STRATEGIC RESPONSES AND THE PERFORMANCE OF BANKS IN KIMILILI SUB-COUNTY, BUNGOMA COUNTY

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DECLARATION

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

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DEDICATION

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ABSTRACT

The aspect of making strategic decisions when it comes to organizations is what is essentially referred to as the practice of strategic management. There are various studies that have been done in order to enhance the understanding of the concept of strategic management. Based on the Central Bank of Kenya, Kenya has about 43 banks that are listed to operate in the form of commercial banks. It has been noted that the performance of the banks is significantly affected by the lack of having effective strategies that are capable of ensuring that the bank is capable of navigating through the problems/challenges/limitations that are found within the banking industry. Some of these challenges usually found within the banking industry include issues like competition. Competition is based on the inclusions of various banks within the market and thus increasing the level of competition for existing clients which has the potential of affecting the profitability of banks. To investigate the influence of stakeholder intervention as a strategic response on the performance of banks in Kenya. The study objectives were to: determine the influence of ICT deployment as a strategic response as a strategic response on the performance of banks in Kimilili sub county and to determine the influence of staff training as a strategic response on the performance of banks in Kimilili sub county. The study is going to be significant as it will have a contribution on the growing body of knowledge regarding the influence of strategic responses on the performance of banks. The findings of the study are also going to be important to the state as well as the policy makers and it will give a clear picture of the role of strategic responses on the performance of banks. The study will be based on open system theory and resource based theory. The study will use descriptive research design. The target population is 13 branch managers in 13 commercial banks in Kimilili sub county, Bungoma County. Data was collected through interview schedule and then subjected to content analysis. Based on the findings the study concluded that stakeholder engagement is essential for the banks though it does not increase the sales volume and profits and hence doesn't affect the performance of the bank. The study also concluded based on the findings that ICT adoption is an effective strategy that the banks can use to spur performance. From the findings the study concluded that staff training is the commonly used strategic response by the banks and that they do have elaborate systems concerning staff training. From the findings staff training does not affect the performance of the banks. The study recommends that a study should be carried out to determine the influence of banking sector self-regulations on the performance of the banking industry. The researcher also recommends that a study can also be carried on the effect of financial resources on strategic response of banks.

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ABBREVIATION AND ACRONYMS

ICT	**:**	Information Communication Technology
KCB	**:**	Kenya Commercial Bank
UNDP	**:**	United Nations Development Programmes
SOP	**:**	Standard Operating Procedure

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The aspect of making strategic decisions when it comes to organizations is what is essentially referred to as the practice of strategic management. There are various studies that have been done in order to enhance the understanding of the concept of strategic management. The studies have focused on the effects that it has on the performance of various organizations. Strategic management of ten deals with the success and the failures of companies based on the practices that they have been able to employ. The strategic management is mainly based on the analysis of the strategy that is selected by a business and the plans that have been adopted in order to ensure that there is success that is experienced. There are three aspects of the strategic management that are deemed as being significant in the success of a business. The three elements are strategic choice, strategic formulation and the implementation of the strategy that has been selected (Shepherd & Rudd, 2014).

The resource-based view tends to have different assumptions of the concept of the strategic management. It indicates that the competitive advantages that firms have are the main drivers of the performance that they are able to experience. The view indicates that for a business to be successful there is the need to have the primary resources such as the financial capital, physical assets and the human resources among others. They are important as compared to the strategic management that the company has (Nason & Wiklund, 2018).

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The Banking industry in Kenya has been characterized by an aggressive competitive environment with a lot of competitors, which calls for re-thinking of their strategies so as to remain strategically fit. Due to interest rate capping, deregulation, new technology and changing consumer behavior, the competition in the banking sector is getting even more vicious. There is need to understand that there is a link that exists between strategic response and the performance of banks. It is from this statement that the study will be motivated to establish effect of strategic responses, government regulations and the performance of banks.

1.1.1 Concept of Strategy

Strategy is applied as part of the management plan that is aimed at enhancing the performance of a company. It is the long-term direction and the scope of business in relation to the activities that it is going to undertake. Strategy ensures that there is effective application of the resources that are available within the company that are capable of making sure that there is the implementation of the goals that have been set by the company. Strategy is mainly employed in order to ensure that there is the meeting of the expectations that the stakeholders have in relation to the activities of the company (Baskerville, Spagnoletti & Kim, 2014).

Strategy is mainly employed based on the various factors that are found within the market such as the introduction of new technologies and the presence of various competitors. Hence, strategy is employed on order to cushion a business from facing stiff competition within the industry as indicated by Sayekti (2015). It has also been indicated by Luftman, Lyytinen and Zvi (2017) who have indicated that improvements in quality and productivity is mainly done based on the implementation of proper strategies that are adopted by the company.

Huang, Dyerson, Wu and Harindranath (2015) have indicated that the competitive advantage of the company is mainly based on the application of effective strategies that are able to benefit the company in the long term basis. They have also indicated that the strategic aspect is significant in enhancing the organizational competency on the basis of how it is able to operate within complex market. The aspect of strategy is also employed in order to ensure that there is the creation of a competitive advantage based on the production of quality products as well as customer service that is superior. Hence, the aspect of strategy is significant in making sure that there is the achievement of the goals that have been set by a business.

1.1.2 Strategic Response

A strategic management study suggests that a successful firm's strategy must be favorably aligned with the external environment. The relationships between business level strategy and environment have been widely discussed in the extant literature (Hambrick, 1983; Kim & Lim, 1988, Miller, 1998).

Organizations face significant constraints and contingencies from their external environment and their competitiveness depends on their ability to monitor the environments and adapt their strategies accordingly (Pennings, 2002).

