RELATIONSHIP BETWEEN TARGET MARKET AND INVESTMENT RETURNS OF TIER TWO BANKS IN NAIROBI, KENYA

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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DEDICATION

This work is dedicated to the almighty God for the wisdom and gift of life that has made me realize and see the conclusion of this research and to all those who helped me carry out this research.

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I give glory and honor to the almighty God for giving me the strength, determination and strength to carry out this research project.

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ABSTRACT

Banks employ a range of customer oriented marketing strategies, one amongst them target marketing as a way of maximizing the investments made. In this study the general objective was to determine the relationship between target market and investment returns amongst tier two commercial banks in Nairobi Kenya. The study targeted the 16 tier two commercial banks in Kenya as at August, 2016 as the target population. A descriptive cross-sectional survey because it cuts across all the tier two commercial banks in Kenya and it applied stratified random sampling technique to select 67 respondents from 368 respondents in all the 16 Tier two commercial banks in Kenya. The research instrument was a questionnaire which contained both open and closed ended questions to collect primary data. The collected research data was edited then coded, categorized and keyed into Statistical Package for Social Sciences (SPSS) for final data analysis. Descriptive measures including frequencies, means and percentages were computed. The study also conducted a regression analysis to establish the relationship between the independent and dependent variables. The study found out that banks had a large portfolio of large multinational customers and government enterprises and a great proportion of their profits came from corporate customers, SME customers had contributed to a large proportion of banks revenue and that SME market had improved the market expansion in the industry, individual market was composed of high volume low value transactions and offered a variety of financial services to individual customers at competitive prices and banks provided financial services to the rural and urban poor who are self-employed, individuals and institutions that traditionally lacked access to and provides loans of very small amounts to allow low income individuals access credit to help them become self-employed. The study concluded that corporate markets form a substantive source of returns to tier two banks. Further, the study concludes that, involvement of the tier two Kenyan banks in the SME segment had grown significantly and that SME market had improved the market expansion in the industry, the competitiveness of the banks, the loan book. On retail target market, the study found out that this segment leads to sustainable competitive advantage for the banks. The study recommended that, in pursuance of higher returns, tier two banks in Kenya should invest more in supporting the corporate segment of the market. Banks should invest more on the SME sector which has a nascent growth. Finally, the study recommends that tier two banks create partnerships with growing SMEs and existing corporate institutions to intake all their employees as clients to build on retail base.

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ACRONYMS AND ABBREVIATIONS

CBK	Central Bank of Kenya
DER	Debt Equity Ratio
ICT	Information Communication and Technology
KCA	Kenya College of Accountancy
KES	Kenya Shilling
MCDA	Multiple Criteria Decision Analysis
MFIs	Microfinance Institutions
NCST	National Council for Science and Technology
ROA	Return on Assets
ROI	Return on Investment
SERVQUAL	Service Quality
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
U.S.	United States

DEFINITION OF TERMS

Corporate Market: Market made up of large customers who are often multinational companies and government enterprises (Athanassopoulos & Labroukos, 1999)

Investment Return: A measure of how well the management of an organization has utilized the resources entrusted in them by the shareholders in maximizing shareholders' wealth (Calice, 2010).

Microfinance: The provision of financial services to the rural and urban poor who are self-employed and traditionally lack access to banking and related services (Gonzalez-Vega, 2008).

Retail Banking Market: The provision of banking services to individuals and small business where the financial institutions are dealing with large number of low value transactions (Sharma, 2015).

Small and Medium Enterprises Market: The target market for commercial Banks. SMEs comprise registered businesses with less than 250 employees whose financial requirements are too large for microfinance, but are too small to be effectively served by corporate banking models (Petrakis & Kostis, 2012)

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Financial institutions play a key role in intermediating between surplus and deficit households for optimal economic growth (Majnoni & Powell, 2011). Given the complexity of markets and competitive conditions, commercial banks target different markets as a key strategy to grow their market share and improve financial performance (Sentero, 2013). They have to develop and implement their market strategies well to ensure that they remain competitive. In order to serve a market adequately, it is important that commercial banks segment their markets so that they can develop products and financial solutions tailored for these markets (Onaolapo, Salami & Oyedokun, 2011). There are no two market segments that possess similar characteristics and purchasing behavior. It is therefore important that commercial banks segment their markets well and avail relevant products to remain attractive to the targeted market (Adegboye, Olowe & Uwuigbe, 2013). Clear definition of target market ensures that commercial banks develop and implements appropriate marketing strategy to attract and retain clients. This is an important strategy in ensuring positive return on investment.

In segmentation, markets can be identified by a number of different demographics of its dominant inhabitants depending on the purpose behind identifying the segment (Berger, & Dick, 2007). Segmentation is the process that a company adopt to divide the market into distinct group on the basis of needs, wants, behavior or taste for its different products or services. The primary aims of segmenting a market is to focus on the subset of prospects that are mostly likely to purchase its offering so as to optimize returns from the investment in that market (Kirca, Jayachandran & Bearden, 2005). Salami and Adewoye (2006) argue that properly done market segmentation would maximize returns for a given marketing expenditure. Segmentation of a

market is possible only when the target market segment is easily identifiable, accessible, and responds differently to the different marketing mixes offered.

In an effort to promote efficiency in the banking industry, the Basel Capital Accord of 1988 (Basel I) which led to the endorsement of a new capital adequacy framework (Basel II) in 2004 (operational from 2007) marked the beginning of a new phase of re-regulation with an attempt to bring about an international harmonization of banking regulations (Calice, 2010). Kenya enacted the capital requirements of the Basle Accord in 1999. Before then; the regulators issued explicit minimum capital standards for banks and other financial institutions. These standards required that banks hold capital at least equal in amount to a fixed percentage of their assets. While these standards have been given credit for increasing bank capital ratios, the 1980s and 1990s witnessed an increase in both the number and cost of bank failures in Kenya. The failures may be attributed to under-capitalization and poor lending practices (Cheserek, 2010).

Kenya's regulators took up capital requirements in line with the international Basle Accord in an attempt to standardize the system of computing the risk-based capital (Kamau, Karingi, Ndung'u & Mwaura, 2004). A major weakness with the previous minimum standards was that they failed to take into account the risk in a bank's portfolio of assets and that high-risk assets required the same amount of capital as low-risk assets. This is mostly related to a market and institutional failure to rate borrowers in their risk category and, in general, to provide a market to mitigate risk (Waithaka, 2013).

1.1.1 Target Marketing

A "target market" is the market or submarket at which a firm aims its marketing message(s) (Berger & Dick, 2007). It involves decisions where an organization defines who it is that it wants to attract for customers and striving to ensure that these identified customers will be the loyal hence ensure high-profit (Almgren, 2014). This includes a group of customers identified for whom the offering should be "right" and to whom the firm will direct majority of its marketing time, resources and attention. Target market is appropriate to apply when sales in the target segment are higher than lost sales in the non-target segment (Kirca et al., 2005). The development of target markets is an act of collective sense making used to direct the marketing activities of an organization so that its employees as well as its external stakeholders can envision the same target customers with the same characteristics. This study used target market to mean the classification of markets into clusters with similar characteristics with the aim of harmonizing bank resources to build loyalty among their customers in that set market (Berger & Dick, 2007).

Target marketing has been found to be important because of two reasons: its ability to force a strategic focus to the firm to look towards a realistic approach to its customers and its product service offerings and to determine the best fit(s) between them. It also forces a strategic focus on the firm, which begins outside with the customers and the market, and not inside with the firm (Lagat, Chepkwony & Kotut, 2012). Target marketing requires the use of the marketing concept as part of the firm's strategic marketing planning (Almgren, 2014).To provide a reasonable target market for firms, the size of a market needs to be large enough to cover the incremental, absolute costs that firms face when developing and producing market offerings designed for specific target market segments. In order to identify a target market, marketers use various parameters

including: income, demographics, life style characteristics of a market, and census information of small areas to identifying the most favorable locations (Kirca et al., 2005). Commercial banks have varied target market including: corporate market, small and medium enterprises market, retail market and microfinance market. These target markets offer them an opportunity to tailor make their marketing campaigns and other resources to build loyalty among that targeted market (Berger & Dick, 2007). This study adopted the definition of target market to be a group of customers identified for whom the offering should be “right” and to whom the firm will direct majority of its marketing time, resources, and attention.

The banking market can be subdivided into several targets including: corporate market, SMEs market, retail market and microfinance market (Lagat et al., 2012). A corporate market refers to the market segment that deals with corporate customers. Retail banking is a consumer market or mass market composed of individual consumers (Almgren, 2014). The services offered include in this market include: savings and current accounts, mortgages, personal loans debit cards among others (Onaolapo, Salami & Oyedokun, 2011). Small and Medium Enterprises market is a banking market composed of SME enterprises as key customers (Berger & Dick, 2007). There is also the microfinance market which is composed of microfinance institutions as key customers. All these markets create target markets for commercial banks.

1.1.2 Banks Investment Return

Investment return measures how well the management of an organization has utilized the resources entrusted in them by the shareholders in maximizing shareholders' wealth (Calice, 2010). It is measured using financial performance ratios to enable comparison of the performance with the same firm over years or with other firms within the industry. Organizational performance is concerned with the achievement of such objectives as high profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action (Majnoni & Powell, 2011). It includes multiple activities that help in establishing the goals of the organization, and monitor the progress towards the target.

Financial performance is measured using such ratios as: Profitability, leverage, liquidity and efficiency ratios. Profitability ratios are the most widely used ratios in investment analysis. These ratios include gross, operating and net profit margins as well as return on assets (ROA) these ratios measure the firm's ability to earn an adequate return. When analyzing a company's margins, it is always prudent to compare them against those of the industry and its close competitors. ROA gives an idea as to how efficient management is at using its assets to generate earnings. It is calculated by dividing a company's annual earnings by its total assets and is displayed as a percentage. This study adopted return on investment as its measure of investment performance (Basel Committee on Banking Supervision, 2010b). The performance of business organizations is affected by their strategies and operations in market and non-market environments (Blowfield & Dolan, 2010).Sizable, long-term investments in tangible and intangible assets have long term consequences. These investments also have a considerable impact on the organization's future cash flows and the risk associated with those cash flows. A business' cost of capital provides both a benchmark to evaluate its performance and a discount

rate for evaluating capital investments. This study measured bank return using return on assets (ROA) because it is from the assets controlled that the banks are classified.

1.1.3 Overview of Tier two Commercial Banks in Kenya

The Commercial Banks in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The Banking industry in Kenya was liberalized in 1995 following the removal exchange controls. Central Bank of Kenya (CBK) makes and enforces rules which govern the minimum capital requirement for Kenyan banks and are based on the international standards developed by the Basel Committee (CBK, 2016). In the year 2008, CBK reviewed the minimum capital requirements for commercial banks and mortgage finance institutions with the aim of maintain a more stable and efficient banking and financial system. The industry has in the recent past witnessed turbulence in operations which has seen three commercial banks put under receivership.

Kenyan Banks are classified into tiers using their market share which is based on the net assets. Six commercial banks form Tier 1 with a total market share of 49.88% and assets of KES1.6 Trillion (CBK, 2015). Tier two commercial banks in Kenya are 22 with a total market share of 41.71% and total net assets of KES1.4 trillion. The smaller banks are classified under tier 3 with a market share of 8.41% and net assets of KES 0.27 trillion (CBK, 2016). Tier two banks in Kenya represent institutions in the fast growing section of the banking industry targeting all segments of the market with various innovative products.

1.2 Statement of the Problem

Changes in the operating environment have greatly affected the strategic management of commercial banks and their business models. Each bank has positioned itself strategically in

different market segments to earn optimal returns on its investments. However, the number of banks targeting a similar market has increased bringing about competition. This has led to some banks not earning the targeted returns thereby negatively affecting their overall performance. Targeting a market segment that is in line with expectations, preferences, and objectives of a firm enable it gain a sustainable competitive advantage. Different commercial banks in Kenya have embraced the use of target markets to maximize their investment returns. For instance, Chase Bank Kenya Limited had positioned itself as an "SME Relationship Bank". However, some banks still register dismal investment returns making the segmentations impracticable. This has led to closure of some banks as the target markets were not viable, did not yield the expected results or the bank faced gross corporate governance issues.

Several studies have been conducted on target markets and firm performance. For instance, Weaver (2015) carried out a study on target markets as working archetypes by classifying consumers at Tourism industry in New Zealand. The findings indicated that the Interactive traveler was perceived as ripe for decommissioning and the active considerer became the focus of Tourism New Zealand's continued marketing efforts. This study concentrated on tourism which is a different sector from the banking industry hence limiting its applicability. Almgren (2014) examined the four factors for targeting an attractive market which include size of market, growth, stability, and competition that affects the business or firm to target an attractive market. This study concentrated on four factors in selecting a target market and not its relationship on returns. Onaolapo, Salami and Oyedokun (2011) examined marketing segmentation practices and performance of Nigerian commercial banks. Findings indicate that banks with high level of market share demonstrate high customer retention ability and lower overall unit operating expenses. This study concentrated on market segmentation practices and bank performance and

not target market and investment returns. The measures used are different hence limiting its application for the Kenyan banking industry.

