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DETERMINANTS OF BRANCH NETWORK OF COMMERCIAL BANKS IN KENYA: A SURVEY OF COMMERCIAL BANKS IN KISII COUNTY, KENYA

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Abstract

Banking institutions are intermediaries providing payment services and financial products that enable households and firms to participate in the broader economy. By offering vehicles for investment of savings, extension of credit and risk management thus they enhance development. Currently there are 43 registered commercial banks in Kenya. This study seeks to fill the existing research gap by conducting a study to establish determinants of establishment of commercial banks in Kenya. The Population of this study constitutes 11 commercial banks in Kisii town, Kenya. Using simple random sampling the desired. sample size was attained from a population of 11 commercial banks in the town. The collected data was analyzed using descriptive statistics such as frequencies and percentages. The study established that population, number of businesses in the area of interest and people's culture and preferences this implies population is the key determinant in the establishment of commercial banks in Kisii town. The study revealed that economic analysis of innovation suggests that regulatory constraints are so burdensome that avoiding them can make larger profits. The study also established that technological plan, product innovation and strategic partnership and innovation affect establishing of a new commercial bank branch.

Keywords: Socio-Economic Factors, Political Factors, Competitive Strategies, Branch Network of Commercial Bank, Banking

INTRODUCTION

Banking institutions are intermediaries that provide the payment services and financial products that enable households and firms to participate in the broader economy. By offering vehicles for investment of savings, extension of credit and risk management thus they enhance development. A bank can be defined as a company, which carries on, or purposes to carry on banking business (Kenyan Banking Act, 1995).

Currently there are 43 registered commercial banks in Kenya including 13 multinationals banks, 6 banks that have government participation, and 12 banks that are locally owned. In addition there are 2 non-bank financial institutions 2 mortgage finance companies, 4 building societies and 47 foreign-exchange bureaus (Economist Intelligence 2003).Seven banks control approximately 70% of the market share (The Banker 2003). While the essential functions performed by the organizations that make up the industry the provision of payment services and facilitation of the allocation of economic resources over time and space have remained relatively constant over the past several decades, the structure of the industry has undergone dramatic change. Rapid innovations in new financial instruments and the explosive growth in information technology fuel this change. With these change there has come increasing pressure on managers and workers to dramatically improve productivity and financial performance. Competition has created a fast-paced industry where firms must change in order to survive.

It is now recognized that commercial banks make a significant contribution to the socio-economic and political infrastructure of developed and developing countries as well as the nations in transition from command to market economies (Matlay and Westhead, 2005). Furthermore, a healthy and growing banking sector is perceived to be crucial for sustainable competitive advantage and economic development at local, regional and national levels (Porter, 2006).In a study covering four Southern African countries: Botswana, Malawi, Swaziland and Zimbabwe, access to formal credit helps firms to survive only in Malawi (McPherson, 1995). In Swaziland and Botswana, the firms that borrowed from informal sources had higher chances of closing down than firms that had never borrowed from any source. In Indonesia, when the financial sector was liberalized, many inefficient firms that had been favored by government and getting credit at low interest rates simply collapsed (Harris et al. 1994). However, good use of credit facilities from the banks has assisted the growth of many firms.

In many countries, financial systems in general, and the banking sector in particular, are passing through a period of substantial structural change under the combined and inter-related pressures of: internal competition; declining entry barriers; changes in regulation; new information; trading and delivery technology; global competitive pressures; and fast-evolving strategic objectives of banks themselves and their existing and potential competitors (Channon

1998). A series of universal trends have become evident all of which have major implications for the competitiveness of banks. The impact of these forces has varied in timing and degree between countries though many of the secular pressures on the industry are universal. Global pressures are likely to dominate country-specific factors in the future evolution of national banking systems (Sala-I-Martín, 2002).

Banks around the world face formidable challenges: they are losing some of their past monopolies and comparative advantages which have underpinned their dominant position in the financial system (Sala-I-Martín, 2002). In particular, as entry barriers into banking services are eroded, banks are increasingly facing competition from a wider range of actual and potential suppliers of banking services: the capital markets, money markets, non-banking financial institutions, and also 'non-financial banking institutions'. In addition, the development of electronic banking has in some countries enabled foreign banks to enter hitherto relatively closed domestic retail banking markets (Thiel, 2001). In some cases large corporate customers have been internalizing some of their banking operations through 'in-house banks'. In many countries banks are shedding staff and closing branches with the introduction of new technology and alternative delivery systems. At the same time, squeezed by inroads into their traditional businesses and sharper competition, banks are expanding into new areas: insurance, life assurance, unit trusts and other services (Cooper, 1998).