In the strategic management field, the majority of 5 studies analyze competitive environments from an economic standpoint, based on the implicit notion that business environments are formal and objective. As such, the human element is assumed and the role that managers play in creating and changing competitive environments is neglected. However, given that people take business decisions and drives organizations; to ignore such an important dimension of the competitive landscape is a considerable limitation to developing more holistic understanding about competitive landscapes (Pennings, 2002)

When a firm operates in a stable domestic environment, the primary focus of management attention is on competitive and technological factors which determine success in the market place. When such a firm moves abroad, its management expects to encounter new competitive dynamics. But beyond the competitive variables, success in the new market may equally be determined by a number of other factors which remain in the background (and are taken for granted) so long as the firm confines its attention to domestic markets (Mintzberg, 2008)

1.1.3 Bank Performance

The performance of a bank is a measure of how a bank has been able to use it resources to generate revenues. There are various measures of bank performance. The first measure of performance is the profit that is earned by a bank. This in terms of the finances that have been earned from the investments of the bank. The second measure of the bank's performance is the Return on Equity. The third measure of bank preference is the Return on Assets. Bank performance indicates the success of the bank within the industry (Thagunna & Poudel, 2013). The performance of any bank can be measured using various parameters such as the total deposits and advances as at the end of financial year.

Another measure is the amount of fixed and current assets the firm is endowed, banks liquidity is another form of measurement of how the bank is performing, banks that are highly liquid at any given time are considered to be performing well (Berger & Bouwman, 2013).Systems and procedures are also another measure of Banks performance in that how well the banks are maintaining their internal records. In the case of banks where the documentation and other aspects are kept properly, there will be lesser number of internal frauds and it denotes that the banks have systems and procedures in their control.

Another measure of performance of banks is the profit t per employee this is the profit earned by the bank divided by number of employees in the organization. Productivity per employee is also another measure of bank performance; this is the total business of the bank divided by number of employees in the organization. Another measure of how well a bank is performing in the industry is by how well their shares are doing in the stock market (Zhang, Jiang, Qu & Wang, 2013).

1.1.4 The Banking Industry in Kenya

Based on the Central Bank of Kenya, Kenya has about 43 banks that are listed to operate in the form of commercial banks. They are both private and public banks. There are 27 local banks and 13 foreign banks that are operating in Kenya. Commercial banks have been found to play an important role when it comes to the growth of the Kenyan economy. Commercial banks are involved in the selection and the adoption of strategic measures that are deemed as being significant in enhancing the performance of the banks (Central Bank of Kenya, 2012). The banking industry in Kenya is under the management of the Central Bank of Kenya.

The Central Bank of Kenya regulates all the activities that are taking place within the banking industry and this is based on the role that the banks have been assigned within the country. The Central Bank of Kenya has the role of accrediting the commercial banks that are supposed to be operating within Kenya and this is critical as it ensures that there is proper management of the banks in a manner that ensures that there are no illegal activities that are taking place within the industry. Furthermore, the banking industry in Kenya is characterized by stiff competition based on the presence of the local and international banks that are operating within the country (Central Bank of Kenya, 2012).

1.1.5 Banks in Kimilili

In Kimilili Sub-county, there are various commercial banks that are operating and serving people. The region has some of the biggest banks such as KCB, Equity bank, Family Bank, Bank of Africa and Cooperative Bank among others. There is stiff competition that is found within the regions that trends to make the banks to embrace the use of strategic practices (Central Bank of Kenya, 2012). The banking industry in Kimilili is diverse and this is due the presence of various economic activities that have been able to enhance the growth of the banks within the region.

Kimilili sub-county is characterized by various economic activities which has increased the flow of money within the region and thus created the need for the development of the banking industry so as to cater for the financial needs of the people within the area such as the saving needs among others that are crucial for the financial growth of the people and thus prompting the growth of the banking industry in the region (Juma, 2013). One of the economic activities within Kimilili Sub-county that has been able to create the high demand for the banking services is agriculture.

Bungoma County is among the counties within Kenya which are producing farm products such as maize and this has been able to enhance the economic status of the people due to the increase in the movement of money that is always experienced by the people within the region (Wamalwa, 2018). Another economic activity that has led to the increase in the number of banks within Kimilili is the business activities that people are engaged in. The sub-county is an economic within Bungoma County has various markets that attracts huge number of people. Based on the transactions that are taking place within the region, there has been a high demand for the banking services. Thus, there are several banks that have been established in Kimilili Sub-county (Wamalwa, 2018). There is the need to analyze the banking industry within Kimilili Sub-county in order to get an insight of the banking sector in the region. Therefore, it is against this background that the research is seeking to assess the strategic responses, government regulations and the performance of banks in Kimilili Sub-County, Bungoma County.

1.2 Research Problem

The banking sector in Kenya has shown a substantial development during the first half of 2012 (Central Bank of Kenya, 2012). Despite the significant development, the banking industry in Kenya is at present going through a period of fast change as a result of changes in government policies towards banks, new products as well as services introduced by banking industry as a result of globalization and the adoption of new technologies. Therefore, examining the strategic responses influence on the performance of Banks will be extremely important.

According to Dibrell, Craig and Neubaum (2014) it is through strategic responses that firms are able to position and relate themselves to the ever changing environment. Much research studies have been done on strategic responses to competitive environment, both conceptual and empirical.

The aspects of the strategic response is an issue that has been employed the years in order to ensure that there is effective response to the issues that are emerging within the banking sectors that have the possibility of ensuring that there is the elimination of the chance that banks have of achieving the desired performance that they had planned for. In a study conducted by Aduda and Kingoo (2012) it was found out that there is the lack of strategic response in some of the banks which has been able to make it hard for such banks to be able to experience the profits that they are expecting. Consequently, it has been noted that the performance of the banks is significantly affected by the lack of having effective strategies that are capable of ensuring that the bank is capable of navigating through the problems/challenges/limitations that are found within the banking industry. Some of these challenges usually found within the banking industry include issues like competition.

Competition is based on the inclusions of various banks within the market and thus increasing the level of competition for existing clients which has the potential of affecting the profitability of banks. This is a situation that is problematic and requires the introduction of strategic responses such as having staff who are well trained to handle various banking services. Staff training is linked to effective service delivery based on the fact it makes the employees to be aware of the rolls that they are supposed to be playing.

The aspect of having well trained staff has been found to be significant in eliminating some of the challenges that are faced by the banks when it comes to strategic response to the challenges that are faced within the banking industry (Okiro & Ndungu, 2013).When facing cut-throat competition, researchers have indicated that market occupants should carefully assess their new rivals, identify the source of their competitive strength, and eventually align their strategies accordingly.