Kimutai and Jagongo examined factors influencing credit rationing by commercial banks in Kenya and established that the key factors that influenced credit rationing by commercial banks included loan characteristics and firm characteristics. This study concentrated on factors influencing credit rationing and not target market hence limiting its applicability in the current study. Musili (2011) studied market segmentation strategies for competitive advantage in Co-operative Bank of Kenya. The study found that out that the Co-operative Bank of Kenya considers customers' needs in developing its market segmentation strategies. The bank put into consideration the customers' financial status, culture, age, marital status among others in segmenting, targeting and positioning its products in the market. The study concluded that market segmentation leads to provision of lower prices, greater benefits and services that justifies higher prices hence giving the Bank a competitive advantage. This study was done on a Tier 1 bank and the findings are not practical to tier two banks hence the researcher concentrated on tier two banks. In view of the background developments, the study sought to determine the nature of relationship between target market and investment returns amongst tier two commercial banks in Nairobi Kenya.

1.3 Research Objectives

The general research objective was to determine the relationship between target market and investment returns amongst tier two commercial banks in Nairobi Kenya. The specific research objectives were:

i. To determine the relationship between corporate market and Investment returns of Tier two Commercial banks in Kenya

ii. To examine the relationship between SME market and Investment returns of Tier two Commercial banks in Kenya
iii. To evaluate the relationship between the retail market and investment returns of Tier two Commercial banks in Kenya
iv. To determine the relationship between microfinance market and investment return of Tier two Commercial banks in Kenya

1.4 Research Questions

i. Is there a relationship between corporate market and investment returns among Tier two Commercial banks in Kenya?
ii. Does SME market affect Investment returns of Tier two Commercial banks in Kenya?
iii. What is the relationship between the retail market and investment returns of Tier two Commercial banks in Kenya?
iv. How does microfinance market affect investment return of Tier two Commercial banks in Kenya?

1.5 Significance of the Study

This study will be important to a number of stakeholders including senior managers in commercial banks in Kenya. It will them refocus on specific target markets that are profitable and have potential for growth and would provide information which can be used in developing target market strategies, allocating available resources for optimal investment return. Managers will find this report critical in assigning limited capital and human resources to optimal utilization in the most profitable segments. The regulator of commercial banks in Kenya will find the findings useful in policy formulation for different target markets as well as defining rules and regulation regarding target marketing so as to ensure a stable banking sector. Future scholars and

researchers will find this work useful as a basis of analyzing performance of banks in the tier two cadres in Kenya and beyond especially with the emerging changes and dynamic banking environment. Further, this study will act as empirical literature in future studies besides suggesting areas for further research.

1.6 Scope of the Study

The study concentrated on the relationship between target market and investment returns amongst tier two commercial banks in Nairobi Kenya. It specifically narrowed down to four parameters of target market in the banking industry including: corporate market; SME market; retail market and microfinance market. The study concentrated on 16 tier two commercial banks in Kenya as at December 2015. The study was undertaken in the month of August, 2016.

CHAPTER TWO

INTRODUCTION

2.1 Introduction

This chapter presents relevant literature as developed by earlier researchers and scholars. It specifically covers theoretical review where it outlines and discusses the theories on which the study is founded. It also presents empirical review in line with objectives of the study after which it presents the knowledge gap, conceptual framework, research hypothesis and the operationalization of variables.

2.2 Theoretical Review

This section discusses the theoretical underpinning of the study. It specifically discusses two theories that guide this study including: dynamic capabilities theory and the Assimilation-contrast theory. These theories are discussed in details below:

2.2.1 Dynamic Capabilities Theory

This Theory was developed by Teece (1997) in an effort to try and explain how firms can utilize the resources at their disposal in creating competitive advantage (Teece, Pisano & Shuen, 1997). They define Dynamic capability as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. This theory posits that since marketplaces are dynamic, it is the capabilities by which firms' resources are acquired and deployed in ways that match the firm's market environment rather than simple heterogeneity in firms' resource endowments that explains business performance variance between firms over time (Vorhies, Orr & Busch, 2010). The dynamic capabilities framework analyzes the sources and methods of wealth creation and capture by private enterprise firms operating in environments of rapid technological change.

The resources owned by firms, in themselves, are not key but the manner in which these resources are utilized to create competitive advantage is what matters most in this highly dynamic operating environment (Eisenhardt & Martin, 2000). This theory views resources as the tangible and intangible assets existing in a firm while capabilities involve the processes by which the firm acquires new resources and transforms them into realized marketplace value offerings (Teece et al., 1997). The theory believes that in order for organizations to meet new challenges in their operating environment, they need to possess dynamic capabilities by integrating capability, technology and customer feedback (Vorhies, Orr & Busch, 2010). Competitiveness in an organization is achieved through sensing and shaping opportunities and threats, seizing opportunities, and maintaining competitiveness through enhancing, combining, protecting, and reconfiguring the business enterprise's intangible and tangible assets (Eisenhardt& Martin, 2000). This theory is relevant for this study on target market and return on investment because it explains how an organization can use its capabilities in terms of tangible and intangible assets to create competitiveness. There are no two markets that are similar. By employing target marketing, organizations are able to focus their dynamic capabilities to win customers in that market and create for them a strong market niche.

2.2.2 Assimilation-Contrast Theory

This theory was introduced by Anderson (1973) in the context of post-exposure product performance based on Sherif and Hovland's (1961) discussion of assimilation and contrast effect. Assimilation-contrast theory holds provided performance is within a customer's range (latitude) of acceptance, assimilation will operate and the performance will be deemed as acceptable. This happens even though it may fall short of expectation as the discrepancy will be

disregarded. However, if performance falls within the latitude of rejection, contrast will prevail and the difference will be exaggerated hence the produce/service deemed unacceptable.

This theory posits that satisfaction is a function of the magnitude of the discrepancy between expected and perceived performance. As with assimilation theory, consumers tend to assimilate or adjust differences in perceptions about product performance to bring it in line with prior expectations but only if the discrepancy is relatively small. This theory attempts to illustrate that both the assimilation and the contrast theory paradigms have applicability in the study of target market and return on investment for firms. Through target marketing, firms will be able to identify the needs of customers in a given target market and develop financial services best suited for them. By doing this, the firms will reduce the level of dissonance among customers hence improve their level of satisfaction and continued transacting with the bank. The loyalty created from satisfied customers will improve the returns on investment for the Banks.

2.3 Empirical Review

A number of studies have been conducted on target market and return on investment among organizations. This study provides empirical literature based on the research objectives as outlined in chapter one.

2.3.1 Corporate Market and Investment Returns of Banks

Corporate market is made up of large customers who are often multinational companies and government enterprises. Corporate markets play a key role in determining the investment return for banks. Normally, corporate customers provide the greatest profit opportunities to the bank, but they need a greater level of business interactions with their banks (Athanassopoulos & Labroukos, 1999). Rotchanakitumnuai and Speece (2004) established that when banks provide service via the web for its corporate customers, customers demand many types of support from

banks, such as after sales service support for customer training in using the Internet banking system

Several studies have reviewed the relationship between corporate target market and bank performance. For instance, Rotchanakitumnuai and Speece (2004) examined corporate customer perspectives on business value of Thai internet banking. The study examined four benefits including information quality, information accessibility, information sharing, and transaction benefits and three barriers including related to trust, legal support and organization barriers that influence corporate customer adoption. Corporate customers were considered because tier two banks believed that corporate accounts had greater potential for web applications because transaction amounts from corporate customers were bigger volume. They predict that the trend for corporate internet banking customers will be continuous growth. Bankers did confirm that implementing Internet banking can help reduce operating costs and ease pressure on human resources in the future if this system can provide actual benefits and contribute to long-term relationships with bank customers. From the findings, corporate customers were quite positive about Internet banking benefits overall except that they did not view information sharing as a benefit (Rotchanakitumnuai and Speece, 2003). Evaluating their corporate internet banking customers, banks could judge that internet banking assisted them to develop and enhance relationships with their corporate customers in terms of providing service according to customer needs and wants with lower costs and more service responsiveness. Of key concern among corporate customers was the issue of security and reliability of transactions via the internet.

Boateng (2011) examined the effects of market segmentation on customer service in the banking industry in Ghana, the case study of Barclays Bank Ghana Limited, Kumasi Prempeh II Street Branch. The aims and objectives of the study were to identify the various market segments of Barclays Bank Ghana Limited and the basis of segmentation, measuring the level of satisfaction in the various market segments and to establish the effects of market segmentation on customer service in the banking industry. The study revealed that Barclays Bank Ghana Limited groups various customers into four market segments as follows: standard or mass segment, premiere life or prestige segment, premiere segment and corporate banking segment. Barclays Bank Ghana Limited is a tier 1 bank but its findings can still be applicable to all banks even the Tier two banks.

Nzau (2013) did a study on the application of electronic banking as a Competitive strategy by commercial banks in Kenya. In the current market situation many customers and seeking efficient and convenient banking services without the hassle of queuing for long hours to get served. This has led the banks to look for new avenues to segment the market and provide services better suited for each segment. This study found out that a majority of the Tier two banks are undertaking e-banking to serve a specific segment of their market. And in return the Tier two banks have increased their asset base to between 50 and 60 Billion shillings and having a market representation of 46.4%. Most of the customers used the internet for swift services and electronic funds transfer as they sought convenience in seeking banking services (Nzau, 2013). Following this review, the study hypothesized that;

> H_{01}: *Corporate market has no significant relationship with investment returns among Tier two Commercial banks in Kenya.*

2.3.2 SME Market and Investment Returns of Banks

The Small and Medium Enterprises (SMEs) represent an important target market for commercial Banks. SMEs comprise registered businesses with less than 250 employees whose financial requirements are too large for microfinance, but are too small to be effectively served by corporate banking models consisting of tier 1 and tier two banks. This market lies strategically between large corporations and mostly-informal micro-enterprises. They represent a large and economically important sector in nearly every country and are considered a sign of a thriving economy as a whole. The increasing level of competition and the changing operating environment has forced them to identify specific markets that they can target and capitalize on in their quest to gain sustainable competitive advantage. Many tier two banks have focused on this market because of its central role in economic development especially in emerging markets. To serve SMEs market, tier two banks have set up dedicated departments, staff and decentralized the sale of products to the branches.

The SME market includes a wide range of firm types and sizes. SMEs are often family owned, and in most cases, the owner is the primary financial decision maker. Berg, Totolo and Fuchs (2015) argue that SMEs are good business for Kenya's growing banking sector and the medium sized banks commonly known as the tier two banks. This study sought to quantify the extent of tier two banks' involvement with SMEs and the portfolio of services mostly used by SMEs. The findings show that involvement of the tier two Kenyan banks in the SME segment had grown significantly majorly driven mainly by domestic banks to a total SME lending portfolio estimated at KES332 billion by the year 2014 which represented 23.4% of the banks' total loan portfolios.

Beck, Demirgüç-KuntandPería (2008) examined bank financing for SMEs around the world drivers by looking at obstacles, business models and lending practices using data from a survey of 91 banks in 45 countries. The findings show banks perceive the SME segment to be highly profitable, but perceive macroeconomic instability in developing countries and competition in developed countries as the main obstacles. The findings show that the lending environment is more important than firm size or bank ownership type in shaping bank financing to SMEs. The findings further show small differences between lending to large and small enterprises (SMEs). The tier two banks are also reaping a lot of profits through interests as they extend credit to the SMEs.

Shahchera and Taheri (2014) examined the role of Small and Medium Enterprises (SMEs) in influencing the banking profitability in Iran. The study set to develop a comprehensive model that incorporates macroeconomic, industry-specific and bank-specific determinants of which the bank-specific determinants transmit to the balance sheet structure. From the findings, the coefficient for loans to SMEs was negative and significant in the banking profitability in Iran. SMEs did not contribute to bank profitability in Iran. Banks were more concerned about SME financing was seen to be highly risky as they did not have sufficient collateral to provide.

Hasan, Jackowicz, Kowalewski and Kozłowski (2014) examined bank ownership structure, SME lending and local credit markets. They specifically set to establish the relationship between bank type and small-business lending in a post-transition country. The findings show that local cooperative banks lend more to small businesses than did large domestic banks and foreign-owned banks, even when controlling for the financial situation of the cooperative banks. The findings further show that cooperative banks provided loans to small businesses at lower costs than foreign-owned banks or large domestic banks. In another study, Berger and Black (2011)

found that large banks/tier 1 have a comparative advantage in lending to small and large, but not medium-sized, firms in the U.S. largely attributed to the fact that small banks/tier two have a comparative advantage in relationship lending and that this advantage was strongest for the largest firms. The study therefore hypothesized as follows;

> *H_{02}: SME market has no significant effect on investment returns among Tier two Commercial banks in Kenya.*

2.3.3 Retail Market and Investment Returns of Banks

Retail banking is about provision of banking services to individuals and small business where the financial institutions are dealing with large number of low value transactions (Sharma, 2015). This market is characterized by three basic characteristics including: multiple products like deposits, credit cards, insurance, investments and securities; multiple channels of distribution including call center, branch, and internet and multiple customer groups in the terms of consumer and small business. Individuals and small businesses constitute the core of the retail banks' customer base. A number of studies have been conducted on retail banking and investment returns. For instance, Sharma (2015) examined perception of risk factors in Indian retail banking using a case study based approach. The study acknowledges the level of competition in the retail banking sector not just in India but around the world. The findings further show that there is a need for constant innovation in retail banking.

In another study, Tsoukatos and Mastrojianni (2010) examined the key determinants of service quality in retail banking specifically quality scale and through its examination and comparison with the SERVQUAL and BSQ metrics used in banking sector to deepen understanding of quality determinants in the industry. In order to serve the retail market effectively, the tier two banks need to understand retail customers' service requirements and

comprehend the impact of service delivery performance on their attitudes. This way, they will be able to design products and other financial serviced specifically targeted at meeting these needs. In order for the banks in this market to protect/gain market shares, they need to outperform competitors in offering satisfactory financial services to customers. As explained by Tsoukatos and Mastrojianni (2010), customers' perceive the relative inferiority/superiority of services by comparing a firm's actual performance with their expectations, shaped by experience and/or memories.

