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IMPACT OF ACCESSIBILITY TO FINANCIAL SERVICES ON PERFORMANCE OF COMMERCIAL BANKS IN WEST POKOT COUNTY, KENYA

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***Abstract*: A financial access survey conducted during the year revealed that 38 per cent of the adult Kenyan population lacks access to financial services. This population is excluded from formal banking institutions due to high costs of maintaining savings accounts and barriers to entry. The purpose of this study was to examine the effect of accessibility of financial services on performance of commercial banks in West Pokot County, Kenya. The specific objectives of the study were; to establish the effect of deposit services on performance of commercial banks in West Pokot County, Kenya.To assess the effect of loan access on performance of commercial banks in West Pokot County, Kenya. To find out the effect of borrowings on performance of commercial banks in West Pokot County, Kenya. To evaluate the effect of economic development on performance of commercial banks in West Pokot County, Kenya. The study adopted a descriptive research design.The target population included all 162 staffs in the 5 commercial banks.Since the population for this study was only 162, then census was applied. The study collected primary data. Primary data was collected using structured questionnaires. Questionnaires were administered by the drop-off and pick-up later method. Descriptive analysis was used to draw important conclusions and deductions with regards to the study objectives. Measures of standard deviation were obtained such as means, standard deviations and variance. Multiple regression analysis was done to assess the relationship between the independent variable (Deposit Services, Loan Access, Borrowings and Economic Development) and the dependent variable of (Performance). The results were presented in frequency distribution table, pie charts, figures and graphs. The study established that deposits $p=0.000<0.05$, loan access $p=0.001<0.05$ and borrowing $p=0.000<0.05$ all significantly influenced performance of commercial banks. However, economic development, $p=0.112>0.05$ did not significantly affect performance of commercial banks in West Pokot County, Kenya. The study concludes that Deposits significantly influenced performance of commercial banks. Diversified financial service offering has increased the number of customers in the banks. Deposit services have increased the savings rate of the locals in the banks. Loan access significantly influenced performance of commercial banks. Invention of new mechanisms for credit securitization has improved the loan repayment for the banks. Introduction of mobile phone-based repayment of loans has improved the level of loan repayment in the banks. Borrowing had significant influence on performance of commercial banks. Existence of investment opportunities in the region has improved the level of borrowing from the banks. Availability of ready demand for goods and services has created a ready market for the products and services. The money borrowed from banks is invested in economic boosting activities. The study recommends that the top management of commercial banks in West Pokot County, Kenya should strengthen their abilities to attract individual depositors as this shall improve their loan issuance. Commercial banks should enhance the rate which customer access loans as this would significantly result into enhanced performance. The marketing department of commercial banks in Kenya should target ready demand market of loans to improve financial performance. The loans borrowed from commercial banks should be used in educating the community regarding business management. The Central Bank of Kenya should formulate sound monetary policies that increase accessibility to credit and this shall improve the living standards of locals in an economy.**

Keywords: Deposit services, Loan access, Borrowing, Economic Development and performance of commercial banks.

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I. INTRODUCTION

Background of the study:

Financial institutions play an important role in connecting deficit households with surplus households through financial intermediation process. It is expected that financial institutions breach the gap of information about suppliers of surplus and deficit households in an efficient way. Accessibility to financial services has been found to improve economic growth of economies. In economies where financial institutions ration financial accessibility, it has been found to experience constrained economic growth. Sacerdoti (2005) acknowledges that lack of access to credit due to inability of borrowers' lack of collateral, absence of reliable and updated company and land registries, weak claim recovery have reduced the borrowings especially among small and medium enterprises thus leading to lower economic growth among African Countries. Access to credit facilities has made it difficult for commercial banks to earn interest income hence constrained financial performance. According to Ellis, Lemma and Rud (2010) a higher proportion of non-borrowers cited a lack of money as a reason for not borrowing. Accessibility of financial institutions also facilitates mobilization of deposit which is important for economic development. The mobilization of deposits makes available capital for firms to invest into productive investments. Accessibility to financial services enables people to save for the future, invest in profitable business opportunities and to protect themselves against unpredictable shocks(FinScope, 2012).Commercial banks and other sectors necessary for economic development depend on customer's deposit to advance to its clients. This is further reinforced by Sharma (2009) who argued that the bank credit and bank deposits make important components of balance sheets of banks. The accumulation of deposits makes available the required deposits which commercial banks can use to extend credit facilities. Sangjeong and Ellinger(2008) noted that expansion of accessibility channels enabled commercial banks improve their performance as it improved deposit levels and loans extended to their customers.