These trends are emerging in the context of major structural changes in financial systems: the relative growth of financial markets, the increasing institutionalization of saving and investment business, the growing role of institutions in other functions of the financial system, the rise in the role of institutional funds managers in the financial system, diversification of financial firms and the steady erosion of traditional distinctions between different types of financial institutions; the entry of new types of supplier of financial services, a substantial growth in the variety of new and complex financial instruments, and the globalization of financial markets (Channon, 1998).

Starting in the 1960s, individuals and financial institutions operating in financial markets were confronted with drastic changes in the economic environment. Inflation and interest rates rose sharply and became harder to predict, a situation that changed demand conditions in financial markets. The rapid advance in computer technology charged supply conditions (Mushkin, 2007). As financial regulations became more burdensome commercial banks found that many of the old ways of doing business were no longer profitable, the financial services and products they were offering to the public were not selling (Mushkin, 2007). Many commercial banks found that they were no longer able to acquire funds with their traditional financial instruments and without these funds they would soon be out of the business. To survive in the new economic environment, commercial banks had to research and develop new products and services that meet customer needs and prove profitable (Mushkin, 2007).

Statement of the Problem

Kenya's economy has experienced tremendous growth in recent years, with real GDP growing at 6.1% in 2006. This achievement is collaborated by the improved performance of the Banking Sector in Kenya.

Kenyan's long term vision, dubbed the Vision 2030, targets a sustained economic growth of over 10 percent per annum over the next 25 years. In order to contribute to the achievement of these aspirations, the financial sector has to play a clearly defined role, particularly in mobilizing resources required to finance the 20 flagship projects worth Ksh 500 billion that will be required over the next five years. This is a significant budget, equivalent to Kenya's annual budget and hence the need for a strong and vibrant financial sector that will help channeling these savings into the required investments. It is with this in mind that the government is requiring banks to double their efforts in building a solid capital base capable of supporting product innovation, savings mobilization and expanded access of financial services to the Kenyan public. Although physical bank branch expansion programs play an important role in expanding access, it was important for the banking sector to complement these programs with increased product innovation. The real challenge facing the commercial banks is how to enhance savings mobilization, and effectively channel society's savings to its most productive use. This also provided acceptable options to the investing public who are currently falling prey to schemes being touted by unscrupulous business people in the form of pyramid schemes.

The banking sector in this country has, over the last few years, witnessed significant growth in consumer lending. This is evidenced by the growth in real private sector credit of 17.7 % in the twelve months to May 2007. The resultant credit expansion has brought significant benefits to the economy, but the information asymmetry that is prevailing in the lending environment poses a real challenge in the form of credit risk for the banking sector in Kenya. In order to mitigate this risk and promote effective credit provision, consumer protection and strong institutions for these aspects, the Central Bank has been working towards the development of a credit information sharing mechanism in Kenya. The Banking Act has recently been amended to make it mandatory for institutions licensed under the Banking Act to share credit information on nonperforming loans. In this regard, the Central Bank has, in consultation with the Kenya Bankers Association (KBA), prepared relevant regulations, was gazetted to help provide a framework for the licensing and operation of credit reference bureaus (CRB) under the Banking Act.

The establishment of a commercial bank in Kenya is influenced by several factors. These factors can be grouped into socio-economic, competitive strategies and political. Before, establishment of a commercial bank, extensive measures have to be undertaken and proper cost-benefits analysis has to be undertaken. As highlighted above, the country has witnessed tremendous growth and this has been attributed to good political, social and economic structures in the past. However, it is worth noting that most developments in the commercial banking have been realized in a well-established urban centres or faster grown towns. In this regard, Kisii town falls among the faster grown towns and hence is also characterized by growing financial sector; specifically the commercial banking.

This study, therefore, tried to determine factors influencing establishment of commercial banks in Kisii town. The specific objectives of the study are:

1. To determine the socio-economic factors that influences the branch network of commercial banks in Kisii County.
2. To establish the role of political structures and the government in the branch network of commercial banks in Kisii County.
3. To determine how competitive strategies used by various banks influences branch network of commercial banks in Kisii County.