Onaolapo, Salami and Oyedokun (2011) examined marketing segmentation practices and performance of Nigerian commercial banks in the post consolidation era 2005 to 2011. The study segments the market using a two-Stage segmentation process where the market is classified as either individual customers (Retail) or corporate customers after which the financial services are the developed with focus on the specific target market. According to Ovia (2004), designing tier two bank products with the aim of matching customers' expectations within a market segment mass customization organizational performance and customer retention will be enhanced. Klee and Fabio (2005) argue that return on investment is the resultant output of effectiveness of target marketing by commercial banks. A well designed target market necessitates customer satisfaction and lowers customer attritions for higher levels of customer loyalty and retention.

Clark, Dick, Hirtle, Stiroh and Williams (2007) examined the role of retail banking in the United States banking industry by looking at risk, return, and industry structure. The study argues that at the bank level, the principal attraction of retail banking seemed to be the belief that its revenues were stable and thus could offset volatility in the nonretail businesses. The findings show that interest in retail banking fluctuates in rather predictable ways with the performance of non-retail banking and financial market activities.

Ferreira, Santos, Rodrigues and Spahr (2011) conducted an evaluation of retail banking quality service and convenience with Multiple Criteria Decision Analysis (MCDA) techniques using a case study at the bank branch level. The study specifically set to measure the levels of service quality and customer convenience. The study developed performance measures that can track the progress of all the tier two bank branches over time; identify and desirably implement corrective actions; increase transparency in criteria selection and trade-offs calculation; and incorporate the professional know-how and experience in the decision making process, in order to increase the realism of the evaluation process. Resulting from the review, it was hypothesized that;

> H_{03}: *Retail market has no significant effect on investment returns among Tier two Commercial banks in Kenya.*

2.3.4 Microfinance Market and Investment Return Of Banks

Microfinance refers to the provision of financial services to the rural and urban poor who are self-employed and traditionally lack access to banking and related services (Gonzalez-Vega, 2008). This is a market characterized by extremely small loan given to impoverished people to help them become self-employed with the aim of improving the borrowers' living standards. It is a market a place for the poor and near poor clients to get access to a high quality financial service. Microfinance is an effective tool that may be helpful in reducing poverty and spread economic opportunity by giving poor people access to financial services, such as credit and insurance. It involves the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their

SMEs. The customers in this market comprise low income individuals who take small loan amounts and at the same time, their savings and deposit amounts are low.

Several studies have been conducted on microfinance markets and investment return of banks. Nawai and Shariff (2010) examined determinants of repayment performance in microcredit programs through review of literature. The findings show that the provision of non-financial services such as training, basic literacy and health services has a positive impact on repayment performance. The study groups the causes of non-repayment into three main areas as: the inherent characteristics of borrowers and their businesses; the characteristics of lending institution and suitability of the loan product to the borrower.

Oyeniyi (2014) examined the influence of micro finance bank on the performance of small scale businesses at the community level using a case study of Michika Microfinance Bank Limited. The result indicated that the tier two banks despite its numerous challenges/limitations have great impact on the performance of small scale business in its area of operation. In order to realize more from the microfinance market, the study established that Michika Microfinance Bank needed more efforts to roll out more enriched loan packages and to enlighten the customers to be able to fully utilize the micro loans available at the bank and any other tier two banks.

Narwa, Pathneja and Yadav (2015) conducted performance analysis of banks and microfinance institutions in India with the aim of measuring the determinants of performance. The results are different for banks and microfinance institutions. Size matters to MFIs and spread matters to Indian banks performance for ROE. Whereas, size and spread both matters to ROA of banks and spread is explaining the performance of microfinance institutions. Size is positively

and significantly associated to Debt Equity ratio (DER) of banks, whereas, size and spread both are significantly negative to DER of microfinance institutions.

Samuila (2015) conducted an assessment of the roles, challenges and prospects of microfinance banks in Nigera with evidenced from Yola with a view to determine whether the activity of microfinance banks had any significant impact on commercial activities and whether there are prospects for microfinance banks in Nigeria. The study highlights the various roles microfinance bank impact commercial activities to include financing of small and medium scale enterprise, investing in small and medium scale enterprise and enhancing women access to fund. Microfinance banks in Nigeria faced several challenges which include difficulty in recovery loan, lack of adequate Information Communication and Technology (ICT) and related banking technology, limited outreach and awareness constituted trait to the activities and expansion of microfinance banks. Muhammad (2010) sought to highlight the challenges and opportunities faced by the microfinance sector in Pakistan. The study identified a number of challenges including: improper regulations, increasing competition, innovative and diversified products, profitability, stability, limited management capacity of micro finance institutions (MFIs). Olanrewaju (2014) examined the impact of micro finance banks on SMEs development in Nigeria. The findings show that microfinance institutions have limited fund to offer the customers including SMEs which would be determined by MFBs equity capital not impaired by loss to be granted to a single customer as a point in time. I view of the reviewed literature it was hypothesized that;

H_{04}: Microfinance market has no significant effect on investment returns among Tier two Commercial banks in Kenya.

2.4 Knowledge Gap

Several studies have been done on target market and investment return of organization. However, these studies concentrated on other aspects of target market and organizational performance besides being conducted in a different context to Tier two Commercial banks in Kenya. For instance, Rotchana kitumnuai and Speece (2004) examined corporate customer perspectives on business value of Thai internet banking. Boateng (2011) examined the effects of market segmentation on customer service in the banking industry in Ghana, the case study of Barclays Bank Ghana Limited, Kumasi Prempeh II Street Branch. It can be seen that these studies were done in Thai and Ghana which have different macro-economic operating environment from the tier two commercial banks in Kenya.

On SME target market, Berg, Totolo and Fuchs (2015) argue that SMEs are good business for Kenya's growing banking sector. Beck et al (2008) examined bank financing for SMEs around the world drivers by looking at obstacles, business models and lending practices using data from a survey of 91 banks in 45 countries. Hasan, et al. (2014) examined bank ownership structure, SME lending and local credit markets. Berger and Black (2011) found that large banks have a comparative advantage in lending to small and large, but not medium-sized, firms in the U.S. largely attributed to the fact that small banks have a comparative advantage in relationship lending and that this advantage was strongest for the largest firms. These studies concentrated on other aspects of SME target market and firm performance as opposed to target market and investment return for the tier two commercial banks in Kenya.

On the retail target market, Tsoukatos and Mastrojianni (2010) examined the key determinants of service quality in retail banking specifically quality scale and through its examination and comparison with the SERVQUAL and BSQ metrics used in banking sector to

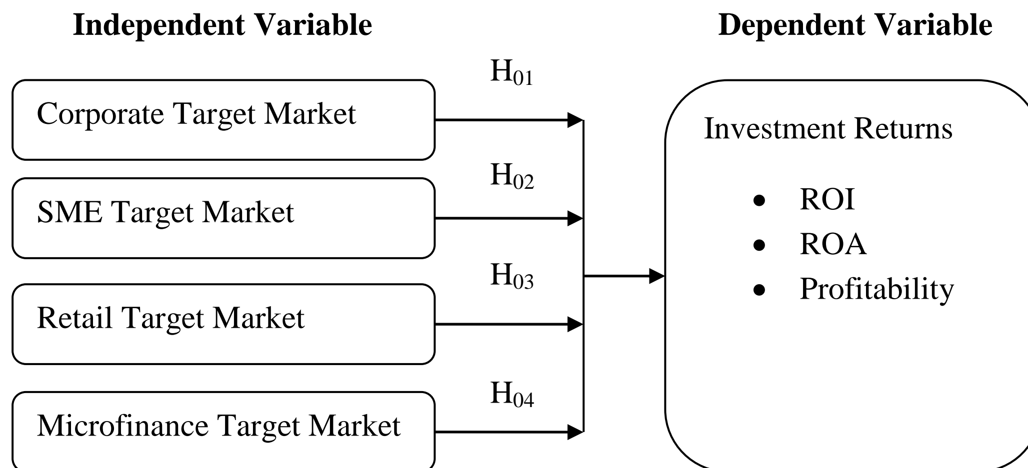
deepen understanding of quality determinants in the industry. Onaolapo, et al. (2011) examined marketing segmentation practices and performance of Nigerian commercial banks in the post consolidation era 2005 to 2011. Clark, Dick, Hirtle, Stiroh and Williams (2007) examined the role of retail banking in the United States banking industry by looking at risk, return, and industry structure. Ferreira et al. (2011) conducted an evaluation of retail banking quality service and convenience with MCDA techniques using a case study at the bank branch level. These studies concentrated on service quality and segmentation practices as opposed to target market and investment return.

On Microfinance market, Nawai and Shariff (2010) examined determinants of repayment performance in microcredit programs through review of literature. Narwa et al. (2015) conducted performance analysis of banks and microfinance institutions in India with the aim of measuring the determinants of performance. Samuila (2015) conducted an assessment of the roles, challenges and prospects of microfinance banks in Nigera. These studies concentrated on other territories and different contexts from the tier two commercial banks in Kenya.

2.5 Conceptual Framework

Figure 2.1 shows the relationship between two sets of variables; independent variables and the dependent variables. The independent variables are; corporate target market, SME target market, retail target market, microfinance target market and the dependent variable is investment returns. The independent variables affect the dependent variable.

Figure 2.1
Conceptual Framework



Source: Author (2016)

2.6 Operationalization of Variables

Table 2.1 presents the operationalization of variables. It shows the variables of the study, the indicators to measure the variables and the scale to measure those variables.

Table 2.1

Operationalization of Variables

Objective	**Variable Type**	**Indicators**	**Type of data analysis**
To determine the relationship between corporate market and Investment returns among Tier two Commercial banks in Kenya	**Independent** Corporate target market	• Volume of transactions • Amount of deposits • More than 250 employees	Descriptive Correlation Regression
To examine the relationship between SME market and Investment returns among Tier two Commercial banks in Kenya	**Independent** SME target market	• Up to 250 employees • Medium collateral	Descriptive Correlation Regression
To evaluate the relationship between the retail market and investment returns among Tier two Commercial banks in Kenya	**Independent** Retail target market	• Individual customers • Employed individuals	Descriptive Correlation Regression
To determine the relationship between microfinance market and investment return among Tier two Commercial banks in Kenya	**Independent** microfinance target market	• Poor and low income customer segment • Limited sources of income	Descriptive Correlation Regression
	Dependent Investment return	• Return on Investments (ROI)	Descriptive Correlation Regression

Source: Author (2016)

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents detailed information on the research design and methodologies that the researcher used in collecting and analyzing data. It explains the research design, target population, sampling design, data collection and instrumentation. It also presents the pilot where it discusses the validity and reliability tests to be performed on the questionnaire. It highlights the data analysis methods and the ethical considerations to be observed.

3.2 Research Design

This study adopted a descriptive cross-sectional survey because it cuts across all the tier two commercial banks in Kenya as at March, 2016.Descriptive research design is a fact finding approach generating across sectional study of the present situation. It ascertains and describes these characteristics of the variables of interest in a situation. It is restricted to a fact finding and may result in the formation of important principle of knowledge and solutions to significant problems (Kothari, 2004). Since the respondents were describing the issues in relation to target market and investment return among Tier two banks. Descriptive design concerns itself with the what, where, when, how and when of a phenomenon.

A cross-sectional survey reports on the situation as it is without changing in any way at the same point in time (Neuman, 2006). Cross-sectional research design has been chosen because it allows for generalization of findings within a particular parameter. Cross sectional design has been selected because it promoted the generalization of findings to the entire population.

3.3 Target Population

A population refers to an entire group of individuals, events or objects having a common observable characteristic about which a researcher is interested in (Sekaran, 2008). It describes the parameters whose characteristics the research attempt to describe. It comprises of all potential participants that can make up the study group (Kumar, 2008). The target population of this study comprised of all 16 tier two commercial banks in Kenya as at March, 2016 (CBK, 2016). Tier two commercial banks in Kenya was the ideal target market for this study because this bank category has representation of the four main target markets for banks in Kenya.

3.4 Sampling Design

A sampling design is a definitive plan for obtaining a sample from a given population. It refers to the procedure the researcher would adopt in selecting items for the sample. Sampling refers to a process of selecting a number of individuals in manner that the selected individuals represent the larger group from which the sample has been selected (Chandaran, 2004). A sample is a selection of units from the total population for the purposes of the study. A sample can be chosen randomly or the researcher can select people who are easier to obtain information from (Roger & Victor, 2006). This refers to probability sample or a non-probability sample respectively.

This study adopted purposive and stratified sampling techniques because the information being sought may not be readily available among all bank employees. Purposive sampling techniques involve selecting certain units or cases based on a specific purpose rather than randomly. This enhanced achievement of randomness and collection of relevant data free from data redundancy. The study specifically targeted marketing and finance departments as they are the main persons in target market and investment returns.

The study applied stratified random sampling technique to select 67respondents from 368 respondents in all the 16 Tier two commercial banks in Kenya. Stratified random sampling is a method of sampling that involves the division of a population into smaller groups known as strata. In stratified random sampling, the stratum forms the basis of members' shared attributes or characteristics. A random sample from each stratum was taken as a number proportional to the stratum's size when compared to the population. These subsets of the strata were then pooled to form the final sample size. Mugenda and Mugenda (2008) suggest that a good sample is about 10%-30% of the accessible population. From the 16 commercial banks in this category in Nairobi; the researcher targeted 30% respondents from the top level management, 20% middle level management and 15% lower level management, contributing to a total of 67 respondents which equates to 18.2% of the target respondent population. The top management held a higher percentage as they have more knowledge on target marketing and returns on the investments while some junior staff may lack the necessary information. This is because Neuman (2003) indicated that 10% - 20% is an adequate sample in a descriptive study.