Global perspective of financial service accessibility and bank performance:

Commercial banks are important intermediaries in mobilizing savings that is required for sustainable growth. A more efficient and diversified financial system assists in increasing the level of domestic savings as well as promoting foreign capital inflows. It also assists businesses and government in better managing risk. Commercial banks continue to form the core of the financial sector in both developing and industrialized countries. They are at forefront in monitoring projects and enforcing contracts when public information is limited and the legal and financial infrastructure is immature. It is well recognized that banks' lending to private sector strongly influences investment, productivity and growth in developing countries (Jabnoun& Hassan Al-Tamimi, 2013).

In the India, commercial banks like other private companies are driven by the profit motive. It is argued that to establish a new fully-fledged bank branch is very expensive and may take long time before the new branch may break even or make profit. According to Abdullah, Suhaimi, Saban and Hamali, 2011) commercial banks perceive rural areas of not being profitable to the banks. One of the supporting argument or reason is the type and the number of transactions that are likely to take place in rural areas whether they would be able to sustain the branch to make profit or break even. This argument, however, may not hold water when viewed from the overall position of the bank.Although a bank branch on its own may not be able to operate profitable, it does not mean the overall commercial bank may not be profitable anymore. Further, the latest international business practices show that profitability should not be the sole or utmost objective of business enterprises anymore. While in the short-run, shareholders may be satisfied with the high ownership rent; there could be some negative consequences in the long run. Therefore, modern firms should not look blindly at the profitability of the branch, but they should also consider other objectives, such as the long-term development and sustainability of the enterprises, social responsibility, market presence and market share (Paradi& Zhu, 2013).

Regional Perspective of financial service accessibility and bank performance:

In recent years banks in Sub Saharan Africa have focused on developing innovative products and offered a wide range of services in an effort to increase efficiency which is the ultimate goal of banks. Mobile banking refers to the access of banking services and facilities using electronic mobile devices such as mobile phones (Olweny&Shipho, 2011). Although various, and at times competing, labels, and definitions have been used when discussing the provision of financial services through mobile phone networks, this study uses the increasingly popular term "mobile money" to refer to the convergence of mobile telephone and financial services. According to Kigen (2010), Mobile banking (m-banking) involves the use of a mobile phone or another mobile device to undertake financial transaction linked to a client account.

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According to Kingoo (2011) m-banking refers to provision and availing of banking and financial service with the help of mobile telecommunication device. In African continent the advancement in technology has seen an increase in financial services access by local and indigenous communities, as they can use their mobile phones to transact.

Flamini, McDonald and Schumacher (2009) noted that bank profits are high in Sub-Saharan Africa (SSA) compared to other regions. Their paper used a sample of 389 banks in 41 SSA countries to study the determinants of bank profitability. They found that apart from credit risk, higher returns on assets are associated with larger bank size, activity diversification, and private ownership. The bank's profitability was also affected by the size of deposits they hold and the economic development of the region as it factored in access to financial services as well as profitability. Furthermore, the bank returns are affected by macroeconomic variables, suggesting that macroeconomic policies that promote low inflation and stable output growth do boost credit expansion.

Kenyan Perspective of financial service accessibility and bank performance:

The commercial banking industry 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 sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Ministry of Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. As at December 2010 there were forty-four commercial banks and one Mortgage finance company (CBK Annual report, 2015). In the year 2007, the performance of commercial banks in Kenya was characterized by a strong growth in asset size and profitability. Asset growth was mainly funded by increased deposits attributed to aggressive marketing campaigns for new deposits mounted by a number of institutions and rapid branch network expansion.The country's fastest growing commercial bank, Equity bank, reported a surge of 90% profits for the first quarter of 2010 recording Kshs 908 million in profits an indication that all being equal the bank would for the first time exceed Kshs 2 billion in profits (CBK Annual report, 2015). The bank which specializes in micro finance and which only converted to a full bank from a building society only four years ago nearly doubled its profits for the period compared to last year, a pointer that it well on the way to overtaking big multinationals operating in Kenya. On the other hand, Kenya's oldest bank Kenya Commercial Bank (KCB) a wholly owned Kenyan bank recorded an end of year profit of Kshs 3.2 billion the highest ever in the bank's history sending signals that indicate consistency in its growth (Kingoo, 2011).