THEORETICAL REVIEW

The Theory of Development Banking

Development banking is the system of financial institution with the scope that can be unlimited to its financial functions and operations. The concept extends to the relations of the banks such as the community, the government, and link-up with the national development programs such as agricultural, industrial, infrastructural, social, and other developmental processes. Within the spectrum of the theory of banking development, the Cobb Douglas production theory, and the Marxist theory of social relationship, this study aims at determining the magnitude of the influences that establishing banks in Kisii have on the development processes of the firms. The presence of an intellectual resource is very important in a region and so is the presence of financial power. Regions that have direct access to financial services have positive growth trends and businesses around blossoms acutely.

In the key elements of material view, in social production of their existence, men inevitably enter into definite relations. These relations are independent of their will. The totality of these relationships constitutes the economic structure of society, the real foundation on which are legal and political superstructures and which correspond to definite forms of social consciousness. In this case, it is not consciousness that determine existence but social existence that determines consciousness (Marx 1978).

The existence of the bank's branch network in Kisii County is a one major step for valued strategic planning concept driver that should aim higher in promoting entrepreneurial development in the area. The theoretical frame of the study contain the analysis of the related theories of development, economic growth, entrepreneurship, their relationship to baking services in the area. Kisii town is the main urban and commercial center in the larger Kisii and Nyamira counties. It is characterized by a vibrant population and economic activities. It is also the home to several businesses and has been labeled as the fastest growing town in western Kenya. New businesses are steadily being installed, and the town itself hosts large supermarkets among several others. As at the data taken by 2014, the town itself hosts 19 commercial banking and financial institutions'' branches. Major Banks like Kenya Commercial Bank, Barclays, National Bank, Equity, among others have found strong establishments in the town.

These banks have taken the advantage of the large population of people and business firms and positioning Kisii as a major economic powerhouse in the western region (2009 Census of Business). According to the Kenya Commercial Bank branch manager, John Momanyi, the across-the-border trade has boosted the economic potential of Kisii County by leaps and bounds due to the emergence of banks in the area and the business firms are feeling the financial energy that has been introduced. The fact that many investors are now intent on setting up shop in Kisii County is an indication that the area is an economic powerhouse. Census of Business (2009) attributes the huge cash flow within the region to across-the-border trade. Momanyi argues that unlike other regions which rely on industries as their main source of income, Kisii relies on trade. There are also numerous other businesses such as the hospitality sector with hotels, bars, restaurants, sports pubs, among other commercial activities.

Although little literature exists in the perspective of businesses at Kisii County, the fact is that there are influences that the establishments of banks have on the performances of the business firms in Kisii County. This also study finds it critical to further assess the extent of the influences that the establishments of banks have on the performances of the business firms in Kisii County. It is necessary to ascertain the magnitude of the impacts so as to tell what level of the resources are necessary if need arises to promote the progress or overcome any challenge. The general literature provided a foundation for narrowing the review of literature to the business theory specific and more specifically to Kenyan specific literature. The specific literature has in turn provided a platform to identify the gaps that this study intends to cover through empirical work.

Monetary Circuit Theory

Monetary circuit theory is a heterodox theory of monetary economics, particularly money creation, often associated with the post-Keynesian school (Graziani, Aréna & Salvadori, 2004). It holds that money is created endogenously by the banking sector, rather than exogenously by central bank lending; it is a theory of endogenous money (Arestis & Sawyer, 2006). Monetary circuit theory states that money is created endogenously by the banking sector, rather than exogenously by the government through central bank lending: that is, the economy creates money itself (endogenously), rather than money is being provided by some outside agent (exogenously). Circuitism also models banks and other firms separately, rather than combining them into a representative agent as in mainstream neoclassical models (Graziani, Aréna & Salvadori, 2004). Circuitism rejects, among other things, the money multiplier based on reserve requirements, arguing that money is created by banks' lending, which only then pulls in reserves from the central bank, rather than by re-lending money pushed in by the central bank. The money multiplier arises instead from capital adequacy ratios, i.e. the ratio of its capital to its risk-weighted assets (Arestis & Sawyer, 2006). It also emphatically rejects the neutrality of money, believing instead that the money supply and its growth or decline is critical to the functioning of the economy.

