

**EFFECT OF VALUE ADDED SERVICES ON THE
COMPETITIVENESS OF COMMERCIAL BANKS IN
MERU COUNTY, KENYA**

GEOFFREY KIMATHI NJERU

**A Thesis Submitted To the School of Business and Economics in Partial
Fulfilment for the Requirements of Master of Business Administration
Degree of Kenya Methodist University**

JULY, 2018

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ABSTRACT

This research sought to find out the effect of value added services on the competitiveness of commercial banks in Meru County. The objectives were to determine the effect of cheques truncating systems, mobile virtual networks, credit cards usage and agency banking on the competitiveness of commercial banks. The theories used to underpin the study were, traditional theory of financial innovations, financial constraints theory and strategic theory of financial innovations. A descriptive research design was adopted in conducting this study. The target population was 239 upper and middle cadre employees of the commercial banks. Stratified proportionate sampling technique was used by taking 11 branch managers 32 heads of departments, 25 agency banking operators and 82 management staffs from commercial banks in Meru town. This resulted in a total sample size of 150 respondents. Primary data was collected using questionnaires distributed to respondents from banks in Meru town. Secondary data was collected from banks websites from the internet and various online publications. Descriptive statistics such as frequency tables which deals with characteristics of respondents were used. Binary logistic regression was used as inferential statistics in order to link the relationship between independent variables and dependent variable and to test the hypothesis. Assumptions of binary logistics apply. First, binary logistic regression requires the dependent variable to be binary. Second, logistic regression requires the observations to be independent of each other. The researcher used the hypothesis test at 95% confidence level. Descriptive data was presented in the form of frequency tables and percentages. Inferential statistics were also used to focus on the meaning that will be attached on the outcome. The data was analyzed using SPSS. The findings revealed that cheques truncating systems, agency banking, and mobile virtual networks had a positive relationship while credit cards had a negative relationship on competitiveness of commercial banks. The study concludes that agency banking had the greatest effect on competitiveness followed by Mobile virtual networks and cheques truncating systems. Credit cards had negative relationship on competitiveness of commercial banks. This infers that agency banking services contributed most to the competitiveness of commercial banks in Kenya. The study recommends that banks should ensure that they adapt the new value added services innovation in order to cope with the fast changing technology. Value added services encourage ease of flow of information and fast delivery to the intended persons.