Strategic response is the search for a sustainable strategy towards an increasing changing external environment in an industry. According to Pearson, Pitfield and Ryley (2015) developing a competitive or a strategic response is a wider formula encompassing how a business organization will compete, what the goals of the organization should be as well as the kind of policies would be required to complete these goals. Organizations are operating in very stiff environment and more so when selling products or services which are almost similar as well as targeting the same group of customers. The Kenyan banking industry is characterized by the presence of various banks and this is significant in that there is the needed for the banks to have effective strategic responses that are capable of ensuring that that there is the elimination of the potential challenges that are capable of affecting how they are performing.

In Kenya, there has been the ICT adoption as well as it is by the banks in line with insisting that there is provision of efficient services to the clients. Secondly, the banks have been able to ensure that there is the inclusion of the stakeholders in the provision of the services. For instance, the banks are often asking the clients to rate some of the services that they are being offered. This is an indication of the strategic responses by the banks. On the other hand, there has been the growth in the training of the bank staffs in order to ensure that effective services are being offered (Okiro & Ndungu, 2013).

Despite the strategic responses that have been made by the banks in Kenya. There are still challenges that are faced by the banks when it comes to their performance and this has been on the manner in which they are employing their strategic responses. Additionally, there is no enough literature that has been published in relation to the role that the strategic responses have when it comes to the improvement of the performance of the banks. Therefore, what is the influence of strategic responses on the performance of banks in Bungoma South?

1.3 Research Objectives

The main objective of this study will be to find out the influence of the strategic responses and the performance of banks in Kimilili Sub-County, Bungoma County.

The specific study objectives are:

i. To determine the influence of stakeholder intervention as a strategic response on the performance of banks in Kimilili Sub-County, Bungoma County.
ii. To determine the influence of ICT deployment as a strategic response on the performance of banks in Kimilili Sub-County, Bungoma County.
iii. To determine the influence of staff training as a strategic response on the performance of banks in Kimilili Sub-County, Bungoma County.

1.4 Value of the Study

The study is going to be significant as it will have a contribution on the growing body of knowledge regarding the influence of strategic responses on the performance of banks. This will be significant as the study will contribute to the growth of the theory in relation to the subject that is under study. Additionally, the study will contribute to the literature that already exists in relation to the influence of strategic responses on the performance of banks. The findings of the study are going to be important to the state as well as the policy makers and it will give a clear picture of the role of strategic responses on the performance of banks. This will enable the government through the Central Bank of Kenya to be in a position to come up with various policies that are in line with the uptake of the strategic measures to handle the various challenges faced by the banking industry.

To the practitioners mainly the commercial banks, they can be able to gain more knowledge regarding the influence of strategic responses on the performance of banks.

This is essential as it will ensure that the commercial banks are in a position to understand the effects of the strategic responses and how they can be able to employ them whenever they are dealing with various emerging issues within the banking industry. This will enable them to be proactive to market conditions therefore able to compete effectively in the competitive market.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter has discussions in relation to related empirical review on how stakeholder intervention, ICT deployment and staff training influence performance of banks. The literature review is used to analyzed various studies that have been conducted in relation to the objectives of the study. The section also discusses the Open Systems Theory and Resource Based Theory and their link to the current study.

2.2 Theoretical Foundation

Different authors have different theories when it comes to the aspect of strategy. The term strategy issued to mean substance or content. Aithal (2016) has indicated that strategy is what allows companies to define the goals that they need to have. Strategy is mainly based on two levels and that is corporate and business level. Corporate strategy is based on the decisions made by the company while the business strategy is keen on ensuring that there are strategies that are made in relation to the competition that is to be adopted by the business.

Strategic management is a concept that is employed when it comes to position the business in terms of the challenges that it is facing when it comes to the business environment. It is mainly employed in order to enhance the competitive advantage that business has. Within a business environment that is turbulent in nature, there is the need to adopt some of the strategies such as downsizing, reengineering, and outsourcing. Strategic management is critical in allowing the company to achieve its desired performance goals as indicated by Aithal, 2016).

2.2.1 Open Systems Theory

The advocates of open system theory recommend that as firms engage in their businesses, external environmental factors, changes as well as occurrences will influence them. For any organization to endure business pressures, they should constantly interact with the consistently changing macro-environment. Firms that want to be successful and effective should adjust appropriately to changes that happen in their individual environment. This is on the grounds that organizations are environmental serving and hinge on and should in this manner adjust or create a strategic fit with the environment in the event that they are to stay suitable.

It has been noted that in any framework/system, firms can continue in its operations by interfacing with its external environment. It is sustaining upon itself by being penetrable to through no limits and connects with the environment. Open systems are living frameworks and keep up themselves in exchanging of contributions with external environment. Firms working under open systems are exceptionally versatile while closed organizations not on the grounds that they are not permeable since they do not have any exchanges with the external environment. Business organizations should in every case constantly interface with their external environmental conditions to draw in the resources that can support or improve their performance (Whitney, Bradley & Baugh, 2015).

2.2.2 Resourced Based Theory

This theory has originated from the work of Wernerfelt in the 1980s and 1990, it is based on the premise that the competitiveness of a firm and its ability to respond to strategic issues depends principally in the bundle application of the resources at its disposal in order to build a competitive advantage.

Resourced based view according to David (2011) is premised on the fact that the mix, type and nature of the organization’s resources especially internal should be the foremost thing to be considered when deciding on the strategy to be used by the organization that can create sustainable competitive advantage. Organizations should therefore identify their unique resources and exploit them accordingly for the benefit of the organization. When an organization is facing stiff competition and any other external pressures, resource inadequacy as well as performance decline, there is a tendency for the organization to focus more on the internal resources as well as creating conducive internal focus as opposed to concentrating on external stakeholders.

Organizations actions should then be directed towards management of dependencies arising out of critical resources required for its output and effective management of these dependencies results into survival (Narayana, 2015). Organizational activities are driven by external forces and hence there is need for a match between the organizational resources and pressures from the external environment in order for the organization to respond effectively. Putting resources to multiple use or services is beneficial to the organization and this calls for a mechanism as a function of human knowledge and ability for identifying extracting services from any resource.