Table 3.1

Sample Size

Category	Target population	Sample	Percentage of sample
Lower level managers	208	31	15%
Middle level managers	112	22	20%
Top level managers	48	14	30%
Total	**368**	**67**	19.0%

Source: Author (2016)

3.5 Data Collection and Instrumentation

The study used primary data collected using a questionnaire. The questionnaire contained both open and closed ended questions. The open ended questions were used to collect more information from the respondents which may not be easily captured by closed ended questions. The closed ended questions were used to allow for standardization of responses and thus help in the formulation of conclusions about target market and investment returns among Tier two commercial banks in Kenya.

The questionnaire in Appendix I was formulated in parts covering each objective. Part A of the instrument covered demographic information about the respondents and their respective banks, part B covered corporate market, Part C covered SME market, and part D covered retail market while part E covered microfinance market. The study adopted the use of a Likert scale for most items in the instrument where; 1= not at all, 2= little extent, 3= moderate extent, 4= great extent and 5= very great extent. The questionnaires were administered through a drop and pick later method so as to reduce interruptions in the day to day operations of the banks. The questionnaire is the most commonly used methods when respondents can be reached and are willing to co-operate. This method allowed the study to reach a large number of subjects who are able to read and write independently.

3.6 Validity and Reliability of Instrument

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are (Joppe, 2000). It takes four forms: face, construct, internal and external. The study instrument was subjected to face validity test and internal validity tests. A pilot study was used to test the face validity of the instrument. According to Creswell (2009), a pilot test helps to test the reliability and validity of data collection instruments. According to

Kothari (2004) a pilot study can comprise of between 4-10 members of the target population whose response was used to improve on the data collection instrument. The pilot test comprised 4 tier I commercial banks in Kenya because they have well developed target market models. These findings were however not be included in the final data analysis instead the information collected was used to improve the research instruments.

Reliability demonstrates that the study can be repeated with the same outcome. Joppe (2000) defines reliability as the extent to which results are consistent over time and an accurate representation of the total population under study. The researcher used clear and well defined questionnaire as a method of data collection. Questions by the respondents were also clarified. This could easily be applicable to another sample to test the reliability of the results. However, subjectivity that may distort responses cannot be over ruled. To measure reliability, the study adopted a Cronchba's alpha test with a threshold of 0.7. Cronbach's alpha of equal to or greater than 0.7 means the instrument is sufficiently reliable for the measurement (Nachmias & Nachmias, 2008). The 49 items in the instrument in Appendix I had an overall alpha value of 0.862 which was interpreted to mean the instrument was reliable.

3.7 Data Analysis

Data analysis entails processing collected research data so as to obtain meaningful information to be able to provide meaningful deductions from the carried out study. The collected research data was edited to remove blank spaces, then coded, categorized and lastly keyed into Statistical Package for Social Sciences (SPSS) for final data analysis. Descriptive measures including; frequencies, percentages, mean analysis and standard deviation were computed and used to describe the variables in the study. Inferential statistics, in particular regression analysis was

used to determine the relationship between target market and investment return.The information was displayed by use of tables, graphs and in prose-form. The estimated multiple regression model is presented below:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon_i$$

Where **Y** = Investment Returns

$\mathbf{X_1}$ = Corporate market

$\mathbf{X_2}$= SME market

$\mathbf{X_3}$= Retail Market

$\mathbf{X_4}$=Microfinance Market

ε = Error Term

β_0= Constant in the regression model that shows the value of investment returns in the absence of the independent variables.

3.8 Ethical Considerations

Ethics requires that the researcher gets permission to conduct research and ensures that the research elements are not harmed by the research. Therefore, a researcher must confirm to the principle of voluntary consent where the respondents willingly participate in research (Mugenda and Mugenda, 2003). The researcher sought informed consent from the target respondents such that no respondent was forced to participate in the study but allowed to participate in free will. The researcher communicated this to the respondents before the start of the study. The researcher ensured that all respondents fully understood all the details pertaining to the study. Plagiarism refers to passing of another person's work as if it were your own, by claiming credit for something that was done by someone else (Bryman and Bell, 2007). It is taking and using another person's thoughts as if they were your own. The researcher took utmost care to ensure

that all work borrowed from other scholars is acknowledged. The researcher sought approvals from KCA University and the respective commercial banks before embarking on research. This ensured that the researcher gets all the requisite permission to conduct research.

CHAPTER FOUR
DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

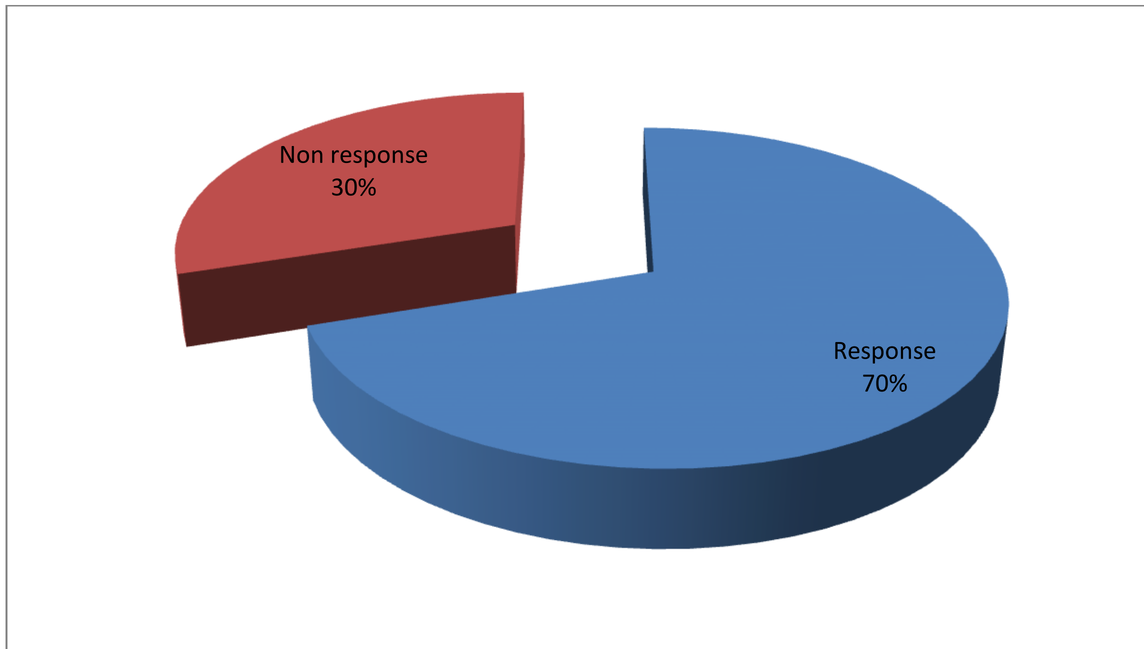
This chapter presents the research findings and discussions based on the data collected from the field. The main objective of the study was to determine the relationship between target market and investment returns amongst tier two commercial banks in Nairobi Kenya. Data was collected using questionnaires as the data collection instruments and summarized by use of descriptive statistics which involves the use of frequency tables, percentages, mean and standard deviation.

4.1.1 Response Rate

A total of 67 questionnaires were distributed out of which 47 questionnaires were returned resulting in a response rate of 70%. This response was good enough and representative of the population and conformed to Mugenda and Mugenda (2003) stipulation that a response rate of 70% and above is excellent. These findings are well illustrated in the Figure 4.1 below.

Figure 4.1

Response Rate



Source: Author (2016)

4.1.2 Internal Consistency Tests

The data collected in the survey was subjected to a reliability analysis using Cronbach's Alpha test to measures the internal consistency of items within a scale measures the same construct. Table 4.1 shows the target market amongst tier two commercial banks in Nairobi Kenya. Corporate Market had α=0.770, SME Market had α=0.759, Retail Market had α=0.770 and Microfinance Market had α=0.929. The overall scale for the 49 items in the instrument was 0.862. Given that all the items had alpha values greater than 0.7; the four constructs were interpreted as meeting the internal consistency requirement and the instrument was interpreted as reliable. Internal consistency meant that the items in the questionnaire were able to measure the construct as expected.

Table 4.1

Reliability Analysis

Construct	Cronbach's Alpha	Number of Items
Corporate Market	0.770	9
SMEMarket	0.759	9
Retail Market	0.770	12
Microfinance Market	0.929	7
Overall Scale	0.862	49

Source: Author (2016)

4.2 Respondent Profile

The study sought to profile the respondents and the results are as explained in the subsequent sections. This was aimed at establishing the suitability of the responses in providing data relevant for completion of this study.

4.2.1 Position in the Bank

Table 4.2 presents the respondents position in the bank. The findings are show that 36.2% of the respondents were lower level managers, 36.2% were middle level managers and 27.7% were top level managers. This meant that all management levels were covered as they have more knowledge on target marketing and returns on the investments thus provide relevant and reliable information for the study.

Table 4.2

Position in the Bank

Level	Frequency	Percent
Lower Level Managers	17	36.2
Middle level managers	17	36.2
Top Level Managers	13	27.7
Total	47	100.0

Source: Author (2016)

4.2.2 Period Working in the Bank

In terms of period of time worked with their respective banks, the findings in Table 4.3. show that 38.3% of the respondents had been working in their banks for less than 3 years, 34% for between 7-10 years and 19.1% for between 4-6 years.This shows that data was collected from individuals who have had experience and would give valuable information on target market and investment returns amongst tier two commercial banks.

Table 4.3

Period Working in the Bank

Period	Frequency	Percent
Less than 3 years	18	38.3
4-6 years	9	19.1
7-10 years	16	34.0
More than 10 years	4	8.5
Total	47	100.0

Source: Author (2016)

4.2.3 Period in the Banking Industry

The respondents were asked to indicate the period of time they have been working in the banking industry. Table 4.4 shows that 36.2% of the respondents had been working with the banks for between 7-10 years and another group (36.2%) for more than 10 yearsand19.1% for between 4-6 years. This results show a big number of the employees (72.4%) had worked for several years which translated to vast experience in the banking industry and hence they had a sound understanding of the target market and investment returns amongst commercial banks hence provided reliable information for the study.

Table 4.4

Period in the Banking Industry

Period	Frequency	Percent
Less than 3 years	4	8.5
4-6 years	9	19.1
7-10 years	17	36.2
More than 10 years	17	36.2
Total	47	100.0

Source: Author (2016)

4.3 Corporate Market and Investment Returns

Several elements of corporate market and its effect on investment returns of commercial banks were identified and the respondents were required to indicate the extent to which each has affected investment returns in their banks. Table 4.5 shows that 44.7% of the respondents agreed to a great extent and 25.5% agreed to a very great extent that the banks had large portfolio of large multinational customers. This meant that while many banks did business targeting the Kenyan market, substantive amounts of businesses were performed in international markets as well.

Most of the respondents (19.1%) agreed to a great extent or a very great extent (38.3%) that they had a large portfolio of government enterprises. This indicated that the government was a key investor in the banking sector. The presence of 23.4% respondents who indicated that the government had little or no portfolio in them meant that some banks were privately owned and did not engage a lot in government related business.

From Table 4.5, a large majority of the respondents 57.4% agreed to a great extent and 25.5% agreed to a very great extent that a great proportion of a bank's profits come from corporate customers. This position provides empirical evidence that the corporate market could have significant relationship with banks investment returns. While 38.3% of the respondents agreed to a great extent that they had a well-established customer relationship management for their corporate customers, 36.2% agreed with this position to a very great extent and a further 25.5% to a moderate extent. The large percentage of affirmative response to this query meant that banks esteemed their corporate clients and netted a close working relationship to retain them.

Table 4.5

Descriptive Statics of Corporate Market and Investment Returns

Response	Frequency	Percent	Cumulative Percent
We have a large portfolio of large multinational customers			
Not at all	4	8.5	8.5
Moderate extent	10	21.3	29.8
Great extent	21	44.7	74.5
Very great extent	12	25.5	100.0
We have a large portfolio of government enterprises			
Not at all	4	8.5	8.5
Little extent	11	23.4	31.9
Moderate extent	5	10.6	42.6
Great extent	9	19.1	61.7
Very great extent	18	38.3	100.0
A great proportion of our profits come from corporate customers			
Moderate extent	8	17.0	17.0
Great extent	27	57.4	74.5
Very great extent	12	25.5	100.0
We have a well-established customer relationship management for our corporate customers			
Moderate extent	12	25.5	25.5
Great extent	18	38.3	63.8
Very great extent	17	36.2	100.0
Corporate market has improved the Bank's access to quality business information			
Little extent	3	6.4	6.4
Moderate extent	3	6.4	12.8
Great extent	37	78.7	91.5
Very great extent	4	8.5	100.0
Corporate market has improved the Bank's business processes			
Moderate extent	8	17.0	17.0
Great extent	31	66.0	83.0
Very great extent	8	17.0	100.0
Corporate customers have improved the level of information sharing in the Bank			
Moderate extent	4	8.5	8.5
Great extent	33	70.2	78.7
Very great extent	10	21.3	100.0
Corporate customers have improved adoption of web banking			
Moderate extent	14	29.8	29.8
Great extent	9	19.1	48.9
Very great extent	24	51.1	100.0
Corporate customers contribute a large proportion of revenue to the Bank			
Moderate extent	10	21.3	21.3
Great extent	14	29.8	51.1
Very great extent	23	48.9	100.0
Total	**47**	**100.0**	

Source: Author (2016)

It was further observed from Table 4.5 that a majority of the banks (78.7%) considered corporate markets an important source of quality business information. This meant that banks received vital feedback from the corporate markets that informed their subsequent strategies for optimal investment returns.