According to Monetary circuit theory, a monetary transaction – buying a loaf of bread, in exchange for dollars, for instance – is not a bilateral transaction (between buyer and seller) as in a barter economy, but is rather a tripartite transaction between buyer, seller, and bank. Rather than a buyer handing over a physical good in exchange for their purchase, instead there is a debit to their account at a bank, and a corresponding credit to the seller's account (Arestis & Sawyer, 2006). This is precisely what happens in credit card or debit card transactions, and in the circuitist account, this how all credit money transaction occur (Arestis & Sawyer, 2006). In circuitism, credit money is created by a loan being extended. Crucially, this loan need not (in principle) be backed by any central bank money: the money is created from the promise (credit) embodied in the loan, not from the lending or relending of central bank money: credit is prior to reserves. When the loan is repaid, with interest, the credit money of the loan is destroyed, but reserves (equal to the interest) are created – the profit from the loan (Arestis & Sawyer, 2006).

In practice, commercial banks extend lines of credit to companies – a promise to make a loan. This promise is not considered money for regulatory purposes, and banks need not hold reserves against it, but when the line is tapped (and a loan extended), then bona fide credit money is created, and reserves must be found to match it. In this case, credit money *precedes* reserves (Graziani, 2003). In other words making loans pulls reserves in (assuming that the regulatory need for bank reserves exists), instead of reserves being pushed out as loans which is assumed by the mainstream model (Graziani, 2003). The failure of monetary policy during depressions – central banks give money to commercial banks, but the commercial banks do not lend it out – is referred to as “pushing on a string”, and is cited by circuitists in favor of their model: credit money is pulled out by loans being extended, not pushed out by central banks printing money and giving it to commercial banks to lend (Graziani, 2003).

Fisher’s Paradox and the Theory of Interest

The theory of interest was developed by Irving Fisher through his hypothesis that in the long term, the real rate of interest is approximately constant, being determined by time preferences mostly, and considering the movements in the nominal interest rate that reflect the rate of inflation. The rate of investment depends on capital pool and nature of income as well as the prevailing rate of interests.

Fisher compared capital and investment in developing the theory of interest, which sets the investment decision of a firm as inter-temporal problem. He argued that investment in any period of time yields output only in the next period, such that investment in period 1 yield output in period 2 so that the marginal efficiency of investment (MEI) is equated to the rate of interest at the optimal condition for the firm’s investment decision. Through his analysis, he found out that as the rate of interest rises, then in order to equate interest rate with MEI, then investment must decline, thus investment and interest rate have a negative relationship.

$I=I(r)$, where $I_r=\delta I/\delta r<0$

Therefore, according to the theory, the real interest rate equals the nominal rate minus the expected rate of inflation. As the rate of interest fall, then the rate of inflation increases, unless the nominal rates increase in the same rate of inflation.

The second part of the separation theorem effectively claims that the firm's financing needs are independent of the production decision as stated by the ‘loanable funds’ by Fisher’s concept. In his paradox, he argues that the demand for loanable funds equals desired investment plus desired borrowing of borrowers whereas the supply of loanable funds equals desired savings minus desired investment of savers. According to Fisher, the condition that for total investment to be equal to total savings, then the demand for loanable funds must equal the supply for loanable funds and this is only possible if the rate of interest is appropriately defined. If the interest rate was such that the demand for loanable funds was not equal to the supply of it, then we would also not have investment equal to savings. Thus, in Fisher's "real" theory of loanable funds, the rate of interest that equilibrates supply and demand for loanable funds will also equilibrate investment and savings. With the increasing establishment of banks in Kisii, this theory can be influential in explaining their influences to the firms within the County.

Modern Monetary Theory (MMT)

Modern Monetary Theory is a descriptive economic theory that details the procedures and consequences of using government-issued tokens as the unit of money. In MMT, money enters circulation through government spending (Wray, 1998). Taxation and its legal tender power to discharge debt establish the fiat money as currency, giving it value by creating demand for it in the form of a private tax obligation that must be met using the government's currency (Wray, 1998). MMT labels any transactions between the government sector and the non-government sector as a vertical transaction (Wray, 1998). The government sector is considered to include the treasury and the central bank, whereas the non-government sector includes private individuals and firms (including the private banking system) and the external sector – that is, foreign buyers and sellers (Visser, 1991). Therefore, budget deficits, by definition, are equivalent to adding net financial assets to the private sector; whereas budget surpluses remove financial assets from the private sector (Visser, 1991). This is represented by the identity:

$(G\text{-}T) = (S\text{-}I) - NX$

Where G is government spending, T is taxes, S is savings, I is investment and NX is net exports.

