AN INVESTIGATION INTO INTERNAL GROWTH STRATEGIES EFFECT ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS, (A CASE STUDY OF EQUITY BANK IN NAIROBI)

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Growth strategies involve a significant increase in performance objectives (usually sales or market share). Many organizations pursue one or more types of growth strategies. This paper aimed to investigate the effect of internal growth strategies on financial performance. The objectives of the study was to determine whether Information Technology, Customer satisfaction, Employee reward scheme and Retained earnings impact on financial performance of commercial banks. This study employed a descriptive research designs. The research was conducted using primary and secondary data that is both qualitative and quantitative. Questionnaires were used to collect secondary data. Purposive/Judgemental sampling technique was used to select the respondents. The respondents included the Branch Managers, Operations Manager and the Marketing Manager of each Branch, this gave tangible information about the overall effect of internal growth strategies on the financial performance. In order to test liability and validity for questionnaires, a pilot study was conducted. Descriptive statistical method was applied to measure and determine the relationship that exists among the collected data. Field study was done later and the data analyzed and discussed to come up with a conclusion which enabled the researcher to give recommendation to the concerned parties. The study found that the organization invests in information technology. Range of services accessed, number of referrals and customer feedback affected the financial performance of the bank to a very great extent. The organization used retained earnings for expansion to a very great extent. Moreover, person-contingent rewards affected the financial performance of the bank to a moderate extent. The study concludes that the bank had invested in information technology. Information technology has caused tremendous growth in banking industry. The organization also used retained earnings to pay debt to a moderate extent. The study concludes that monetary (bonus, trips paid for by the company, gifts from a rewards catalog, or services such as cell phone or paid cable) and job-contingent rewards affected the financial performance of the bank to a great extent. The study recommends banks to invest in information technology. Information technology causes tremendous growth in
banking industry. The study recommends the banks to involve customers or customer representatives before investing on any internal growth strategies.