A huge number of Kenyan commercial banks are highly concentrated in major towns in Kenya therefore leaving people in the rural areas with absolutely no access to the formal financial 3 systems. As a result, they rely on a variety of traditional and informal financial systems. This is due to non-availability of formal financial systems or where available they are scarcely populated such that it becomes hard for most people to access. However, some banks like Equity Bank, Kenya Commercial Bank and Family Bank have strengthened their network spread in both urban and rural areas and this has contributed towards acquisition of a big market share and realization of increased financial performance (Paul, 2010).

Statement of the Problem:

The Commercial banking sector credit has been on an upward trend since 2003 mainly on account of improved public access to financial services due to stiff competition within the industry that saw an expansion of the range of credit products especially personal un-secured loans. As a result, banking sector credit to the domestic economy grew by 17.6 per cent in the year to December 2011 compared with 15.4 per cent in December 2012 Growth in private sector credit was, however, faster at 24.6 per cent in the year to December 2007 compared with 15 per cent in 2006. This is due to economic vibrancy that prevailed during the year (CBK, 2015).

A financial access survey conducted during the year revealed that 38 per cent of the adult Kenyan population lacks access to financial services. This population is excluded from formal banking institutions due to high costs of maintaining savings accounts and barriers to entry. According to the CBK (2015) annual report, the enactment of the Microfinance Act is expected to offer a wide range of financial services to this unbanked population, which will usher in more players and competitiveness in the banking sector.The banking sector comprised of 45 institutions, 42 of which were commercial banks, 2 mortgage finance companies and 1 non-bank financial institution as at 31st December 2012. This study examined the role of accessibility of financial services on performance of commercial banks in West Pokot.

Research Objectives:

General Objective:

To determine the impact of accessibility of financial services on performance of commercial banks in West Pokot County, Kenya

Specific Objectives:

1) To establish the effect of deposit services on performance of commercial banks in West Pokot County, Kenya.
2) To assess the effect of loan access on performance of commercial banks in West Pokot County, Kenya.
3) To find out the effect of borrowings on performance of commercial banks in West Pokot County, Kenya.
4) To evaluate the effect of economic development on performance of commercial banks in West Pokot County, Kenya.

Research Hypothesis:

The study sought to answer the following research hypothesis:

H_{01}: Deposit services have no effect on performance of commercial banks in West Pokot County, Kenya.

H_{02}: Loan access has no effect performance of commercial banks in West Pokot County, Kenya.

H_{03}: Borrowings have no effect on performance of commercial banks in West Pokot County, Kenya.

H_{04}: Economic development has no effect on performance of commercial banks in West Pokot County, Kenya.

Justification of the Study:

The findings of this study would be significant to a number of stakeholders including: Managers in commercial banks, government of Kenya especially the central Bank of Kenya, future scholars and researchers. It is hoped that managers in commercial banks would find the results of this study important in informing them how accessibility of financial services among their customers in West Pokot County influences the performance of their banks. Through these findings, they would prioritize their strategy formulation and implementation for improved overall performance of their banks in the long run.It is further hoped that the findings of this study will inform the Government of Kenya on the effectiveness of financial accessibility policies within the County. This would inform them of other policy issues that they need to undertake to ensure that the level of financial accessibility and depth reaches the globally accepted levels for optimal economic development. The findings of this study would be relevant to future scholars and researchers in that it will provide empirical evidence on the effect of financial accessibility on financial performance of commercial banks. This helps in enriching the scope of empirical literature besides suggesting areas for further research.

Scope of the Study:

This study focused on the impact of accessibility of financial services on performance of commercial banks in West Pokot County, Kenya. It focussed on four independent variables: deposit services, loan access, borrowings, and economic development while the dependent variable is financial performance. The study was undertaken in the month of October, 2017.

Limitation of the Study:

This study collected primary data and with such data, its accuracy and reliability heavily dependent on the honesty and truthfulness of the respondents. To ensure respondents give as truthful as possible responses, the researcher informed them the information will be held in confidence and it shall be for academic purposes only. The researcher expected some level of reluctance from the respondents who were unwilling to share sensitive information about the private businesses and loan details in the local banks. In order to overcome this challenge, the researcher obtained an introduction letter from the university assuring the respondents that the study is for academic purposes and as such the information will be used for academic purposes only. Furthermore, the information was handled in confidence.

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2. LITERATURE REVIEW

Introduction:

This section looks at the theories onto which the study is anchored on. It also has a conceptual framework that links the independent and the dependent variables and the empirical review of studies done by previous scholars on same related subject and the research gap explaining the need to conduct this study.

