problems do Equity bank customers usually complain about?
9. Who are the competing banks for Equity bank locally
10. Who are the competing banks for Equity bank regionally?
11. What is it that you enjoy while working with Equity bank and are happy with it instead of the other global banks?
12. Kindly list some of the services that are regularly used by the customers.
13. How is the network system since the globalization of Equity Bank?
14. Do you regularly travel around East Africa to your other branches and subsidiaries?
15. What factors have brought to the success of Equity bank in Kenya?
16. Do you usually interact with international clients while working for Equity Bank?
17. How do you think Equity Bank has positioned itself as a brand in the global markets?
18. How did you join Equity Bank limited and how many years have you worked for Equity Bank?
19. Would you recommend a friend or associate to join Equity Bank?
20. What would you associate Equity Bank with?
21. Do clients transact foreign currency with Equity bank?
22. What are the countries that are making Equity bank be a global bank?
23. What countries are in the pipeline to be invested in?
24. What is the main reason for going global?
25. What is the percentage international market that you serve?