The role of the corporate markets on banks business processes was considered important by 66.0% of the respondents, while 17.0% agreed to a great extent or moderate extent that the corporate markets and improved the banks business processes. This indicated that corporate markets played an important role in making the service delivery seamless and consequently contributed to improved investment returns.

The analysis in Table 4.5 shows that most of the banks (70.2%) agreed to a great extent or very great extent (21.3%) that corporate customers had improved the level of information sharing in the Banking sector. Information sharing is considered an important parameter in mitigating risks in the banking sector and by enhancing information exchange, corporate clients helped many banks improve on their investment returns.

The study noted that 51.1% of the respondents agreed to a very great extent, 29.8% agreed to a moderate extent and 19.1% agreed to a great extent that corporate customers had improved the adoption of web banking. This outcome implied that many banks have adopted the use of web banking in their business and that the corporate clients were major drivers of this change. Web banking has not only revolutionaries the sector but has also improved the investment returns of most banks given that it lends itself to extended business hours. Evident from Table 4.5 was the observation that 48.9% of the respondents agreed to a very great extent, great extent (29.8%) and moderate extent (21.3%) that corporate customers contribute a large proportion of a banks

revenue. This meant that while banks earned revenue from other sources, corporate markets significantly determined the bank's investment returns.

The study employed the use of mean analysis and standard deviation to rank and describe the elements of corporate market as shown in Table 4.6 below. The descriptive scores show the maximum response was 5 and the minimum response was 3, which fell within the Likert scale adopted in the study. The mean analysis values ranged from 3.55 to 4.27 which indicated that the respondents either moderately agreed, agreed to a great extent or a very great extent with the statements relating to corporate markets. The item with the highest corporate management mean score was; corporate customers contribute a large proportion of revenue to the Bank (mean score=4.27and standard deviation=0.799), this was followed by, corporate customers have improved adoption of web banking (mean score=4.21and standard deviation of 0.883), corporate customers have improved the level of information sharing in the Bank (mean score=4.127and standard deviation of 0.536), banks have a well-established customer relationship management for our corporate customers (mean score=4.10 and standard deviation=0.786), a great proportion of our profits come from corporate customers(mean score=4.085 and standard deviation=0.653) and corporate market has improved the Bank's business processes (mean score=4.00and standard deviation=0.589). These results meant that corporate markets were played an important role in determining a bank's investment returns.

Table 4.6

Mean Analysis of Corporate Market and Investment Returns

Corporate market Item	N	Min.	Max.	Mean	Std. Deviation
Corporate customers contribute a large proportion of revenue to the Bank	47	3.00	5.00	4.2766	.79951
Corporate customers have improved adoption of web banking	47	3.00	5.00	4.2128	.88308
Corporate customers have improved the level of information sharing in the Bank	47	3.00	5.00	4.1277	.53637
We have a well-established customer relationship management for our corporate customers	47	3.00	5.00	4.1064	.78668
A great proportion of our profits come from corporate customers	47	3.00	5.00	4.0851	.65374
Corporate market has improved the Bank's business processes	47	3.00	5.00	4.0000	.58977
Corporate market has improved the Bank's access to quality business information	47	2.00	5.00	3.8936	.63362
We have a large portfolio of large multinational customers	47	1.00	5.00	3.7872	1.10210
We have a large portfolio of government enterprises	47	1.00	5.00	3.5532	1.42659
Valid N (list wise)	47				

Source: Author (2016)

4.4 SME Market and Investment Returns

A descriptive analysis of the items that make up the SME market was performed and the results displayed in Table 4.7 below. Most of the respondents (61.7%) agreed to a great extent while 29.8% agreed to a moderate extent that they had a large portfolio of SME customers in our Bank. This meant the Banks involved in the study had in their profile a host of small market clientele. It was observed that 46.8% and 44.7% of the respondents either agreed to a moderate extent or to a great extent respectively that SME customers have contributed to a large proportion of the Banks revenue. This indicated that the SME customers moderately contributed to a bank's investment returns, relative to the other markets.

The contribution of the SME markets to Banks expansion in the industry was perceived by a majority of the respondents (51.1%) as moderate and 53.2% also indicated that SME markets had improved the competitiveness of Banks to a moderate extent. Going by these results, SME customers were important to Bank but relative to the other markets there role in defining a Banks position in the market was limited.

Table 4.7 indicates that 53.2% of the respondents agreed to a great extent that the SME market had grown their loan book and a further 53.2% of the respondents agreed to a great extent that loans extended to SMEs constituted a substantial share of the Banks loan book. This meant the SME were had increased the banks' lending capacity by demanding for more credit facilities. It was noted that 55.3% of the respondents agreed to a great extent and 36.2% agreed to a moderate extent that the SME markets repay loans as scheduled. The large percentage of respondents agreeing to moderate extent meant the SME markets could have cases of late payment or loan default which has a negative effect on investment return.

In terms of profitability, 51.1% of the bankers agreed to a great extent and 38.3% agreed to a moderate extent that the SME segment had improved the profitability of the Banks. On the contrary, the respondents indicated to a moderate extent (46.8%) and to a great extent (25.5%) that SMEs formed a risky portfolio of loans for the Bank. This meant that while the SME markets seemed attractive to the lenders, they bore greater risks.

Table 4.7: Descriptive Statics of SME Market and Investment Returns

Response	Frequency	Percent	Cumulative Percent
We have a large portfolio of SME customers in our Bank			
Little extent	4	8.5	8.5
Moderate extent	14	29.8	38.3
Great extent	29	61.7	100.0
SME customers have contributed to a large proportion of our revenue			
Not at all	4	8.5	8.5
Moderate extent	22	46.8	55.3
Great extent	21	44.7	100.0
SME market has improved our market expansion in the industry			
Moderate extent	24	51.1	51.1
Great extent	17	36.2	87.2
Very great extent	6	12.8	100.0
SME market has improved the competitiveness of our Bank			
Moderate extent	25	53.2	53.2
Great extent	18	38.3	91.5
Very great extent	4	8.5	100.0
SME market has grown our loan book			
Little extent	5	10.6	10.6
Moderate extent	17	36.2	46.8
Great extent	25	53.2	100.0
Majority of the SMEs repay their loans on schedule			
Little extent	4	8.5	8.5
Moderate extent	17	36.2	44.7
Great extent	26	55.3	100.0
The loans extended to SMEs for a substantial share of our loan book			
Moderate extent	18	38.3	38.3
Great extent	25	53.2	91.5
Very great extent	4	8.5	100.0
SME segment has improved the profitability of the Bank			
Little extent	3	6.4	6.4
Moderate extent	18	38.3	44.7
Great extent	24	51.1	95.7
Very great extent	2	4.3	100.0
SMEs form a risky portfolio of loans for the Bank			
Little extent	7	14.9	14.9
Moderate extent	22	46.8	61.7
Great extent	12	25.5	87.2
Very great extent	6	12.8	100.0
Total	**47**	**100.0**	

Source: Author (2016)

An examination of the items that made up the SME market based on mean analysis and standard deviation analysis in Table 4.8 shows that on average the mean scores of these items ranged between 3.27 and 3.70. Given the Likert scale used in the study instrument, this meant that the respondents agreed that the contributions of the SME markets in respect to the other markets were moderate.

The greatest contributor to the variable SME markets was the loans extended to SMEs form a substantial share of the bank loan book with a mean of 3.70 and a standard deviation of 0.622. The low standard deviation (0.622) meant that this variable had the least variation and was most stable in predicting variations of the SME market. This was followed by SME market has improved our market expansion in the industry (mean score=3.61 and standard deviation=0.708), SME market has improved the competitiveness of the Banks (mean score=3.55 and standard deviation= 0.653), having a large portfolio of SME customers in their Banks (mean score=3.53 and standard deviation=0.686), having a large portfolio of SME customers in the Bank(mean score=3.53 and standard deviation=0.654), majority of the SMEs repay their loans on schedule (mean=3.46 and standard deviation=0.654), SME market has grown the loan book (mean=3.42 and standard deviation=0.683) and SMEs form a risky portfolio of loans for the Bank had a mean of 3.36 with a standard deviation of 0.895.Apparently the mean analysis shows that the item SME customers have contributed to a large proportion of our revenue had the least mean of 3.27 with a standard deviation of 0.852.

Table 4.8

Mean Analysis of SME Market on Investment Returns

Item	N	Mean	Std. Deviation
The loans extended to SMEs form a substantial share of our loan book	47	3.7021	.62258
SME market has improved our market expansion in the industry	47	3.6170	.70874
SME market has improved the competitiveness of our Bank	47	3.5532	.65304
SME segment has improved the profitability of the Bank	47	3.5319	.68687
We have a large portfolio of SME customers in our Bank	47	3.5319	.65445
Majority of the SMEs repay their loans ion schedule	47	3.4681	.65445
SME market has grown our loan book	47	3.4255	.68349
SMEs form a risky portfolio of loans for the Bank	47	3.3617	.89505
SME customers have contributed to a large proportion of our revenue	47	3.2766	.85216
Valid N (listwise)	47		

Source: Author (2016)

4.5 Retail Market and Investment Returns

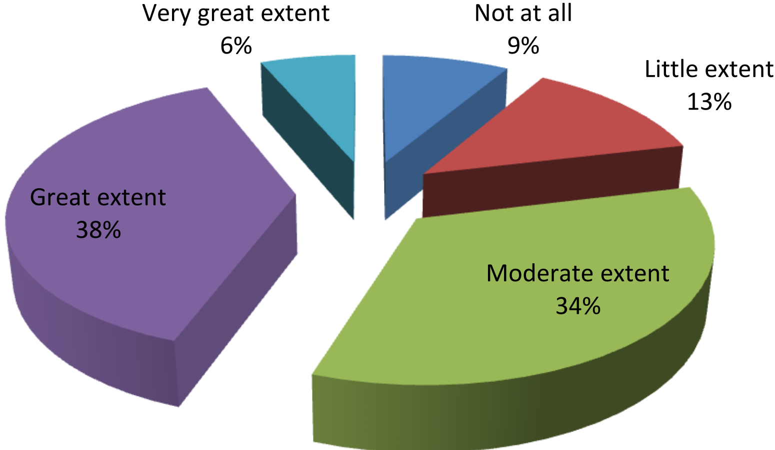
A descriptive analysis of the items that comprised retail market was performed and explained as follows. From Table 4.9, most of the respondents (44.7%) agreed to a moderate extent. 27.7% agreed to a great extent and 27.7 agreed to a little extent that the banks had a large portfolio of individual customers. The mixed response meant that while individual customer could form the majority in some Banks, in others they did not.

It was observed that most of the respondents (55.3%) agreed to a moderate extent that individual customer markets had been segmented for optimal service delivery while 51.1% of the respondents agreed to a moderate extent that individual market segmentation had improved revenue generation of the Bank. These results were interpreted to mean that the players in the banking sector used segmentation strategies to target their retail clients with an aim of maximizing return on investment. Figure 4.2 shows that 38% of the respondents agreed to a great extent that segmentation of individual markets improved customer satisfaction. This meant that

there difference amongst individual customers and grouping them helps the banker to understand each market need and optimally served it.

Figure 4.2

Individual Market Segmentation has improved Customer Satisfaction



Source: Author (2016)

Table 4.9
Descriptive Statics of Retail Market and Investment Returns

Response	Frequency	Percent	Cumulative Percent
Our Bank has a large portfolio of individual customers			
Little extent	13	27.7	27.7
Moderate extent	21	44.7	72.3
Great extent	13	27.7	100.0
The individual customers market has been segmented for optimal service delivery			
Little extent	13	27.7	27.7
Moderate extent	13	27.7	55.3
Great extent	21	44.7	100.0
Individual market segmentation has improved revenue generation of the Bank			
Little extent	9	19.1	19.1
Moderate extent	24	51.1	70.2
Great extent	14	29.8	100.0
The individual market is composed of high volume low value transactions			
Little extent	12	25.5	25.5
Moderate extent	13	27.7	53.2
Great extent	18	38.3	91.5
Very great extent	4	8.5	100.0
The fees generated from individual customers' forms a substantial share of the Bank's revenue.			
Little extent	21	44.7	44.7
Moderate extent	22	46.8	91.5
Great extent	4	8.5	100.0
We offer a variety of financial services to individual customers at competitive prices			
Little extent	4	8.5	8.5
Moderate extent	22	46.8	55.3
Great extent	17	36.2	91.5
Very great extent	4	8.5	100.0
The retail market is very competitive			
Little extent	4	8.5	8.5
Moderate extent	22	46.8	55.3
Great extent	13	27.7	83.0
Very great extent	8	17.0	100.0
The Bank has designed financial services specifically tailored to the retail market needs			
Little extent	9	19.1	19.1
Moderate extent	12	25.5	44.7
Great extent	22	46.8	91.5
Very great extent	4	8.5	100.0
The stability of revenue in the retail market helps offset volatility in the nonretail businesses			
Little extent	17	36.2	36.2
Moderate extent	18	38.3	74.5
Great extent	8	17.0	91.5
Very great extent	4	8.5	100.0
Total	47	100.0	

Source: Author (2016)

From Table 4.9, it was observed that most of respondents agreed to a great extent (38.3%) that the individual markets composed of high volume low value transactions. Consistent with this outcome, 44.7% of the respondents agreed to a little extent that the fees generated from the individual customers' formed a substantial share of the Bank's revenue. This meant that the retail customer were many but cumulatively engaged in low value transaction, which had little impact compared with the other markets. This translates to high operation cost that could lower investment returns.