It is important to note that this identity is not unique to Modern Monetary Theory; it is an identity used throughout all macroeconomic theories, because it is true by definition (Wray, 1998).

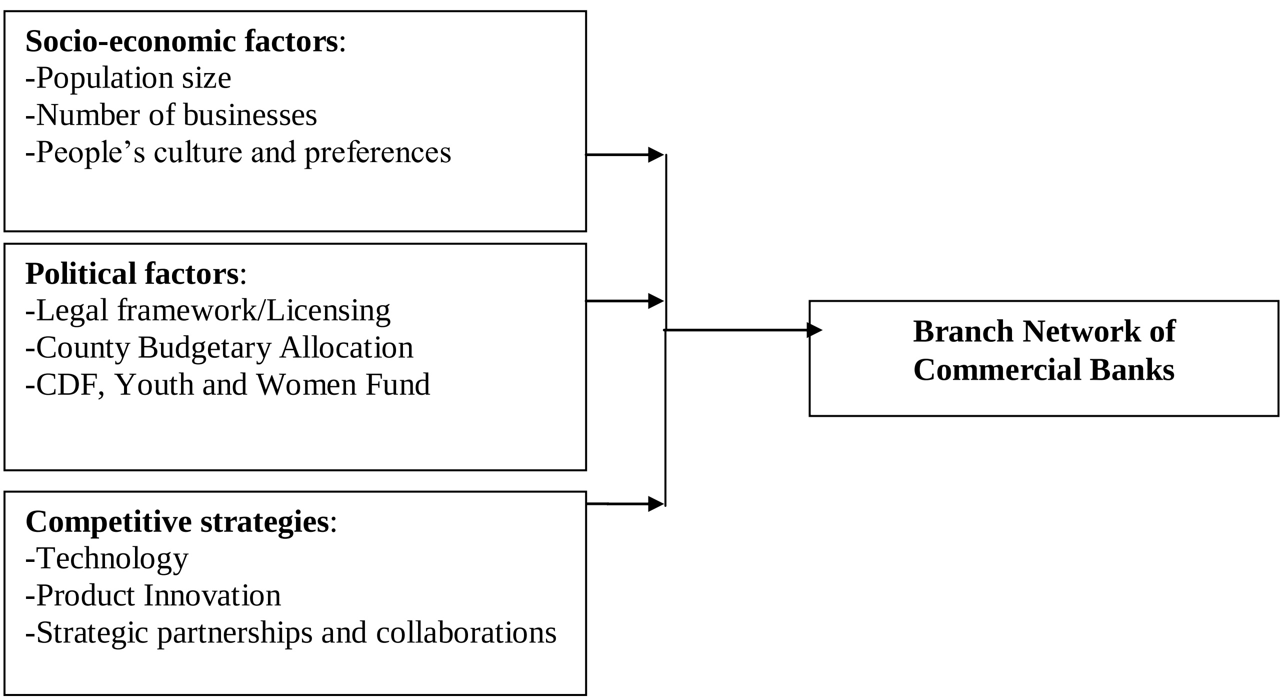
Modern Monetary Theory provides a detailed descriptive account of the "operational realities" of interactions between the government and the central bank, and the commercial banking sector, with proponents like Scott Fullwiler arguing that understanding of reserve accounting is critical to understanding monetary policy options (Wray, 2012). A sovereign government will typically have a cash operating account with the central bank of the country. From this account, the government can spend and also receive taxes and other inflows. Similarly, all of the commercial banks will also have an account with the central bank (Wray, 1998). This permits the banks to manage their reserves (that is, the amount of available short-term money that a particular bank holds) (Wray, 2012). So when the government spends, Treasury will debit its cash operating account at the central bank, and deposit this money into private bank accounts (and hence into the commercial banking system). This money adds to the total reserves of the commercial bank sector. Taxation works exactly in reverse; private bank accounts are debited, and hence reserves in the commercial banking sector fall (Wray, 2012).