Theoretical Framework:

This study was founded on the following theories: Financial Intermediation Theory, Diffusion of Innovations Theory and Portfolio Theory of Investment.

Financial Intermediation Theory:

Financial intermediation is a process which involves surplus units depositing funds with financial institutions who then lend to deficit units. This theory is concerned with the role played by financial intermediaries in an economy. Financial sector plays the main role of financial intermediation in any economy by electing surplus resources from households and redirecting the same resources to deficient households with investment ideas but limited in resources (Christopoulos& Tsionas, 2004). This theory anchors on the information asymmetry and agency theories. The information asymmetry theory focuses on the moral hazard and adverse selection effects by ensuring that the organization invests in some verification and auditing procedures to guard against individuals who may want to take advantage of the information asymmetry (Towey, 1974).As observed by, Adrian (2009) financial intermediaries can be distinguished by four criteria: first their main categories of liabilities (deposits) are specified for a fixed sum which is not related to the performance of a portfolio. Second the deposits are typically short-term and of a much shorter term than their assets. Third a high proportion of their liabilities are cheque-able (can be withdrawn on demand) and fourth their liabilities and assets are largely not transferable. The most important contribution of intermediaries is a steady flow of funds from surplus to deficit units.Unlike in perfect markets where all market participants have information about the borrower as well as savers; the imperfect market presents great challenges of information asymmetry which can be exploited to hurt the financial performance of banks (Fama, 1980). This theory is further explained from the transaction cost approach which holds that financial intermediaries help in improving efficiency in collection of information about deficiency households thus help reduce the transaction costs for the lender (Pyle, 1971). The role of the financial intermediary is essentially seen as that of creating specialized financial commodities (Nicola, Benjamin &Lindasy, 2012). These are created whenever an intermediary find that it can sell them for prices which are expected to cover all costs of their production, both direct costs and opportunity costs. Financial intermediaries exist due to market imperfections. As such, in a 'perfect' market situation, with no transaction or information costs, financial intermediaries would not exist. Numerous markets are characterized by informational differences between buyers and sellers. In financial markets, information asymmetries are particularly pronounced.Borrowers typically know their collateral, industriousness, and moral integrity better than do lenders. On the other hand, entrepreneurs possess inside information about their own projects for which they seek financing (Liman, 2012). Therefore, this theory will be relevant as it explains the impact that borrowings and access to loans impacts the performance of commercial banks.

Diffusion of Innovation Theory:

Rogers (1962) developed the Diffusion of Innovation (DOI) Theory. It originated in communication to explain how, over time, an idea or product gains momentum and spreads through a specific population or social system. Okiro and Ndungu (2013) defined innovation diffusion as the process by which innovation is communicated through certain channels over time among members of social systems. The driving force towards adoption is that the idea, product or behaviour must be perceived as innovative. It is on this notion that diffusion is possible (Rogers, 1971). According to the theory, there are several factors that affect innovation diffusion. Rogers (2003), points out those innovation adopters can be classified into five different categories on the basis of innovation uptake speed: there are innovators; early adopters; early majority, late majority and laggards. In essence, innovation adoption success will be dependent on early adopters since they have considerable influence over innovation adoption. The key to a smooth diffusion process is to improve on customer awareness of new technologies among the intended innovation users. This will emanate as a result of observing other users that use the technology. According to Robinson (2009), relative advantage of an innovation is the degree to which an innovation is perceived as better than the idea it supersedes by a particular group of users, measured in terms that matter to those users, like economic advantage, social prestige, convenience, or satisfaction. He opines that the greater the perceived relative advantage of an innovation, the more rapid its rate of adoption is likely to be.The adoption of innovation in an organization is beneficial since old processes are improved hence improving on overall performance.

Archaic processes are eliminated when new systems are adopted thus leading to efficiency that translates to better organizational performance. Innovation will serve to simplify complex processes thus leading to few errors on part of employees hence improving on their productivity. New products and services will be introduced by organizations through innovation thus leading to customer loyalty that will positively affect performance of the organization. Even though diffusion theory only provides the framework to observe the adoption and impact of Information Technology over time, it gives little attention to user acceptance. The theory links innovation area characteristics and the drive for individual adoption decisions by staff and the innovation positioning (Rogers, 2003). This theory will then be important in expounding and explaining how loan access and deposit services will impact on the performance of commercial banks in West Pokot.