This enables the identification of the value and utility a resource is put to by its very linkages to customers and the matching of the productive services extracted from the resource to the needs of the customer. This theory advances an argument for banking organizations to achieve performance using internal resources postulating that instead of organizations engaging in acquisition of new skills for various opportunities, they should embark on exploiting external opportunities available using the existing and available resources since this seems more feasible.

The present unique bank resources should be play a major role in helping the organization achieve greater output and to outperform their competitors due to timely and efficient strategic response (Fanta, Kemal & Waka, 2013). This means that organizations should maximize on their available resources to compete effectively in the market. Organizations should therefore enhance their core resources and maximize its use to increase their profitability and overall market share.

2.3 Concept of Organizational Performance

Organizational performances denotes an organizations final achievement and relates to realization of set targets, includes a timed period in achieving the set targets and involve an operating system that incorporates higher level of effectiveness and efficiency. Performance of the organization therefore is the achievement of set objectives such as increased market share, increased revenues, and release of products of good quality at set timeframes through relevant strategies. An organization can pinpoint strength as well as weakness areas, access the level of progression towards its pre-determined objects and deciding on how future initiatives are to be undertaken through performance (Gunasekaran et al. 2017).

There are three (3) measures used in accessing banks' financial performance, namely, profits of the organization (net income), return on investment (ROI) as well as return on shareholder equity. Another measure that is used is the growth of the deposits which is unique to different financial institutions. Employee productivity is used as measure of performance especially in the service sector. The measure is important particularly in the banking sector as it's a reflection of an employee's determinations disentangled from disparities in product as well as capital markets (Birasnav, 2014).

2.4. Stakeholder Interventions and Performance of Banks

According to Berger, Bouwman, Kick and Schaeck (2016) stakeholder involvement is significant when it comes to the management of the performance of a company. There are various aspect of the stakeholder involvement in a business which is linked to an effective performance. Stakeholders play a different role within an organization which tends to have an effect on the goals that have been selected by the company (Berger, Bouwman, Kick and Schaeck, 2016). Stakeholders are individuals who have an interest in the business based on the various activities that it is involved in. It is one of the areas that is critical in enhancing the performance of a business and more so when it comes to banks.

The first important stakeholders who are capable of enhancing the performance of the business are customers. Customers are key and this is because they are involved in the purchase of the products that are being sold by the company. If there is the production of products and offering of services that are of great quality, then there is the possibility that the business is going to attract more customers. The second group of stakeholders who are important in the performance of a company are the owners. The owners are critical and this is based on the fact that they are responsible for the major decisions that are made by the company (Sherman & Ford, 2014).

Some of the major decisions they are involved in the allocation of the money to allow the business to execute its roles and mandate effectively (Isaac, 2014). In a study conducted by Berger, Bouwman, Kick and Schaeck (2016), it was noted that the owners as the stakeholders also have the ability to adopt to any decisions that might have either positive or negative effects on the performance of the business and thus, they are essential in the realization of the overall performance of the business

The third category of the stakeholders who are crucial in the performance of form are found within the external environment and that is when it comes to the regulators within the industry (Isaac, 2014). In a study done by Wasiuzzaman and Nair Gunasegavan (2013), it was noted that when it comes to banks such as the Islamic banks, the regulator is always the government based on the policies that are enacted and adopted to govern the activities of the banks. There are various regulations that are essential in the achievement of the desired performance by the banks. Regulations can be able to enhance the level of competition within the industry such as allowing for the entrance of various banks which enhances the level of performance. Additionally, the regulations tend to affect the overall activities of the banks which can led to a positive or negative performance

Paul, Sossouhounto and Eclou (2014) conducted a study on the influence that stakeholders have on the performance of banks within Asia. The study found out that in the face of crisis stakeholders are key in ensuring there is effective of the mannegemt on avoid financial challenges. This is done by the stakeholders through adopting various measures.

2.5 Information &Communication Technology Deployment and Performance of Banks

Information and Communication Technologies (ICTs) are being viewed as being significant in the management of various processes within organizations that requires the application of technology and this also includes various issues that are crucial when it comes to the performance of various firms. ICT is one of the emerging issues that has been deemed to be critical in enhancing the overall performance of the business. The use of the ICT has been found to have bigger role on the services that are being offered by the companies and this is in terms of making sure that there is efficiency such as making sure that the customers are able to access the services through the use of their phones instead of visiting the bank directly.

The use of technologies such as the application of the computers is deemed as being significant when it comes to enhancing the nature of services that banks are offering to the people. This is based on their liability and the speed at which the services are offered to the clients (Dženopoljac, Janoševic & Bontis, 2016).Through the use of ICT services, there has been the provision of self-services that are mainly used by the clients of various banks which has been able to enhance the level of services that are being offered. This limits the number of times the client has to visit the bank and this enhancing the nature of competition that such banks are likely to have within the market (Safari & Yu, 2014). Technology has been changing over the years based on its application within the market.

Furthermore, in a study that was conducted by Wachira and Ondigo (2016) in private companies, it was found out that the changes in technology has prompted most of the companies to adopt strategic measures that are used to enhance the level of service’s that they are offering and the products that rely on the use of technology. The study also found out that the deployment of ICT ion the development of products ensures that they remain competitive within the market. This is based on the advantageous that the ICT has on the execution of various activities that the business.

ICT is unmistakably considered as a fundamental development area in this century, explicitly, in a unique business and profoundly rivalry environment which requires utilization of advanced ICT to improve productivity and cost adequacy, and to exhibit top notch products and services to their clients (Allen & Morton, 2004). Additionally, it has been indicated by Rufai (2014) that the use of technology is key in the performance of SMEs in Nigeria based on the role that it plays in the improvement of products as well as the lowering of the cost of production and service delivery.

