

**COMPETITIVE STRATEGIES EMPLOYED BY COMMERCIAL BANKS
IN NYERI COUNTY AND THEIR EFFECT ON BANK PERFORMANCE**

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DECLARATION

This thesis is my original work and to my knowledge has not been presented for award of a degree in any other University.

Signature.....

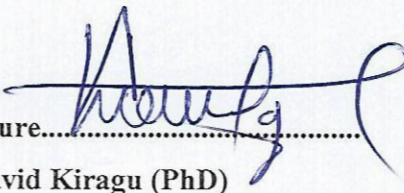
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APPROVAL

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ABSTRACT

The study was undertaken to identify strategies employed by commercial banks in Nyeri County. The problem statement of the study being to find the various competitive strategies that each of the listed commercial banks in Nyeri County employed and the effect of each of these strategies to the performance of the bank. The study explored the performance differences between each generic strategy group. Generic strategies include cost leadership, differentiation, focus (focus on cost or focus on differentiation). Firm performance refers to financial performance in the bank. The literature review explores the various strategies that are applied by banks. The research adopted a descriptive survey research design and the target population was made up of the employees of the commercial banks in Nyeri County. For the sampling design, the research adopted the simple random sampling method. A semi-structured questionnaire was used to collect primary data from the respondents. Statistical Package for Social Sciences (SPSS) was used as an aid in the analysis of the data, to identify the competitive strategies employed by the commercial banks and their relationship to the banks' performance. Determination of the link between the competitive strategies and banks' performance was undertaken using a regression analysis. Results indicate that performances across the banks surveyed can be termed moderate with respect to Total revenue growth, Total asset growth and Market share growth. A majority of banks were found to pursue the cost reduction strategy, most notably focusing on pricing their products below competitors and emphasizing on cost cutting and internal efficiency program. The study also established that product differentiation strategy is only moderately practiced among the banks surveyed, with significant emphasis put on innovation in marketing techniques and methods. Focus strategy is extensively practiced among the banks surveyed, most particularly around addressing special needs in a particular market segment. The study conducted inferential statistics entailing both Pearson and regression analysis with a view to determine the relationship between the competitive strategies (independent variables) by commercial banks in Nyeri County and their performance (dependent variable). The strongest correlation was established between Cost leadership and performance ($r = 0.7910$), and the weaker relationship found between Product differentiation and performance ($r = 0.6301$). Focus is also strongly and positively correlated with performance at correlation coefficient of 0.7084. All the independent variables were found to have a statistically significant association with the dependent variable at 0.05 level of confidence. The study found out that quite a number of strategies used by commercial banks operating in Kenya are applied ignorantly without adequate knowledge and understanding of the target market. Therefore, this study recommends that commercial banks operating should embrace strategic thinking practices for their survival in the dynamic and competitive business environment. The study found out that little emphasize is put on services/products offered by the commercial banks hence slow response from the target market. Therefore, this study recommends that the government recognizes the importance of the financial industry and formulate legislation that support and promote the financial sector in Kenya hence social economic developments.