Portfolio Theory of Investment:

The portfolio theory is an investment approach in which the investor balances risk against expected return to maximize earnings from an entire portfolio. Portfolios are an effective way of increasing returns while decreasing risk in investment. For this reason, portfolio selection strategies have received quite some attention in financial literature. The modern portfolio theory introduces approximate 'mean-variance' analysis to simplify the portfolio selection problem. Markowitz (1959) attempted to quantify risk and quantitatively demonstrate why and how portfolio diversification works to reduce risk for investors. The 'risk' of a portfolio is quantified as a standard deviation of return from period to period, and the portfolio selection problem is reduced to computing an 'efficient' portfolio, that is, one that minimizes the risk for a fixed level of return in a single period. According to the portfolio theory, the larger the expected return the better the investment, and the smaller the standard deviation of the return the more attractive the investment. Furthermore, the theory shows that we can reduce the standard deviation of the return or risk by combining anti-covariant securities. However, each asset class generally has different levels of return and risk and also behaves uniquely so that one asset may be increasing in value as another is decreasing or at least not increasing as much, and vice versa. This theory, however, has a shortcoming; it cannot allow both more and less risk averse investors to find their optimal portfolio, a problem surmounted by the capital asset pricing model (CAPM) (Sharpe, 1964). The theory allows the management in the commercial banks to critical look at their investment opportunities available. When making borrowings from other institutions, they must carefully consider the returns to be made and if the monies are to be given as credits and loans, then interest rates and economic development. Thus this theory will be relevant as it further expounds on borrowings, loan access and its impact on performance of commercial banks.

Conceptual Framework:

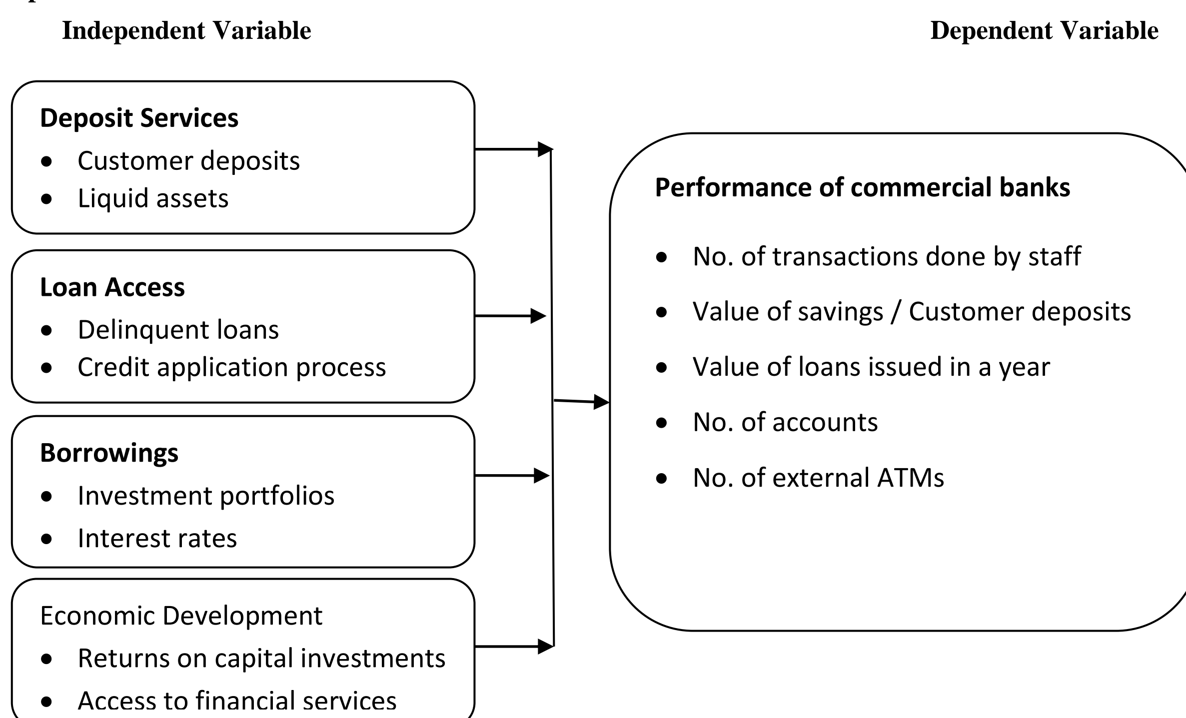

Figure 2.1: Conceptual Framework

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Review of variables:

Financial institutions facilitate mobilization of savings, diversification and pooling of risks and allocation of resources (Trujillo Ponce, 2013). And other empirical evidence indicates that the best performing banks are those who maintained a high level of deposit accounts relative to their assets. Increasing the ratio of total deposits to total assets means increasing the funds available to use by the bank in different profitable ways such as investments and lending activities. In Kenya, deposits from customers remain the main source of funding for the banking sector, accounting for 75% of the total funding liabilities, in any case without the deposits, the banking industry will collapse as they cannot transact and offer any other financial services (Dupas, Green, Keats & Robinson, 2012). Customer deposits are the cheapest sources of funds for any financial institution including the commercial banks and SACCOs. The deposits can be used for a variety of investment options that earns the financial institution higher returns, increasing their financial performance.