Most of the respondents (46.8%) agreed to a moderate extent and 36.2% to a great extent that Banks offer a variety of financial services to individual customers at competitive prices. In Table 4.9, most of the respondents (46.8%) moderately agreed that the retail market was very competitive with 27.2% agreeing with this position to a great extent. This meant that to the retail market offered a competitive business ground, while others considered competition in the retail market to moderate.

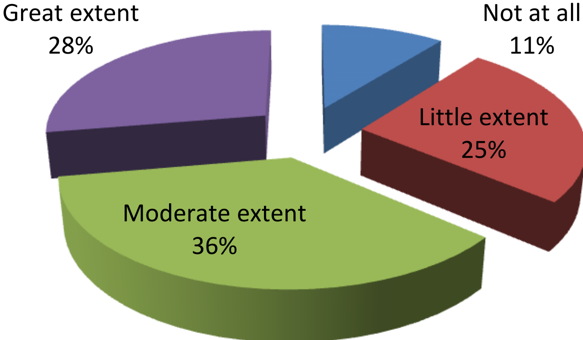
The study results in Table 4.9 show that 46.8% of the respondents agreed to a great extent that banks designed financial services specifically tailored to the retail market needs, while 19.1% thought the services were not necessarily meant for retail clients. This meant the banks had a range of products some for the retail market and others for non-retail clients.

In Figure 4.3, most of the respondents agreed to a moderate extent (36%) or a little extent (25%) that revenue in retail markets was stable. A similar pattern was observed In Table 4.9, where most of the respondents agreed to a moderate extent (38.3%) and 36.2% agreed to a little extent that stability of revenue in the retail market helps offset volatility in the nonretail

businesses. This results meant that the low volume of revenue associate with retail markets were not adequate to counter the volatile banking markets.

Figure 4.3

Revenues in Retail Market are Stable



Source: Author (2016)

On examining fluctuations of interest rates in non-retail banking in Table 4.10, it was noted that most bankers (44.7%) perceived fluctuations to occur to a little extent while other respondents agreed that interest fluctuate in a rather predictable manner in nonretail banking. Stability of interest rate assures the banking sector of a predictable business environment and hence steady investment returns.

Table 4.10

Interest in retail banking fluctuates in rather predictable ways with the performance of nonretail banking

Response	Frequency	Percent	Cumulative Percent
Not at all	5	10.6	10.6
Little extent	21	44.7	55.3
Moderate extent	5	10.6	66.0
Great extent	16	34.0	100.0
Total	47	100.0	

Source: Author (2016)

A mean and standard deviation analysis of the items making up retail market was performed and the output is displayed in Table 4.11 below. The item with the highest mean score was; the retail market is very competitive (mean of 3.53 and standard deviation of 0.880), followed by offer a variety of financial services to individual customers at competitive prices (mean of 3.44 and standard deviation of 0.774), the bank has designed financial services specifically tailored to the retail market needs (mean of 3.45 and standard deviation of 0.904), the individual market is composed of high volume low value transactions (mean of 3.29 and standard deviation of 0.953), Individual market segmentation has improved customer satisfaction (mean of 3.21 with a standard deviation of 1.041), the individual customers market has been segmented for optimal service delivery (mean of 3.17and standard deviation of 0.842), individual market segmentation has improved revenue generation of the Bank (mean of 3.10 and a standard deviation of 0.698), Banks has a large portfolio of individual customers (mean of 3.000 with a standard deviation of 0.751), the stability of revenue in the retail market helps offset volatility in the nonretail businesses (mean of 2.97 and a standard deviation of 0.943), the revenues in retail market are stable (mean of 2.80 and standard deviation of 0.969), interest in retail banking fluctuates in rather predictable ways with the performance of nonretail banking (mean of 2.68 and standard deviation of 1.065) and the fees generated from individual customers for a substantial share of

the Bank's revenue (mean of 2.63 and standard deviation of 0.640). On average the mean scores of these items ranged between 3.27 and 3.70. Given the Likert scale used in the study instrument, this meant that the respondents agreed that the contributions of the SME markets in respect to the other markets were moderate.

Table 4.11

Mean Analysis Of Retail Market And Investment Returns

Retail Market Item	N	Mean	Std. Deviation
The retail market is very competitive	47	3.5319	.88098
We offer a variety of financial services to individual customers at competitive prices	47	3.4468	.77484
The Bank has designed financial services specifically tailored to the retail market needs	47	3.4468	.90430
The individual market is composed of high volume low value transactions	47	3.2979	.95359
Individual market segmentation has improved customer satisfaction	47	3.2128	1.04124
The individual customers market has been segmented for optimal service delivery	47	3.1702	.84233
Individual market segmentation has improved revenue generation of the Bank	47	3.1064	.69888
Our Bank has a large portfolio of individual customers	47	3.0000	.75181
The stability of revenue in the retail market helps offset volatility in the nonretail businesses	47	2.9787	.94384
The revenues in retail market are stable	47	2.8085	.96995
Interest in retail banking fluctuates in rather predictable ways with the performance of nonretail banking	47	2.6809	1.06539
The fees generated from individual customers for a substantial share of the Bank's revenue.	47	2.6383	.64016
Valid N (listwise)	47		

Source: Author (2016)

4.6 Microfinance and Market Investment Returns

Resulting from the descriptive analysis in Table 4.12, most of the respondents (72.3%) disagreed that their banks provided financial services to the rural and urban poor who were self-employed. A further 19.1% of the respondents indicated that they did not provide financial services to the rural and urban poor who were self-employed. This meant the rural and urban poor were not the target market of the banks in this study. Similarly most of the bankers interviewed (55.3%) did indicate that they do not provide financial services to individuals and institutions that traditionally lacked access to banking. This was a confirmation that the banks surveyed had a different target.

Table 4.12 shows that 36.2% of the respondents disagreed that their banks provided loans of very small amounts to allow low income individuals access to credit to help them become self-employed. The results show that most of the respondents indicated that 46.8% agreed a little extent and 34.0% indicated that they never tailored financial services for customers with no regular income. It was observed that 46.8% of the respondents indicated that the banks did not savings products for very low income earners. This feedback indicated that the banks in this study did not focus on low volume borrowers, possibly because they result in low investment returns.

An examination of training shows that 55.3% of the respondents indicated that their banks did provides business management training services to individuals with very small level of income to a little extent while 27.7% did not. The results in table 4.12 also indicate that most of the respondents 44.7% indicated that their banks did not issue loans to very low income people in groups to facilitate repayment. Going by these results the banks were not keen on doing business with the micro fiancé institutions.

Most of the bankers surveyed (44.7%) indicated that the microfinance market did not contribute positively to their profitability, while 46.8% indicated that the microfinance contributed just a little to their profitability. Given these observation it is possible that microfinance institutions did not contribute much to the banks investment returns.

Table 4.12

Descriptive Statics of Microfinance Market and Investment Returns

Response	Frequency	Percent	Cumulative Percent
Our Bank provides financial services to the rural and urban poor who are self employed			
Not at all	9	19.1	19.1
Little extent	34	72.3	91.5
Very great extent	4	8.5	100.0
Our Bank provides financial services to individuals and institutions who traditionally lacked access to banking			
Not at all	17	36.2	36.2
Little extent	26	55.3	91.5
Very great extent	4	8.5	100.0
Our Bank provides loans of very small amounts to allow low income individuals access credit to help them become self employed			
Not at all	17	36.2	36.2
Little extent	17	36.2	72.3
Moderate extent	9	19.1	91.5
Great extent	4	8.5	100.0
Our Bank has financial services tailored for customers with no regular income			
Not at all	16	34.0	34.0
Little extent	22	46.8	80.9
Moderate extent	9	19.1	100.0
Our Bank has savings product for very low income earners			
Not at all	13	27.7	27.7
Little extent	22	46.8	74.5
Moderate extent	4	8.5	83.0
Great extent	8	17.0	100.0
Our Bank provides business management training services to individuals with very small level of income			
Not at all	13	27.7	27.7
Little extent	26	55.3	83.0
Great extent	8	17.0	100.0
Our Bank issues loans to very low income people in groups to facilitate repayment			
Not at all	21	44.7	44.7

Little extent	18	38.3	83.0
Great extent	8	17.0	100.0
The microfinance market contributes positively to our profitability			
Not at all	21	44.7	44.7
Little extent	22	46.8	91.5
Great extent	4	8.5	100.0
Total	47	100.0	

Source: Author (2016)

Table 4.13 shows the results of a mean and standard deviation of the components of microfinance market and investment returns. The findings in Table 4.11 show that the item that contributed to the role of microfinance market on the banks investment returns to the greatest extent was that Banks had savings product for very low income earners (mean of 2.14 and standard deviation of 1.021), followed by the Bank provides financial services to the rural and urban poor who are self-employed (mean of 2.06 and standard deviation of 0.986), Our Bank provides business management training services to individuals with very small level of income (mean of 2.06 and standard deviation of 0.986) and Banks provides loans of very small amounts to allow low income individuals access credit to help them become self-employed (mean of 2.00 with a standard deviation of 0.955). Overall the mean values ranged from 1.72 to 2.14 which meant that the respondents disagreed that micro finance institutions contributed to a bank's investment returns.

Table 4.13

Mean Analysis of Microfinance Market and Investment Returns

Item on Microfinance Institution	N	Mean	Std. Deviation
Our Bank has savings product for very low income earners	47	2.1489	1.02105
Our Bank provides financial services to the rural and urban poor who are self employed	47	2.0638	.98696
Our Bank provides business management training services to individuals with very small level of income	47	2.0638	.98696
Our Bank provides loans of very small amounts to allow low income individuals access credit to help them become self	47	2.0000	.95553
Our Bank issues loans to very low income people in groups to facilitate repayment	47	1.8936	1.06799
Our Bank provides financial services to individuals and institutions who traditionally lacked access to banking	47	1.8936	1.06799
Our Bank has financial services tailored for customers with no regular income	47	1.8511	.72167
The microfinance market contributes positively to our profitability	47	1.7234	.85216
Valid N (list wise)	47		

Source: Author (2016)

4.7 Correlation between Target Market and Investment Returns

The study tested the existence of a correlation between the target market and investment returns using Karl Pearson's coefficient of correlation (r) and probability value (p-value) analysis, where a correlation was considered significant when the p-value was equal to or below 0.05 (p-value $\leq$ 0.05). Correlation values (r) close to zero meant a weak relationship and r close to one meant a strong correlation existed. Table 4.14 shows the existence of a strong significant positive relationship (r=0.677, p=0.000) between SME market and investment return at 0.01 level in a two tailed test. The correlation between retail market and investment return was equally significant (r=0.390, p=0.007) and positive at 0.01 level in a two tailed test. Table 4.14 reveals the existence of a weak significant positive relationship (r=0.357, p=0.014) between micro finance market and investment return at 0.01 level in a two tailed test. The correlation analysis

shows that there was no significant relationship between corporate market and investment return. As a result of existence of a correlation between the independent variables and dependent variable the study proceeded to test these relationships using regression analysis.

Table 4.14

Correlation between Target Market and Investment Returns

		Corporate Market	SME Market	Retail Market	Microfinance Market	Investment Return
Corporate Market	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	47				
SME Market	Pearson Correlation	0.01562	1			
	Sig. (2-tailed)	.917				
	N	47	47			
Retail Market	Pearson Correlation	-.284	.505**	1		
	Sig. (2-tailed)	.053	.000			
	N	47	47	47		
Microfinance Market	Pearson Correlation	-.220	.503**	-.067	1	
	Sig. (2-tailed)	.138	.000	.654		
	N	47	47	47	47	
Investment Return	Pearson Correlation	.241	.677**	.390**	.357*	1
	Sig. (2-tailed)	.103	.000	.007	.014	
	N	47	47	47	47	47

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Author (2016)

4.8 Relationship between Target Market and Investment Returns

The study tested the research hypotheses to determine the nature of relationship between target market and investment returns. To do this, multiple regression analysis was adopted in determining the relationship between the independent variables (corporate target market, SME target market, retail target market, microfinance target market) and the dependent variable (investment returns) amongst tier two commercial banks in Nairobi Kenya. Assuming a linear relationship between target market and investment returns, the study used the Ordinary Least

Square (OLS) method of estimation to extract a regression line that provided the best fit. The data set was subjected to assumption of regression as a pretest analysis.

Assumption 1, the dependent variable was measured on a continuous scale. The dependent variable in this study was investment returns. Appendix I, Section F shows that the variable investment returns was measured using an interval scale where the scale 1 = not at all, 2 = little extent, 3 = moderate extent, 4 = great extent and 5 = very great extent was applied. This meant that the first assumption of linear regression was met.

Assumption 2, no outliers. All the items in the data set were subjected to descriptive statistical analysis as shown in Appendix III. The results show that the response ranged between 1 and 5, this was in order with the 5 point Likert scale adopted in the study and hence the assumption was not violated. Assumption 3, data normally distributed. The data set was tested for normality using graphical method. The resulting distribution graphs of SME market, retail market and investment return in Appendix IV show the data was normally distributed.