It is important to note that the central bank buys bonds by simply creating money—it is not financed in any way. It is a net injection of reserves into the banking system. As a result, MMT necessarily implies that the central bank of a country is not able to influence a government's spending decisions. If a central bank is to maintain a target interest rate, then it must necessarily buy and sell government bonds on the open market in order to maintain the correct amount of reserves in the system (Wray, 1998).

Conceptual Framework

Conceptual framework is a scheme of concept (variables) which the researcher operationalizes in order to achieve the set objectives, Mugenda & Mugenda, (2003). A variable is a measure characteristic that assumes different values among subject, Mugenda & Mugenda, (2003). Independent variables are variables that a researcher manipulates in order to determine its effect of influence on another variable, (Kombo & Tromp 2006), states that independent variable also called explanatory variables is the presumed change in the cause of changes in the dependent variable; the dependent variable attempts to indicate the total influence arising from the influence of the independent variable Mugenda & Mugenda, (2003). This is illustrated in figure 1 below showing the two types of the variables. The independent variables in this study are Economic factors, Social factors and competitive strategies while the dependent variable is banking network of commercial Banks.

Figure 1: Conceptual Framework



Independent variables *Dependent variable*

RESEARCH METHODOLOGY

An exploratory research design was used in conducting the study. This was because the study focused on both subjective and objective assessment of factors that influences the establishment of commercial banks. The population of interest was 15 Commercial banks in Kisii County from which the study targeted its employees. This population consisted of staff of commercial banks located within Kisii County. Census technique was used. The definition of the population assumes that the population is not homogeneous. So the researcher examined all 120 respondents drawn from the population of 120 staff of commercial banks in Kisii County, Kenya.

A structured questionnaire was used to collect the data from the respondents; the questionnaires were administered by the researcher. The researchers carried-out a pilot study by performing 2 surveys with the same respondents within one week (test-retest method) and determined reliability value by calculating Pearson correlation coefficients of the two sets which will then be used as a quantitative measure of the test-retest reliability the reliability coefficient value was 0.7. Primary data collected was coded and analyzed with the help of the Statistical Package for Social Sciences (SPSS) version 21. Secondly, the data was coded and keyed in to an Excel Computer based application Programme to analyze the relationship between the independent and dependent variables as fore stated.

EMPIRICAL RESULTS AND DISCUSSION

Descriptive and inferential statistics have been used to discuss the findings of the study. The study targeted a sample size of 120 respondents from which 116 filled in and returned the questionnaires making a response rate of 96.7%. This response rate was satisfactory to make conclusions for the study as it acted as a representative. According to Mugenda and Mugenda (1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

Socio-Economic Factors

Table 1: Extent to which socio-economic factors affect branch network

Extent	Frequency	Percentage
Very great extent	56	48.3
Great extent	24	20.7
Moderate extent	20	17.2
Less extent	11	9.5
No extent	5	4.3
Total	**116**	**100**

The study sought to determine the extent to which socio-economic factors affect branch network, from the study findings 48.3% of the respondents indicated to a very great extent, 20.7% of the respondents indicated to a great extent, 17.2 % of the respondents indicated to a moderate extent, 9.5 % of the respondents indicated to a less extent whereas 4.3% of the respondents indicated to no extent. This implies that socio-economic factors affect branch network of commercial banks in Kisii County to a very great extent due to the needs of clients. The above finding concurs with the findings by (Van, 2001). according to Van (2001), argues that political factors are social factors, this can be seen in the modern day debate with regard to access, be it about financial inclusion or exclusion In the past, many mutual and cooperative institutions were established and encouraged in order to provide basic saving and lending services to groups of people who either would not have had access to the more exclusive financial facilities elsewhere in the system, or for whom such facilities were less suited to their particular small, local needs. Of course, local knowledge is also a way to reduce risk.