The loan process in any financial institution must have all loopholes sealed in an effort to reduce advancing credits to customers with questionable borrowing history or those unable to repay. Loan access affects the financial performance of banks as it either increases their profit margin through the interest charged or decreases it through unpaid loans which affects the liquidity position of the firm (Dupa., et al 2012).Munene and Guyo (2013) noted that if a financial institution has a big percentage of loan defaulters, it will not only affect the operations of that institution due to lack of funds but it will also affect its performance. Financial institutions including micro-finance and banks, needs to earn an income in terms of interest rates from advance credits and their book balances must be in order to avail them funds to run their operations well.

Any prudent financial institutions should invest and spread out its portfolio that will be able to cushion in during difficult economic times. Any borrowings made by the management of the company, must be prudently invested to recover and expand its operations (Koch & MacDonald, 2014). They must check that the funds that they borrow have a low interest rate as compared to the returns they will make from it, so that in the end, they recover and make profits. The economic development of an area determines the profitability and performance of financial institutions (Borio, 2014), this is majorly induced by the returns that will be made by capital investments done. The higher the economic development, the more returns earned hence higher financial performance for financial institutions. Access to knowledge of financial services by people increases their chances to seeking services, which the financial institutions equally benefit from as they gain incomes from the investments. The more money supplies are made available in the circulation, the more there is an increase in economic activities and increased in productivity (Borio, 2014).

Empirical Review:

Deposit Services and Performance of Commercial Banks:

Bologna's (2011) study titled; 'Is there a role for funding in explaining recent US bank failures?' focused on an econometric Analysis on the Bank Portfolios and Bank Earnings in Kenya. The author results suggested that except for customer deposits and investments in subsidiary companies, all other factors (LA = loans and advances; COD = certificate of deposit; GSEC = government securities; DBFB = deposit balances from other banks; PLABB = placements, loans and advances to building; societies and other banking institutions; and 'Other' = other assets) affect bank earnings positively. Generally, customer deposits, which include demand deposits, savings deposits and time deposits, are a proxy for reservable deposits. These deposits also constitute the cheapest source of funds available to commercial banks. Therefore, the performance of a commercial bank is related to its ability to attract individual deposits. Therefore, one way to improve a bank's profitability or earnings is to formulate aggressive policies for attracting personal deposits. However, the Central Bank of Kenya requires that banks retain a certain proportion of their deposits (liquid cash) with themselves. In this study results, the customer deposits variable enters the equation negatively with very significant coefficients in all the regressions.

Kamoyo (2010) investigated the determinants of liquidity of commercial banks using bank data for 80 countries between 2009 and 2015. This study investigated the determinants of commercial banks interest margins and profitability. Their results showed that banks that rely largely on deposits for their funding were less profitable, since deposits require more branching and other expenses. In a study conducted by Dietrich and Wanzeried (2009) using 1919 observations from 453 banks in Switzerland, the research included the yearly growth in deposits in the independent variables that they used to investigate the determinants of commercial banks profitability in Switzerland. Their results showed that the yearly growth

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in deposits did not affect profitability significantly. They found no empirical evidence that commercial banks in Switzerland were able to convert at an increasing amount of deposit liabilities into significantly higher income earning assets.

Erol, Baklaci, Aydoğan and Tunç (2014) investigated the performance comparison of Islamic (participation) banks and commercial banks in Turkish banking sector and found out that core deposits such as demand and savings deposits, which are largely inelastic, have historically insulated the bank funding costs against economic shocks. They further found out that Canadian banks compared to other large commercial banks in OECD countries were more resilient during the 2008 economic turmoil since they relied more on depository funding as compared to the other banks that relied more on wholesale funding. A related study in Kenya conducted by Ochung (2012) established that there was a very strong correlation between deposits of commercial banks and Financial Institutions and their individual performances

Gul et al (2011) using data on top fifteen Pakistani commercial banks over a period 2005-2010, investigated the impact of assets, loans, equity, deposits, economic growth, inflation and market capitalization on profitability indicators i.e. ROA, ROE, ROCE and NIM. Their results showed that deposits, among other had positive correlation with ROA. Deposits however, had negative relationship with ROCE. Similarly, total deposits to total assets had negative correlation with ROCE, which shows that banks that rely on deposits for their funding are less profitable.