The study indicates that products that are offered online by the use of ICT is efficient as they assure customers of being served promptly. The study also noted that management of the communication system through the use of ICT such as application of social media allows the SMEs to cut the cost that could have been incurred if there was to be an office established to handle complaints raised by the customers which has been supported by Pollard and Morales (2015).In a study that was conducted by Binuyo and Aregbeshola (2014), it was noted that the deployment and the use of ICT is crucial when it comes to the management of various aspects of a business and more so on the small businesses that are starting up. The study found out that the deployment of the ICT is crucial in the management of the business operations such as the management of the finances and thus ensuring a positive business performance.

2.6 Staff Training and Performance of Banks

Ng and Siu (2004) gathered information on 800 state-owned assembling ventures and non-state-owned assembling companies from a survey review in Shanghai to survey the impacts of training on organizational performance. The investigation by Ng and Siu (2004) evaluated the effect of training on firm performance in SOEs and non-SOEs. They established that managerial development had a positive and huge impact on sales in both SOEs as well as non SOEs. Notwithstanding, specialized training made no input to organizations' profitability. The research likewise demonstrated that training targets/objectives have three noteworthy measurements: enhanced working relations, handling aptitude inadequacies, and expertise advancement. Also, SOEs will in general center more around aptitude advancement (skill development) though non-SOEs focus on upgrading both working relations and skill improvement (Falola, Osibanjo & Ojo, 2014).

Adesola, Oyeniyi and Adeyemi (2013). Empirical did a research on training of manpower within Nigerian banks. From a review of 6 banks, the main findings showed that the organizations which executed training programs in 2006 had expanded sales volume and productivity (0.18 percent) in manufacturing organizations. Also, manufacturing organizations which executed training programs after 2005 had an increment of 0.32 percent in complete sales as well as productivity every year somewhere in the range of 2005 and 2006. Notwithstanding, the researchers found no measurably significant impact on 2005-2006 rate change in sales and efficiency of nonmanufacturing organizations if these organizations gave training after 2005. The study result likewise demonstrates that manufacturing organizations have been exclusively concentrating on training for technical engineers. The econometric analysis technique in this research which helped the authors in conquering the constraints of estimation relies upon the precision of the assumption with respect to the cost of training and the precision of the subjective estimates of organization performance.

Majekodunmi (2013) contend that in Nigeria for instance, individual companies and organizations have begun making different endeavors at training the required skill labor. Industries like the Nigerian Port Authority, Nigerian Telecommunication Limited and Banking businesses have proceeded to have their training schools. The author further contends that the Government and its different agencies, additionally understanding the significance of training, has practically set-up numerous training schools for human resource advancement. This is buttressed by the Nigerian National Policy on Education, Section 52, Sub-section 4 (2004) which expresses that; " For all classes of workforce, various types of in-service instructional class, seminars, gathering (conferences) or workshops should be masterminded on a proceeding with premise, so all employees may achieve more capability in their works.

On-the job training, as per Konings and Vanormelingen (2015) is especially for all cadres of staff being utilized to accomplish certain predetermined organizational objectives. The researchers maintained that the individual worker ends up accustomed with the machinery and materials that he will use in his ensuing work and to learn in the equivalent physical and social environment. The perspective of these researchers in general suggests that on-the job training is a particular type of job guidance, intended for conferring and getting those abilities and attitudes required by the employees to perform specific functions successfully.

A majority of different researches additionally found that training positively affected labour turnover. These outcomes propose that turnover powerfully affects employer choices to give training to workers. High turnover suggests that interest in training for their employees is not efficient since huge numbers of those trained moved to other organizations. Along these lines, organizations may pay a quite significantly high price for this turnover regarding lower sales (Hanaysha & Tahir, 2016).

2.7 Conceptual Framework

The research study will be guided by a conceptual framework which is a diagrammatic representation covering all variables as well as indicators. The conceptual framework shows the causal relationship between variables as presented in Figure 2.1

Strategic responses

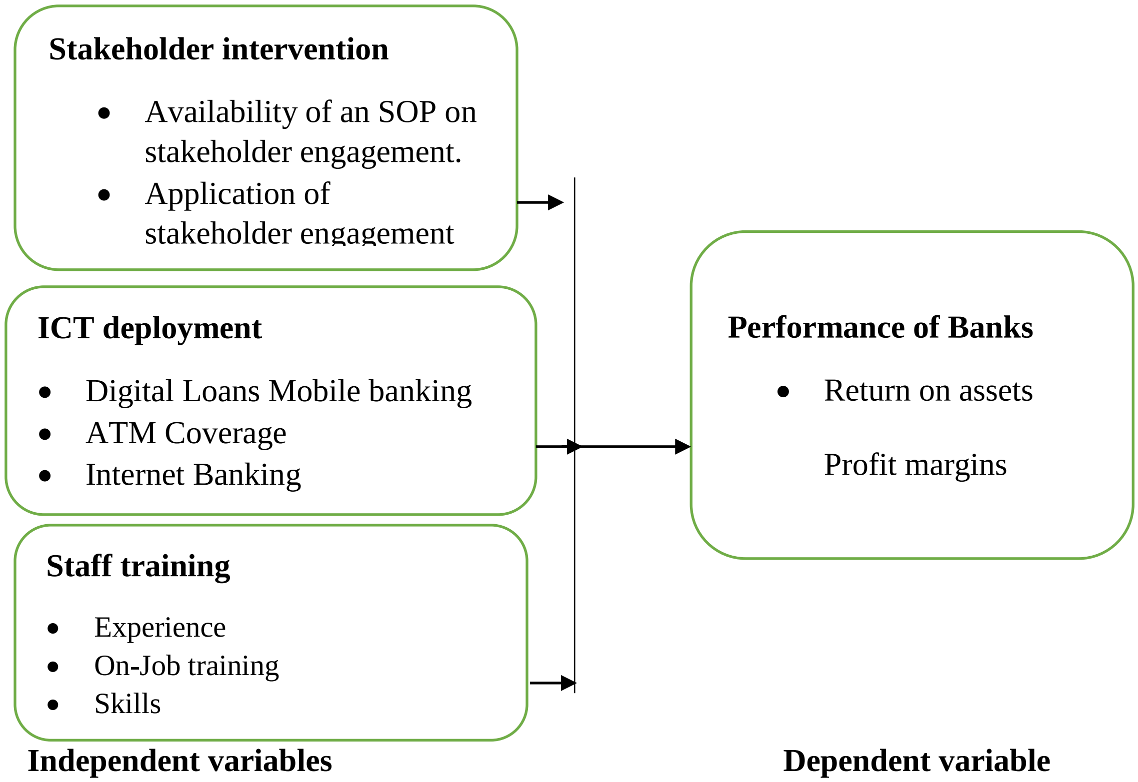

Figure 2.1: Conceptual Framework

Source: Researcher (2019)

2.8 Summary of Literature Review and Knowledge Gaps

The literature review has covered various studies that have captured the objectives of the current study. The analysis of the literature review indicates that various authors have assessed the issue of strategic responses in relation to bank performance of banks. The studies that have been analyzed have enhanced the understanding of the topic. Additionally, the section has captured the theories used in the study. The analysis of the theories has been done in relation to their applicability within the current study. Despite various studies being captured in this section, there are gaps that have been noticed.