Political Factors

Table 2: Extent of Political Structures on Establishment of Branch Network

Extent	**Frequency**	**Percentage**
Very great extent	12	10.2
Great extent	92	79.0
Moderate extent	7	6.0
Little extent	4	3.1
No extent	2	1.7
Total	**116**	**100**

The study sought to determine the extent to which political structures influence establishment of branch network of commercial banks, from the findings, most of the respondents as shown by 79.0% indicated to a great extent, 10.2% of the respondents indicated to a very great extent 6.0% of the respondents indicated to moderate extent, 3.1% of the respondents indicated to a little extent whereas 1.7% of the respondents indicated to no extent. This is an indication that political structures influence establishment of branch network of commercial banks in Kisii County to a great extent. The above findings concurs with the findings by (Kane, 1986) according to Kane (1986), he describes this process of avoiding regulations as ‘loophole mining’. The economic analysis of innovation suggests that regulatory constraints are so burdensome that avoiding them can make larger profits; loophole mining and innovation are more likely to occur. Two sets of regulations have seriously restricted the ability of bank’s profits; reserve requirement and restrictions on the interest rates that can be paid on deposits.

Competitive Strategies

Table 3: Effects of Competitive Strategy on Commercial Banks Branch Network

Extent	Frequency	Percentage
Very great extent	22	19.0
Great extent	70	60.3
Moderate extent	14	12.1
Little extent	10	8.6
Total	**116**	**100**

The study sought to determine the extent to which competitive strategy affect establishment of commercial banks branch network, from the findings, most of the respondents as shown by 60.3% indicated to a great extent, 19.0% of the respondents indicated to a very great extent 12.1% of the respondents indicated to moderate extent whereas 8.6% of the respondents indicated to a little extent. This is an indication that establishment of commercial banks branch network in Kisii county is affected to a great extent by competitive strategies concurring with Mushkin (2001) that the most important source of the changes in supply conditions that stimulate growth of the commercial banks has been the improvement in computer and telecommunication technology. These changes have made it profitable for commercial banks to create new financial products and services to the public. When computer technology that substantially lowered the cost of processing financial transactions became available, commercial banks conceived new financial products and instruments dependent on this technology that might appeal to the public, including the bank credit and electronic banking facilities. Bank credit and debit card, electronic banking facilities (ATM) have arisen due to banks desire to meet their customers demand.

CONCLUSION

That majority of the respondents were male as demonstrated by 88.5% against 11.5% female. Most of the respondents were aged between 26-30 years and most of them had university degree. The study found that that socio-economic factors affects commercial banks branch network in Kisii County since political factors are social factors, are seen in the modern day debate with regard to access. The study found that economic analysis of innovation suggests that regulatory constraints are so burdensome that avoiding them can make larger profits; loophole mining and innovation are more likely to occur. The study concludes that new financial products and instruments dependent on this technology that might appeal to the public, including the bank credit and electronic banking facilities Thus a similar study should be conducted exploring the effect of new branch networks on the financial performances of commercial banks

RECOMMENDATIONS

Based on the findings, the study recommends that the management on commercial banks should consider adopting new technological plans during establishment of new branches. This will allow the management to create a comprehensive understanding that can be leveraged to influence stakeholders and create better decisions.

The study also recommends that is very crucial that the organization conducts risk analysis this will help the organization to gather valuable information that will provide valuable insights in the competitive strategy and the necessary input to find effective responses to optimize the risks that may arise in the new environments they want to venture into.

It is essential that banks give due consideration to their target market while diversifying their operations. The procedures put in place should aim to obtain an in-depth understanding of the bank's clients, their credentials & their businesses in order to fully know their customers.

AREA FOR FURTHER RESEARCH

The study sought to to establish the determinants of the establishment of commercial banks in Kisii town, Kenya. The study recommends that a study should be conducted exploring the effect of new branch networks on the financial performances of commercial banks in Kenya so as to bring out the merits and demerits of new and more branch networks of commercial banks in the country.

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APPENDIX: QUESTIONNAIRE

Socio-economic Factors

To what extent do socio-economic factors affect the branch network of Commercial Banks in Kisii town?

Very great extent [ ]
Great extent [ ]
Moderate extent [ ]
Little extent [ ]
No extent [ ]

Political Factors

To what extent do political structures influence the branch network of commercial banks in Kisii County?

Very great extent [ ]
Great extent [ ]
Moderate extent [ ]
Little extent [ ]
No extent [ ]

Competitive Strategies

To what extent does competitive strategy affect the branch network of commercial banks in Kisii County?

Very great extent [ ]
Great extent [ ]
Moderate extent [ ]
Little extent [ ]
No extent [ ]