Naceur and Goiaed (2011) investigated the determinants of the Tunisian banks' performances during the period 2007-2011. Empirical evidence indicated that the best performing banks are those who maintained a high level of deposit accounts relative to their assets. Increasing the ratio of total deposits to total assets means increasing the funds available to use by the bank in different profitable ways such as investments and lending activities. Fraser, et al (1974) used canonical correlation analysis to measure the relationship between the performance of banks and the profitability determinants. Among the financial statement variables included in their studies were bank costs, composition of bank deposits and composition of bank credit. They found that the factor which had the greatest influence on bank performance was bank costs, followed by composition of deposits and composition of loans.

Berger and Bouwman (2013) conducted a study titled; 'How does capital affect bank performance during financial crises' and found out that banks with a high percentage of time and savings deposits incurred high funding cost and thus had less profit. Berger and Bouwman used ratio of net income after taxes to total assets as a proxy for profitability and average ratio of time and savings deposits to total deposits as a proxy for balance sheet management. His findings indicated that the ratio of time and savings deposits had a significant negative impact on commercial bank profitability. This supported his claim that banks which were heavily committed to time and savings deposit earned considerably lower returns.

Angelini, Clerc, Cúrdia, Gambacorta, Gerali, Locarno and Vlček (2015) investigated the long-term impact on economic performance and fluctuations the study focused on deposits and relationship lending. From the complete data set of banks, they constructed a panel that includes 126 banks that reported in each quarter from the first quarter of 2007 through the fourth quarter of 2014. They concluded that core deposits such as demand and savings deposits, which are largely inelastic, have historically insulated the bank funding costs against economic shocks.

Anginer, Demirguc-Kunt and Zhu (2014) sought to determine how deposit insurance affected bank risk by focusing on evidence from the recent crisis. The authors found out that Canadian banks compared to other large commercial banks in OECD countries were more resilient during the 2008 economic turmoil since they relied more on depository funding as compared to the other banks that relied more on wholesale funding. A related study in Kenya conducted by Ochung (2013) established that there was a very strong correlation between deposits of commercial banks and Financial Institutions and their individual performances. Kiragu (2010) reviewed the relationship between the capital adequacy and the profitability of banks in Kenya. He concluded that a positive relationship existed between capital and the profitability.

Loan Access and Performance of Commercial Banks:

The loan application process represents an investment at origination with the aim of minimizing credit losses in the future. All else being equal, a greater investment in the credit application process will result in lower subsequent rates of delinquency and default; conversely, a less stringent process would result in greater rates of credit loss in the future. (Pollinger et al, 2017) As access to loans is one of the major problems facing small scale enterprises in Nigeria. The idea of creating microfinance institutions is to provide an easy accessibility. Small scale enterprises do not have access to loans and these will bring effect on them because they will not be able to satisfy their clients .Findings by Chimucheka and

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Rungani (2011) in South Africa found that majority of the SME who did not apply for a loan did not know the procedures and another group said they lacked knowledge on the sources of finance available at banks. The study however had limitations since it was carried out in one area there is no guarantee that the results could be generalized to other areas of South Africa. There was also no stratification to check whether there were any significant differences in different business sectors. Studies by Suberu et al, (2011) also found that access to loans was a major problem facing small enterprises in Nigeria. The studies however did not find out whether the applications procedures had any impact on the businesses applying for loans. Obokoh, Monday and Ojiako (2017) sought to investigate the impact of inaccessibility of bank finance and lack of financial management knowledge to small, micro and medium enterprises (SMMEs) in the Buffalo City Municipality in South Africa. Findings of this research showed that SMMEs in the Buffalo City Municipality found it difficult to access bank finance. The research results also showed that inaccessibility of bank finance have a greater impact on survival and success of SMEs. Inaccessibility of finance did not have a greater impact on growth or survival of SMMEs because after SMMEs are established, they can seek other sources of finance other than bank finance.

