

A survey of factors influencing customer growth of commercial banks in major towns in Kenya : (A case study of Migori Township)

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Abstract:

The banking industry has experienced a rapid growth in terms of profits, deposits, revenues in the recent past. This trend has triggered a lot of competition in the banking industry. This project analyzed the factors influencing customer growth of commercial banks in the Kenyan banking industry. The study was guided by the following objectives: to find out how pricing influenced customer growth, to establish the effects of customer service on growth of customers, to determine the extent to which policies/regulations influenced customer growth and to examine the relationship between technology and customer growth of commercial banks. The case study was on commercial banks in Migori town. For the objective to be achieved the study used structured questionnaires and interviews, the target respondents were the bank managers and section heads. The research also used secondary data for the study. The data was analyzed using both descriptive and inferential statistical analyses. The study considered whether commercial banks used right strategies to acquire and retain customers in the face of the fierce competition in the banking industry posed by MFIs and SACCOs.

The study found out that the number of banks in Migori township have witnessed tremendous growth in the past few years with growth in customers ranging between 5,000 -10,000 which represent percentage growth of between 50%-100%. The study also found out that 100% of the respondents agreed that good customer services affects customer growth. The study also found out that 100% of the respondents agreed that good technology influence customer growth as technology assist in faster and efficient service delivery. Product pricing being one of key determinants of customer growth of commercial banks, the study recommends that banks should develop wide range of products which are more affordable to their prospective and current customers. Customers prefer banks which are fast and efficient in services delivery, the study recommends that customer service should be given more emphasis by commercial banks in order to attract and retain existing customers. Technology assist the banks to delivery services in fast and efficient way, the study recommends that commercial should use modern technology in service delivery. Policies and regulations imposed by regulator can either encourage or stifle growth of customers in commercial bank; the study also recommends that the regulator should not impose tight policies and regulations on commercial banks.