The first gap is that none of the study captured has been done in Kimilili Sub County. Hence, this study filled the gap through assessing banks that are found within Kimilili Sub County. The second gap is that the studies captured in the section have assessed the three variables of the study separately. Hence, this study filled the gap through assessing the variables together to ascertain their combined effect on bank performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter was to cover research design, target population, sample design and sampling procedure, research instruments, and data collection procedure and data analysis. The chapter gives an overview of the entire research process and the aspects that are to be employed. Additionally, the section explains all the methodologies that have been used.

3.1 Research Design

This research study embraced the cross sectional survey research design. Kothari (2004), has defined descriptive study design is a study that describes accurately the variables and characteristics that are found within the entirety that is being investigated. The design was also selected so that it assists with description of matters as well as the issue that was under study. The design was selected in order to assist with the descriptions of the effects that the strategic responses have when it comes to the performance of banks that are found within Bungoma County.

Mugenda and Mugenda (2003) defined target population as the specified population that is being targeted by the study as the source of the information that is being sought. The study targeted 13 banking institutions that are located within Kimilili Sub-County. The target population will comprise of 13 Bank Managers in 13 banking institutions in Bungoma County.

3.3 Data collection Instruments

This research relied on the primary data. Interview schedule was used in collection of the primary. This study collected primary data from a target population of 13 commercial banks based in Kimilili Sub County. Interview schedule was employed in collection of data from the branch managers. The interview schedule was selected based on the fact that it made it easier to collect data from a small sample population that required face-to-face interview. The interview was conducted based on the time schedule that the branch managers had. Each interview took approximately 30 minutes.

Prior to visiting the banks for data collection, authorization was sought from the bank managers through an introduction letter. The administering of the instruments was actualized by the researcher personally visiting having made the appointment. The data was collected using interview guides which were administered to respective heads of 13 bank managers in all commercial banks in Kimilili County. An interview guide was used as it enables oral administration of questions in a face-to-face encounter therefore allowing collection of in depth data. This involved in-depth discussion through individual meetings with the bank managers. With unstructured questions, a respondent's response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back (Copper and Schindler, 2006).

3.5 Data Analysis

The qualitative data collected through a detailed interview guide was analyzed using conceptual content analysis technique. According to Mugenda and Mugenda (2003) the main purpose of conceptual content analysis is to study the existing information in order to determine factors that explain a specific phenomenon.

According to Kothari (2000), conceptual content analysis uses a set of categorization for making valid and replicable inferences from data to their context. The responses from different respondents was compared and summarized according to the objectives of the study. Content analysis is the best method of analyzing the open-ended questions because of its flexibility and allows for objective, systematic and quantitative description of the content of communication (Cooper and Schindler, 2006)

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.0 Introduction

Analysis of the data was done based on the objective of the study which was to find out the influence of the strategic responses and the performance of banks in Kimilili Sub-County, Bungoma County. Primary data was collected through in-depth interviews administered to respective branch managers in the 13 commercial banks in Kimilili Sub-County.

4.1 Interview Schedule Response Rate

A total of 13 respondents were subjected to an interview schedule. This was carried on the branch managers of the bank. The managers were from 13 banking institutions in Bungoma County. The interview reported 100% response rate which was very satisfactory as per the recommendations by Mugenda and Mugenda (2003).

4.2 Background Information

The study sought to find out personal and work related information which includes: gender, age bracket, work experience and level of education of the employees in their bank. The bank managers were asked to give data on the age brackets of their employees. The study findings revealed that there were more male employees than the female were. It was important to determine the gender so that the researcher establishes the dominant gender in the banking sector. The findings showed that the male gender has dominated the banking sector.

Concerning the age of the respondents, the results indicated that majority of the bank employees are aged between 41 and 45 while those aged between 18 and 25 are the fewest. The researcher also sought to determine the level of experience of the respondents.

From the findings, results showed that majority of the bank employees are experienced since they have worked for over four years. An experience of four years and above in the banking sector is enough for an employee to know the dynamics in the banking industry.

The Bank managers were asked to state the commonly used strategies by their banks in response to economic dynamics. The findings showed that staff training is the widely used strategic response by the banks. This is an indication that banks believe that a well trained staff will be able to respond to social, economic, political and technological factors which might have adverse effect on the bank's performance.

4.3 Stakeholder engagement and Performance of banks

The bank managers were asked to state whether there is SOP elaborating stakeholder engagement in the institution. The study also revealed that the institution applies stakeholder engagement procedures. The results of the study further revealed that application of stakeholder engagement procedures is sometimes done frequently while in some cases it is not. The findings showed that even though there exists stakeholder programmes, the banks are not keen enough to follow the laid down procedure on stakeholder engagement. The findings further showed that application of stakeholder engagement procedures improves the performance of banks.

4.4 ICT deployment and Performance of Banks

The study sought to find out from the bank managers their views concerning ICT deployment and how it influences performance of banks. Some respondents were of the view that their banks utilize digital Loans. Majority of the respondents were of the view that their bank has mobile banking which helped them reach more customers conveniently and effectively.

Concerning the ATM coverage, respondents noted that ATM coverage is sufficient for customers. This is an indication that most banks have ATMs everywhere and customers have never complained or fell short of ATM services.