Assumption 4, multicollinearity test. The independent variables were correlated using Pearson correlation test. The results in Appendix V show the existence of non-significant correlation or weak correlation between the independent variables. This meant the data did not suffer from multicollinearity. Assumption 5, the data was tested for linearity. The test for linearity using scatter plot revealed that the independent variables (target market) had linear relationship with the dependent variable (investment returns). Assumption 6, the existence of equal variance (homoscedasticity). The residual plots showed that the error term (εi) was normally and identically independently distributed with mean zero and constant variance. This meant the error variance in investment returns was constant along the target market. Hence the

data did not suffer from heteroscedasticity and instead was homoscedastic. The study proceeded to test the estimated model below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon_i$$

In this model, Y stood for Investment Returns, X1 was corporate market, X2 was SME, market, X3 was Retail Market, X4 was Microfinance Market, ε was error term associated with model i, β0 was a constant in the regression model that shows the value of investment returns in the absence of the independent variables. The relationship between target market and investment returns was examined by testing the four research hypotheses which stated that:

H_{01}: Corporate market has no significant relationship with investment returns among Tier two Commercial banks in Kenya.

H_{02}: SME market has no significant effect on investment returns among Tier two Commercial banks in Kenya.

H_{03}: Retail market has no significant effect on investment returns among Tier two Commercial banks in Kenya.

H_{04}: Microfinance market has no significant effect on investment returns among Tier two Commercial banks in Kenya.

Following a multiple linear regression analysis, the model summary, Analysis of Variance (ANOVA) and coefficients tables were generated. The model summary in Table 4.15 presents four models each dependent on a single predictor or a combination of the predictor's. The model summary outcome shows the coefficient of determination (R2), which measures how well the resulting model is likely to predict future outcomes. Model 4 has all the predictor's (corporate market, SME market, retail market and microfinance market) and had the highest value of R2 = 0.571. This meant that model 4 could predict 57.1% of the variations in a Banks' investment returns and hence it provided a moderately good fit.

Table 4.15

Model Summary of Target Market and Investment Return

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.241[a]	.058	.037	1.37071	.058	2.766	1	45	.103
2	.715[b]	.511	.489	.99836	.453	40.825	1	44	.000
3	.729[c]	.531	.499	.98902	.020	1.836	1	43	.183
4	.756[d]	.571	.530	.95711	.040	3.914	1	42	.054

a. Predictors: (Constant), Corporate Market

b. Predictors: (Constant), Corporate Market, SME Market

c. Predictors: (Constant), Corporate Market, SME Market, Retail Market

d. Predictors: (Constant), Corporate Market, SME Market, Retail Market, Microfinance Market

e. Dependent Variable: Investment Return

Source: Author (2016)

The ANOVA Table 4.16 was used to test the significance of the models. It shows that model 2, model 3 and model 4 were statistically significant (p-value = 0.000) at 0.05 level. The p-value = 0.000 of model 4, shows the overall model was significant in explaining the linear relationship between target market and investment returns.

Table 4.16

ANOVA of Results of Target Market and Investment Return

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.197	1	5.197	2.766	.103[b]
	Residual	84.548	45	1.879		
	Total	89.745	46			
2	Regression	45.889	2	22.944	23.020	.000[c]
	Residual	43.856	44	.997		
	Total	89.745	46			
3	Regression	47.684	3	15.895	16.250	.000[d]
	Residual	42.061	43	.978		
	Total	89.745	46			
4	Regression	51.270	4	12.817	13.992	.000[e]
	Residual	38.475	42	.916		
	Total	89.745	46			

a. Dependent Variable: Investment Return

b. Predictors: (Constant), Corporate Market

c. Predictors: (Constant), Corporate Market, SME Market

d. Predictors: (Constant), Corporate Market, SME Market, Retail Market

e. Predictors: (Constant), Corporate Market, SME Market, Retail Market, Microfinance Market

Source: Author (2016)

Given the relatively good fit of model 4, its coefficients were interpreted. Table 4.17 shows that corporate market had a significant coefficient with p-value = 0.002. The study therefore rejected H01 at 5% level, and interpreted the results to mean that corporate market had a significant relationship with investment returns among Tier two Commercial banks in Kenya. The resulting coefficient of SME market was significant with p-value = 0.045 and therefore H02 was rejected at 5% level and SME market was then considered to have a significant effect on investment returns among Tier two Commercial banks in Kenya. An examination of the coefficient of retail market reveals the existence of a significant p-value=0.028 and therefore H03 was rejected at 5% level and retail market was deemed to have a significant effect on investment returns among Tier two Commercial banks in Kenya. Table 4.17 further shows that microfinance market had a non-significant coefficient with p-value = 0.054. The study therefore

failed to reject the null hypothesis H04 at 5% level, meaning there was no significant relationship between microfinance market and investment return.

Table 4.17

Coefficients of Target Market

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
4	(Constant)	2.209	1.622		1.363	.180	-1.063	5.482
	Corporate Market	.695	.214	.398	3.246	.002	.263	1.127
	SME Market	.173	.084	.349	2.069	.045	.004	.342
	Retail Market	.066	.029	.346	2.281	.028	.008	.125
	Microfinance Market	.063	.032	.292	1.978	.054	-.001	.127

a. Dependent Variable: Investment Return

Source: Author (2016)

The coefficients resulting from Table 4.17 led to the derivation of the fitted model as follows;

$$Y = 2.209 + 0.695X_1 + 0.173X_2 + 0.066X_3$$

From the fitted equation, Y stood for investment return, X1 was corporate market, X2 was SME market and X3 was the retail market. The results indicate that corporate market had the highest impact on the investments returns of a bank. A unit change in corporate market results in a 69.5% increase in banks investment returns. The second variable with highest influence was SME market. A unit change in SME market would lead to a 17.3% positive change in banks investment returns. The third variable with significant influence on a bank’s investment returns was retail market. A unit change in retail market would result in a 6.6% improvement in banks investment returns.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the findings, conclusion and recommendations of the study based on the objective of the study which was to determine the relationship between target market and investment returns amongst tier two commercial banks in Nairobi Kenya.

5.2 Summary of the Findings

A summary of the study findings are covered in this section and a discussion of the results as corroborated by other studies are equally presented. The discussion is guided by the study research objectives.

5.2.1 Corporate Market on Investment Returns

The initial specific objective in this study was to determine the relationship between corporate market and investment returns of Tier two Commercial banks in Kenya. The study established the existence of a significant positive relationship (p-value =0.002, $\beta 1 = 0.695$) between corporate market and investment returns among Tier two Commercial banks in Kenya. The relationship between corporate market and investment returns was informed to a great extent by the following variables; corporate customers contribute a large proportion of revenue to the Bank (mean score=4.27) this was followed by, corporate customers have improved adoption of web banking (mean score=4.21), corporate customers have improved the level of information sharing in the Bank (mean score=4.127), banks have a well-established customer relationship management for our corporate customers (mean score=4.10) and a great proportion of Banks profits come from corporate customers(mean score=4.085). These results are consistent to the finding of Athanassopoulos and Labroukos (1999) that corporate customers provide the greatest profit

opportunities to the bank, but they need a greater level of business interactions with their banks. The results are also congruent with the observation made by Rotchanakitumnuai and Speece (2004) that corporate customers were preferred by tier two banks because they believed that they had greater potential for web applications given large transaction amounts from corporate customers.

5.2.2 SME Market on Investment Returns

The second objective in this study was to examine the relationship between SME market and Investment returns of Tier two Commercial banks in Kenya. The study found out that there was significant positive relationship (p-value =0.045, $\beta 1 = 0.173$) between SME markets and investment returns among Tier two Commercial banks in Kenya. The relationship between SME Market and investment returns was informed to a great extent by the following variables; The loans extended to SMEs form substantial share of the bank's loan book (Mean score=3.702), followed by SME market has improved market expansion in the industry(mean score=3.617), SME markets have improved the competitiveness of banks (mean score=3.553), SME segment has improved banks profitability(Mean score =3.531) and finally banks had a large portfolio of SME customers(Mean score=3.5319). The results agree to Beck, Demirgüç-KuntandPería (2008) finding on bank financing for SMEs around the world which showed that banks perceive the SME segment to be highly profitable.

5.2.3 Retail Market on Investment Returns

To evaluate the relationship between the retail market and investment returns of Tier two Commercial banks in Kenya, this study established that there was significant relationship (p-value =0.028, β1= 0.066) between retail markets and investment returns among Tier two Commercial banks in Kenya. The following variables defined by great extent the relationship between retail market and investment returns; The retail market is very competitive(Mean score=3.531), Tier two banks offer a variety of financial services to individual customers at competitive prices(Mean score=3.446), Banks have designed financial services specifically tailored to the retail market needs(Mean score=3.446), The individual market is composed of high volume low value transactions(mean score=3.297), Individual market segmentation has improved customer satisfaction in banks(Mean score=3.212), The individual customers market has been segmented for optimal service delivery(Mean score=3.170) and Individual market segmentation has improved revenue generation of Tier two banks(3.106).

The results are in agreement with Sharma (2015) who examined perception of risk factors in Indian retail banking using a case study based approach. The study acknowledged that this market is highly competitive, not just in India but around the world. The findings further show that there is a need for constant innovation in retail banking to effectively meet their needs.

5.2.4 Microfinance Market on Investment Returns

Lastly, to determine the relationship between microfinance market and investment return of Tier two Commercial banks in Kenya, this study findings were that there was no significant relationship between micro finance market and investment return among tier two banks (p-value =0.054, β1= 0.063). The relationship between micro finance market and investment returns was informed to a great extent by the following variables; banks had savings product for very low

income earners (mean score=2.14), Tier two banks provide financial services to the rural and urban poor who are self-employed (mean score=2.063), banks provide business management training services to individuals with very small level of income (mean score=2.063), banks provide loans of very small amounts to allow low income individuals access credit to help them become self-employed (mean score=2.000).

The results show a general apathy from Tier two banks in the micro finance space and agree with various studies on micro finance markets and the evident challenges in this sector. Samuila (2015) conducted an assessment of the roles, challenges and prospects of microfinance banks in Nigera. The study enumerated several challenges which include difficulty in recovery loan, lack of adequate Information Communication and Technology (ICT) and related banking technology, and limited outreach and awareness.

5.3 Conclusion

Although Kenya is a regional hub in the financial sector, with several tier two banks operating subsidiaries in the region, the study revealed that commercial banks in Kenya should make extensive focus on defining the target markets to maximize their investment returns. The study concluded that corporate markets form a substantive source of returns to tier two banks. This is because they do substantial transactions and create several streams of income generation to banks at all levels including interest from loans advanced, commissions for services given, cheap non remunerated deposits from these entities strengthens the tier two banks liquidity hence enabling them to give competitive lending rates. Most of these institutions undertake import and export business, deal in multi-currency markets thus forming a good source of foreign exchange income for banks.

Further, the study concludes that, involvement of the tier two Kenyan banks in the SME segment had grown significantly and that SME market had improved the market expansion in the industry, the competitiveness of the banks, the loan book. The SME market naturally has a high appetite for loan facilities to support the rapid growth. Funded income is still the leading income earner for banks. The SME market creates a clientele with a big borrowing appetite.

In addition, this study concludes that retail target market leads to sustainable competitive advantage. The particular competitive advantages are command of successful market niche; enjoy low operating cost, development of strong marketing ability, reputation in service quality, growth in retail loans, reduced migration to substitutes and aligning of retail performance measure. Tier two banks should diversify their investments in this sector and partner with growing institutions with.

5.4 Recommendations

The study recommended that, in pursuance of higher returns, tier two banks in Kenya should invest more in supporting the corporate segment of the market. Corporate institutions, which include multinational institutions, have complex operating procedures and transactions. Tier two banks in Kenya should therefore invest more in experienced personnel who understand this sector for effective relationship management. It is further recommended that these banks invest in innovative products and services that ease the processing of corporate customer transactions. This may include advanced core banking systems which support all corporate transactions across the regions where the targeted entities operate from. Further, to increase the wallet share of these target corporate entities, tier two banks will need to invest more in opening new subsidiaries in countries where the corporate firms have outlets. This will stamp their position as preferred bankers to many corporate firms.

This study recommends that banks should invest more on the SME sector which has a nascent growth. Most of the growing entities have outgrown the tier three banks but are too small for the tier one banks. They thus perfectly fit in the tier two categories for growth and nurturing. The study further recommends that banks in this peer group should enhance their capital base to accommodate the borrowing needs of SMEs. This will ensure that that as the banks grow the clients, the clients grow the bank size as well. The strategies pursued should be carefully considered because each contributes differently to sustainable competitive advantage especially in the dynamic and competitive business environment. The study recommends that measures should include should be put in place by the banks to scaling up of capacity building programs and the introduction of incentives for SMEs as well as training programs. There should be empowerment of SMEs to access not just financial support but entrepreneurial education that gives an effective and enduring strategy for solving the capital problems of SMEs.

Finally, the study recommends that tier two banks create partnerships with growing SMEs and existing corporate institutions to intake all their employees as clients. This creates a secure clientele which the banks can lend to, based on the comfort of the employers. Tailor made products for this segment supported by technology will increase revenues to the retail end market which is perceived to be techno savvy.

5.5 Areas for Further Research

There is a research gap especially because banks do not keep segmented accounts hence making it difficult to establish the level of investment returns that can be attributed to the target markets thus another detailed research is needed to establish profitability and relate it to the target markets. With the current developments in Kenya's financial sector regulatory framework, especially the introduction of the interest capping bill, there is a need for further research on the impact of the new pricing regime to banks.

5.6 Limitations of the Study

The researcher encountered various limitations that partly hindered the access to information sought. The main limitation of this study was bureaucracy that commercial banks have adopted in relation to sharing information. Non co-operation by some respondents and reluctance to participate in the study by some employees due to perceived fear that the information they give would be used to portray a negative picture of their organization or else be used for other purposes other than academic reasons. However, the researcher assured all the respondents that the findings would be used for academic purpose only.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

1. Name of the Bank (Optional) ____
2. Your Position in the Bank ____
3. Period of years you have worked with this Bank

   Less than 3 years [ ] 4-6 years [ ]

   7-10 years [ ] More than 10 years [ ]
4. How long have you worked in the Banking industry in General?