Availability of the ATMs has made banking very efficient and easy. The use of ICT improves performance of Banks. Majority of the respondents believed that banks that are using ICT as a strategy for performance improvement end up with increased turnover. The managers in the study agreed that ICT has become a very important tool in performance of the banks. The interview further revealed that many banks that used ICT recorded high sales volumes as well as profits. The ICT used especially the ATMs are sufficient for the customers

4.5 Staff training and Performance of Banks

Respondent believed that staff have sufficient experience to handle all the bank operations. The findings also revealed that staff get On-Job training through the institution. This is an indication that most banks practice job training to boost the skills, knowledge and competency of their staff. With the on the job training being practiced by the banks, the findings further showed that staff have sufficient skills. On the contrary, staff training has not improved performance of Banks as revealed by most bank managers. This indicated that training done by the banks might not in some cases be relevant or they may just be repetition of the knowledge, skills and capacity that the employees already have. They further noted that a well-trained and skilled employee will be more efficient and effective which will be replicated to the whole organization.

The respondents generally believed that staff training is very significant in ensuring that there is improved performance in the bank. In particular, they unanimously agreed that staff training enables the employee to possess the ability to respond effectively to the dynamics in the industry whether emanating from within or outside the organization.

4.6 Performance of Banks

The branch managers were asked about the performance of the various banks for the last 12 months. The study findings revealed that banks had not made high profits in the last 12 months. Profits have been made by the banks but not at the highest rate. The study results also showed that many banks have not generally experienced an increase in sales. The use of the said strategies though has been helpful in performance have not produced very high performance in terms of sales.

The findings also revealed that banks have been able to have an increase in the number of customers. This increase means that the customer base has increased to a larger extent. The study results further showed that banks have not generally increased their revenue generation considerably but just a little. There is a little revenue increase due to an increase in the customer base. Majority of the bank managers interviewed were of the opinion that majority of the banks have not recorded high profits in the last 12 months. They further stated that there has been an increase in customer base but this has not translated to the same ratio in terms of sales as well as revenue collection.

4.7 Discussion of the findings

The study identified strategic responses that have been used by banks in Kimilili Sub County to compete more effectively in the changing business environment which includes: effective use of stakeholder intervention, effective use of ICT in their operations and effective training of bank employees to improve performance.

The study findings are in line with Harker (1999) and Gardenne (1998) that every industry has its own unique variation of strategies that result in high performance, as each industry is unique with its own critical or key factors and environmental requirements.

The study found out that in terms of stakeholder engagement, most banks have stakeholder participation programmes that are beneficial to the organization. Additionally, the study also revealed that that the institution applies stakeholder engagement procedures. The existence of stakeholder programmes is a great indication that the banks value stake holder participation and hence the existence of programmes for stakeholder participation. This findings are in agreement with the findings of Paul, Sossouhounto and Eclou (2014) that indicated that the participation of the stakeholder is significant in ensuring that there is the mitigation of the challenges that are faced such as the financial crisis.

The results of the study further revealed that application of stakeholder engagement procedures is sometimes done frequently while in some cases it is not. The findings further showed that application of stakeholder engagement procedures improves the performance of banks. It means therefore that should the bank follow the procedures adequately, the stakeholders will own the engagement and hence improve bank’s performance. The findings contradict the findings of the study carried out by Berger, Bouwman, Kick and Schaeck (2016) that stakeholders are not really relevant in the strategy to adopt by the organization and it solely lies with the management of the organization. Banks should come up with engagement. They further indicated that even though stakeholder participation has been very critical in banks performance, most banks do not follow the laid down procedures.

The study sought to find out from the bank managers their views concerning ICT deployment and how it influences performance of banks. Some respondents were of the view that their banks utilize digital Loans. This shows that a good number of banks are using digital loans to increase their loan uptake.

Majority of the respondents were of the view that their bank has mobile banking which helped them reach more customers conveniently and effectively. The findings are in line with the findings of the study carried out by Aduda and Kingoo (2012) on the influence of electronic banking on financial performance. Concerning the ATM coverage, respondents noted that ATM coverage is sufficient for customers.

This is an indication that most banks have ATMs everywhere and customers have never complained or fell short of ATM services. The results are in tandem with the results of the study carried out by Safari et al. (2014) that ICT adoption in the Iranian banking industry actually improved banks' efficiency and effectiveness and banks that used ICT in their marketing, operations as well as banking were most likely going to improve performance by a considerable percentage.

Respondent believed that staff have sufficient experience to handle all the bank operations. The findings also revealed that staff get On-Job training through the institution. This is an indication that most banks practice job training to boost the skills, knowledge and competency of their staff. With the on the job training being practiced by the banks, the findings further showed that staff have sufficient skills. On the contrary, staff training has not improved performance of Banks as revealed by most bank managers. This indicated that training done by the banks might not in some cases be relevant or they may just be repetition of the knowledge, skills and capacity that the employees already have.

The results of this study are in line with the findings of the research study carried out by Falolola and Osibanjo (2014) in their study on effectiveness of training and development on the performance of the employee as well as that of the organization in which they established that staff training plays a very significant role in improvement of organizational performance.

They further noted that a well-trained and skilled employee will be more efficient and effective which will be replicated to the whole organization. The respondents generally believed that staff training is very significant in ensuring that there is improved performance in the bank. In particular, they unanimously agreed that staff training enables the employee to possess the ability to respond effectively to the dynamics in the industry whether emanating from within or outside the organization.

The branch managers were asked about the performance of the various banks for the last 12 months. The study findings revealed that banks had not made high profits in the last 12 months. Profits have been made by the banks but not at the highest rate. The study results also showed that many banks have not generally experienced an increase in sales. The use of the said strategies though has been helpful in performance have not produced very high performance in terms of sales. The findings also revealed that banks have been able to have an increase in the number of customers. This increase means that the customer base has increased to a larger extent. In terms of the increase in the number of customers, the findings of the study are in line with the findings of Sherman and Ford (2014) that indicated that customers are key and this is because they are involved in the purchase of the products that are being sold by the company.

The study results further showed that banks have not generally increased their revenue generation considerably but just a little. There is a little revenue increase due to an increase in the customer base. Majority of the bank managers interviewed were of the opinion that majority of the banks have not recorded high profits in the last 12 months. These findings agree with the findings of Birasnav (2014) that banks' financial performance is assessed through profits of the organization.

Hence, indicating the banks are not performing well financially due to the low profitability that they have experienced in the last 12 months. They further stated that there has been an increase in customer base but this has not translated to the same ratio in terms of sales as well as revenue collection. The interest capping law made loans to customers unattractive because of the low rates thus reducing their business of loans despite the increasing customer base.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Overview

This chapter was divided into three major sections; summary, conclusions and recommendations. The summary is based on the findings of the study based on the data that was collected and the analysis that was done. These divisions were informed by the purpose, objectives of the study as well as the results of the study.

5.2 Summary

The study findings revealed that the highest gender was the male than the female were. The findings showed that the male gender has dominated the banking sector. From the findings, results showed that majority of the bank employees are experienced since they have worked for over four years. An experience of four years and above in the banking sector is enough for an employee to know the dynamics in the banking industry. The findings showed that staff training is the widely used strategic response by the banks. This is an indication that banks believe that a well trained staff will be able to respond to social, economic, political and technological factors which might have adverse effect on the bank's performance.

The study revealed that most banks have stakeholder participation programmes that are beneficial to the organization. The study also revealed that the institution applies stakeholder engagement procedures. The existence of stakeholder programmes is a great indication that the banks value stake holder participation and hence the existence of programmes for stakeholder participation. The results of the study further revealed that application of stakeholder engagement procedures is sometimes done frequently while in some cases it is not done frequently.

The findings showed that even though there exists stakeholder programmes, the banks are not keen enough to follow the laid down procedure on stakeholder engagement. The findings further showed that application of stakeholder engagement procedures improves the performance of banks. Respondents showed that stakeholder engagement is very essential for the banks and that banks regularly apply such programs. They further indicated that even though stakeholder participation has been very critical in banks performance, most banks do not follow the laid down procedures.

Some respondents were of the view that their banks utilized digital Loans Majority of the respondents were of the view that their bank has mobile banking. Concerning the ATM coverage, respondents noted that ATM coverage is sufficient for their customers. Availability of the ATMs has made banking very efficient and easy. The use of ICT improves performance of Banks. Majority of the respondents believed that banks that are using ICT as a strategy for performance improvement end up with increased turnover. The study findings showed that ICT has become a very important tool in performance of the bank. The study further revealed that many banks that used ICT recorded high sales volumes as well as profits. The ICT used especially the ATMs are sufficient for the customers.

Respondents who believed that staff has sufficient experience were evidenced. The findings also revealed that staff gets on-job training through the institution. With the on the job training being practiced by the banks, the findings further showed that staff have sufficient skills. On the contrary, the findings showed that staff training has not improved performance of Banks. Generally, the respondents believed that staff training is very significant in ensuring that there is improved performance in the bank.

In particular, they unanimously agreed that staff training enables the employee to possess the ability to respond effectively to the dynamics in the industry whether emanating from within or outside the organization. The study findings revealed that banks had not made high profits in the last 12 months. Profits have been made by the banks but not at the highest rate. The study results also showed that many banks have not generally experienced an increase in sales. The use of the said strategies though have been helpful in performance have not produced very high performance in terms of sales. The findings have also revealed that banks have been able to have an increase in the number of customers. The study results further showed that banks have not generally increased their revenue generation considerably but just a little.

5.3 Conclusion

Based on the findings the study concluded that stakeholder engagement is essential for the banks though it does not increase the sales volume and profits and hence doesn't affect the performance of the bank. The study also concluded based on the findings that ICT adoption is an effective strategy that the banks can use to spur performance. This is due to the fact most of the customers are able to use the ICT tools. From the findings the study concluded that staff training is the commonly used strategic response by the banks and that they do have elaborate systems concerning staff training. Staff training has improved the performance of the banks since a well skilled employee is an efficient and effective employee.

5.4 Recommendations

The findings are very useful not only to the banking sector bust also to the stakeholders as well. The study recommends that the banks should come up with a policy on stakeholder engagement so that they adhere to the contents and plan for the policy on participation of stakeholders. The study also recommends that the banks should come up with training programs that are relevant to the banking industry and execute only those programs that are beneficial to certain cadre of employees depending on their area of operation. Lastly, the government should come up with a mechanism that will allow the banking sector to come up with their own regulations concerning interest capping since this has greatly affected their performance.

5.5 Recommendations for Further Research

The study recommends that a study should be carried out to determine the influence of banking sector self-regulations on the performance of the banking industry. The researcher also recommends that a study can also be carried on the effect of financial resources on strategic response of banks.

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APPENDICES

APPENDIX I: INTRODUCTORY LETTER

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29 September 2019

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

INTRODUCTORY LETTER FOR RESEARCH

KIPTOO ANDREW KIBET – REGISTRATION NO. D61/6540/2017

This is to confirm that the above named is a bona fide student in the Master of Business Administration (MBA. Strategic Management option) degree program in this University. He is conducting research on ***"Strategic Responses, Government Regulations and the Performance of Banks in*** Kimilili ***Sub – County, Bungoma County, Kenya".***

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the research project. The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your co-operation will be highly appreciated.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
29 SEP 2019
ELDORET CENTRE
P.O. Box 594 - 30100 ELDORET

DR. JOHN YABS
CO-ORDINATOR,
SCHOOL OF BUSINESS
ELDORET CAMPUS

CC: File Copy

APPENDIX II: INTERVIEW SCHEDULE

1. What is the number of years your current staff has worked in your bank?

2. What is the composition of your staff in terms of gender?

3. What is the influence of stakeholder intervention as a strategic response on the performance of your bank?

4. What is the influence of ICT deployment as a strategic response as on the performance of your bank?

5. What is the influence of staff training as a strategic response on the performance of your bank?

6. Has your bank made profits in the last 12 months?

7. Has your bank experienced increase in sales in the last 12 months?

8. Has there been increase in the number of customers in the last 12 months?

9. Has your bank increased its revenue generation in the last 12 months?

Thank you