   Less than 3 years [ ] 4-6 years [ ] 7-10 years

   [ ] More than 10 years [ ]

SECTION B: CORPORATE MARKET AND INVESTMENT RETURNS

5. Below are several elements of corporate market and its effects on investment returns of commercial banks. Kindly indicate the extent to which each of these has affected investment returns in your bank. Use a scale of 1-5 where 1= not at all, 2= little extent, 3= moderate extent, 4= great extent and 5= very great extent.

Statement	1	2	3	4	5
We have a large portfolio of large multinational customers					
We have a large portfolio of government enterprises					
A great proportion of our profits come from corporate customers					
We have a well-established customer relationship management for our corporate customers					
Corporate market has improved the Bank's access to quality business information					
Corporate market has improved the Bank's business processes					
Corporate customers have improved the level of information sharing in the Bank					
Corporate customers have improved adoption of web banking					
Corporate customers contribute a large proportion of revenue to the Bank					

6. To what extent in general has corporate market affected investment returns in your Bank?

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

SECTION C: SME MARKET AND INVESTMENT RETURNS

7. Below are several elements of SMEmarket and its effects on investment returns of commercial banks. Kindly indicate the extent to which each of these has affected investment returns in your bank. Use a scale of 1-5 where 1= not at all, 2= little extent, 3= moderate extent, 4= great extent and 5= very great extent.

Statement	1	2	3	4	5
We have a large portfolio of SME customers in our Bank					
SME customers have contributed to a large proportion of our revenue					
SME market has improved our market expansion in the industry					
SME market has improved the competitiveness of our Bank					
SME market has grown our loan book					
Majority of the SMEs repay their loans ion schedule					
The loans extended to SMEs for a substantial share of our loan book					
SME segment has improved the profitability of the Bank					
SMEs form a risky portfolio of loans for the Bank					

8. To what extent in general has SME market affected investment returns in your Bank?

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

SECTION D: RETAIL MARKET AND INVESTMENT RETURNS

9. Below are several elements of retailmarket and its effects on investment returns of commercial banks. Kindly indicate the extent to which each of these has affected investment returns in your bank. Use a scale of 1-5 where 1= not at all, 2= little extent, 3= moderate extent, 4= great extent and 5= very great extent.

Statement	1	2	3	4	5
Our Bank has a large portfolio of individual customers					
The individual customers market has been segmented for optimal service delivery					
Individual market segmentation has improved revenue generation of the Bank					
Individual market segmentation has improved customer satisfaction					
The individual market is composed of high volume low value transactions					
The fees generated from individual customers form a substantial share of the Bank's revenue.					
We offer a variety of financial services to individual customers at competitive prices					
The retail market is very competitive					
The Bank has designed financial services specifically tailored to the retail market needs					
The revenues in retail market are stable					
The stability of revenue in the retail market helps offset volatility in the nonretail businesses					
Interest in retail banking fluctuates in rather predictable ways with the performance of nonretail banking					

10. To what extent in general has retail market affected investment returns in your Bank?

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

SECTION E: MICROFINANCE MARKET AND INVESTMENT RETURNS

11. Below are several elements of microfinancemarket and its effects on investment returns of commercial banks. Kindly indicate the extent to which each of these has affected investment returns in your bank. Use a scale of 1-5 where 1= not at all, 2= little extent, 3= moderate extent, 4= great extent and 5= very great extent.

Statement	1	2	3	4	5
Our Bank provides financial services to the rural and urban poor who are self employed					
Our Bank provides financial services to individuals and institutions who traditionally lacked access to banking					
Our Bank provides loans of very small amounts to allow low income individuals access credit to help them become self employed					
Our Bank has financial services tailored for customers with no regular income					
Our Bank has savings product for very low income earners					
Our Bank provides business management training services to individuals with very small level of income					
Our Bank issues loans to very low income people in groups to facilitate repayment					
The microfinance market contributes positively to our profitability					

12. To what extent in general has microfinance market affected investment returns in your Bank?

No extent [ ]

Little extent [ ]

Moderate extent [ ]

Great extent [ ]

Very great extent [ ]

13. In what ways have each of these target markets affected investment returns of your Bank? Use a scale of 1-5 where 1= not at all, 2= little extent, 3= moderate extent, 4= great extent and 5= very great extent.

Statement	1	2	3	4	5
Corporate target market					
SME target market					
Retail target market					
microfinance target market					

THANK YOU FOR TAKING TIME TO PARTICIPATE IN THE STUDY

APPENDIX II: COMMERCIAL BANKS IN KENYA

Commercial Banks in Kenya

Tier I

1. Kenya Commercial bank
2. Cooperative Bank of Kenya
3. Equity bank
4. Standard Chartered Kenya(K) Ltd
5. Barclays Bank of Kenya Limited
6. Commercial Bank of Africa
7. Diamond Trust Bank(K) Limited

Tier two

8. CFC Stanbic Bank
9. NIC bank
10. I&M Bank
11. National bank of Kenya
12. Citibank NA Kenya
13. Family bank Ltd
14. Bank of Baroda
15. Prime bank
16. Bank of Africa Kenya Ltd
17. Housing Finance Limited
18. Eco bank Kenya Limited
19. Chase Bank (Kenya-IR)
20. Imperial Bank Of Kenya-IR
21. Bank of India
22. Jamii Bora Bank

Tier III

23. Equatorial Commercial Bank
24. Credit Bank
25. Fidelity Commercial Bank
26. Fina Bank
27. First Community Bank
28. Giro Commercial Bank
29. Trans National Bank Kenya
30. Consolidated Bank of Kenya
31. Gulf African Bank
32. Habib Bank
33. Habib Bank AG Zurich
34. Guardian Bank
35. Middle East Bank Kenya
36. Victoria Commercial Bank
37. Development Bank of Kenya
38. Oriental Commercial Bank
39. Paramount Universal Bank
40. United Bank for Africa
41. Sidian Bank Of Kenya
42. ABC Bank (Kenya)
43. Dubai Bank Of Kenya-IR

APPENDIX III: Descriptive Satistical Test for Outliers

	N	Min.	Max.	Mean	Std. Deviation
Corporate customers contribute a large proportion of revenue to the Bank	47	3.00	5.00	4.2766	.79951
Corporate customers have improved adoption of web banking	47	3.00	5.00	4.2128	.88308
Corporate customers have improved the level of information sharing in the Bank	47	3.00	5.00	4.1277	.53637
We have a well established customer relationship management for our corporate customers	47	3.00	5.00	4.1064	.78668
A great proportion of our profits come from corporate customers	47	3.00	5.00	4.0851	.65374
Corporate market has improved the Bank's business processes	47	3.00	5.00	4.0000	.58977
Corporate market has improved the Bank's access to quality business information	47	2.00	5.00	3.8936	.63362
6. To what extent in general has corporate market affected investment returns in your Bank?	47	2.00	5.00	3.8723	.67942
We have a large portfolio of large multinational customers	47	1.00	5.00	3.7872	1.10210
8. To what extent in general has SME market affected investment returns in your Bank	47	3.00	5.00	3.7234	.87730
The loans extended to SMEs for a substantial share of our loan book	47	3.00	5.00	3.7021	.62258
SME market has improved our market expansion in the industry	47	3.00	5.00	3.6170	.70874
We have a large portfolio of government enterprises	47	1.00	5.00	3.5532	1.42659
SME market has improved the competitiveness of our Bank	47	3.00	5.00	3.5532	.65304
The retail market is very competitive	47	2.00	5.00	3.5319	.88098
SME segment has improved the profitability of the Bank	47	2.00	5.00	3.5319	.68687
We have a large portfolio of SME customers in our Bank	47	2.00	4.00	3.5319	.65445
Majority of the SMEs repay their loans ion schedule	47	2.00	4.00	3.4681	.65445
We offer a variety of financial services to individual customers at competitive prices	47	2.00	5.00	3.4468	.77484
The Bank has designed financial services specifically tailored to the retail market needs	47	2.00	5.00	3.4468	.90430
SME market has grown our loan book	47	2.00	4.00	3.4255	.68349
SMEs form a risky portfolio of loans for the Bank	47	2.00	5.00	3.3617	.89505
The individual market is composed of high volume low value transactions	47	2.00	5.00	3.2979	.95359
SME customers have contributed to a large proportion of our revenue	47	1.00	4.00	3.2766	.85216
Individual market segmentation has improved customer satisfaction	47	1.00	5.00	3.2128	1.04124
10. To what extent in general has retail market affected investment returns in your Bank?	47	2.00	5.00	3.1702	.93992
The individual customers market has been segmented for optimal service delivery	47	2.00	4.00	3.1702	.84233
Individual market segmentation has improved revenue generation of the Bank	47	2.00	4.00	3.1064	.69888
Our Bank has a large portfolio of individual customers	47	2.00	4.00	3.0000	.75181
4. How long have you worked in the Banking industry in General?	47	1.00	4.00	3.0000	.95553
The stability of revenue in the retail market helps offset volatility in the nonretail businesses	47	2.00	5.00	2.9787	.94384
The revenues in retail market are stable	47	1.00	4.00	2.8085	.96995
Interest in retail banking fluctuates in rather predictable ways with the performance of nonretail banking	47	1.00	4.00	2.6809	1.06539
The fees generated from individual customers for a substantial share of the Bank's revenue.	47	2.00	4.00	2.6383	.64016
12. To what extent has microfinance market affected investment returns in your Bank?	47	1.00	5.00	2.3404	.98415
Our Bank has savings product for very low income earners	47	1.00	4.00	2.1489	1.02105
3. Period of years you have worked with this Bank	47	1.00	4.00	2.1277	1.03456
Our Bank provides financial services to the rural and urban poor who are self employed	47	1.00	5.00	2.0638	.98696
Our Bank provides business management training services to individuals with small income	47	1.00	4.00	2.0638	.98696
Our Bank provides loans of very small amounts to allow low income individuals access creditto help them become self employed	47	1.00	4.00	2.0000	.95553
2. Your Position in the Bank	47	1.00	3.00	1.9149	.80298
Our Bank issues loans to very low income people in groups to facilitate repayment	47	1.00	4.00	1.8936	1.06799
Our Bank provides financial services to individuals and institutions who traditionally lacked access to banking	47	1.00	5.00	1.8936	1.06799
Our Bank has financial services tailored for customers with no regular income	47	1.00	3.00	1.8511	.72167
The microfinance market contributes positively to our profitability	47	1.00	4.00	1.7234	.85216
Valid N (listwise)	47				

APPENDIX IV: Normality Test

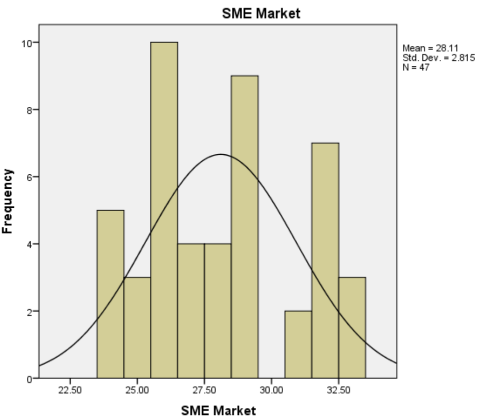

Figure 1: Normality Test of SME Market

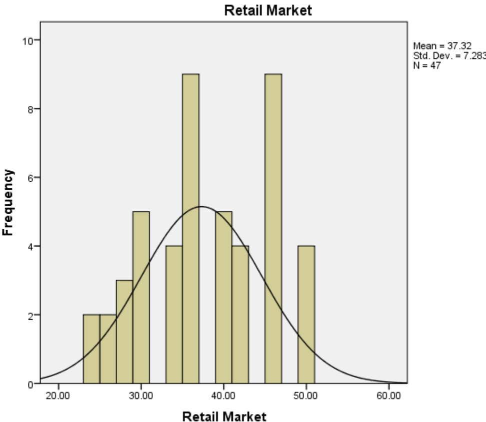

Figure 2: Normality Test of Retail Market

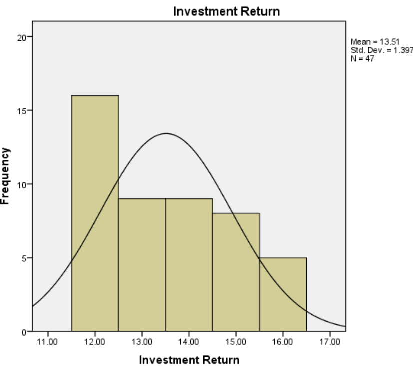

Figure 3: Normality Test of Investment Return

APPENDIX V: Multicollinearity Test

		Corporate Market	SME Market	Retail Market	Microfinance Market
Corporate Market	Pearson Correlation	1	.016	-.284	-.220
	Sig. (2-tailed)		.917	.053	.138
	N	47	47	47	47
SME Market	Pearson Correlation	.016	1	.505**	.503**
	Sig. (2-tailed)	.917		.000	.000
	N	47	47	47	47
Retail Market	Pearson Correlation	-.284	.505**	1	-.067
	Sig. (2-tailed)	.053	.000		.654
	N	47	47	47	47
Microfinance Market	Pearson Correlation	-.220	.503**	-.067	1
	Sig. (2-tailed)	.138	.000	.654	
	N	47	47	47	47

**. Correlation is significant at the 0.01 level (2-tailed).