Carrell and Zinman (2014) conducted a study on payday loan access and military personnel performance. They approached application procedures from the aspect of the microfinance organization and found that the application process if well done would lead to fewer losses in the future. They found that manufacturing SME's in particular had problems related to application procedures when applying for a loan. The study also found that the age of the business also impacted on the application procedures while none of the other studies had this as a variable. This creates a gap in the study and the age of the business will be looked at as a variable in the study.

Ahmed (2010) argues that MFIs provide financial services and products to the poor, outside the formal banking system. In view of this, it can be argued that the conventional regulatory framework such as that of formal banks and financial institutions is not appropriate and hence not required under the circumstances prevailing in many countries. The regulatory framework in such cases cannot meet the needs of the micro finance institutions.

Borrowings and Performance of Commercial Banks:

The withdrawal by the commercial banks from the rural Kenya in the 1990s was a boon and a blessing in disguise to the urban and other rural related SACCOs. It created an opportunity for the sub-sector to establish a strong foothold in savings mobilization and credit provision at affordable interest rates (Obokoh*et al.,* 2017). Today, the relatively strong economic growth as compared to that of the early 1990s has generated more than enough liquidity to the commercial banks. They now have to seek for opportunities in the economy to invest the excess cash. The banks have, therefore, identified a number of investable alternatives among them the SACCO societies.

Qian and Yeung (2015) conducted a study on bank financing and corporate governance. This study aimed at establishing the development in public domestic debt in Kenya and its impact on the economy between 2009 and 2014. The study examined the relationship between economic growth and macroeconomic variables using the King and Levine's (1993) version of the Barro growth regression model. The macroeconomic variables used in the study included lagged real GDP growth ratio to GDP of government expenditure, private sector credit, broad money supply (M3), secondary school enrolment, and trade. The ratios to GDP of credit to private sector and broad money supply were used measures of financial development. The study found that domestic debt expansion had a positive but not significant effect on economic growth during the period. The research therefore concluded that domestic debt did not have an effect on economic growth.

Erol, Baklaci, Aydoğan and Tunc (2014) investigated the performance comparison of Islamic (participation) banks and commercial banks in Turkish banking sector and found out that loans offered by commercial banks have not seriously affected the savings and lending volumes of Mwalimu SACCO. This is due to the fact that the savings and loans granted were observed to be increasing over the years. However, in 2008 the amount of loans granted slightly dropped but then increased in the following year. Nevertheless, this drop did not have any effect on the savings and turnover of the SACCO. This was confirmed by Mungai (2016) in his findings during his research on effects of competition on provision of financial services by Mwalimu SACCO; he stated that SACCOs has suffered a blow from competition that has intensified in the recent years. Some of their members have found other avenues for meeting their financial obligations and thus has affected the SACCOs' annual incomes. The researchers further found that members are not willing to leave the SACCO because of its stability.

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Economic Development and Performance of Commercial Banks:

Lending in commercial banks has a close effect on economic growth within the context of interest rates. If the interest rates are below the rate of return on capital, entrepreneurs would borrow at the money rate to purchase capital goods which would spur a higher economic growth rate. Conversely, if the interest rates are above the rate of return on capital entrepreneurs would sell the capital goods and hold money in effect reducing economic growth (Erol*et al.,* 2014). In Kenyan, the study between credit and economic development has focused on public debt. Pascali (2016) conducted a study on banks and development focusing on Jewish communities in the Italian Renaissance and current economic performance, the financial intermediation by banks and economic growth. The objective of the study was to review empirical research that had been done to establish the link between financial intermediation by banks and economic growth in the two decades between 2004 and 2014. The study paid special attention to the issues of causality, non-linearity, time perspective, financial intermediation proxies, and interaction terms. The review showed that the relationship between financial intermediation by banks and economic growth cannot he taken for granted. Indeed, the study questioned the prioritization of financial sector policies for economic growth. The study cast doubts on the assertion that financial intermediation by banks drove economic growth

Zhang, Wang and Wang (2012) conducted a study on financial development and economic growth in China. The objective of the study was to investigate and establish the relationship between financial development and economic growth in China. The study was done at city level. 286 Chinese cities were studied over the five-year period between 2001 and 2006. The study applied both traditional cross-sectional regression and first differenced and system GMM estimators for dynamic panel data. The results of the research suggested that most traditional indicators of financial development like Credit, Deposit, Savings, the share of fixed asset investment financed by domestic loans relative to that financed by state budgetary appropriation positively related to economic growth. However, the ratio of corporate deposits to total deposits had a negative effect on economic growth. This study showed that credit had positive effect on economic growth

The study by Aurang (2012) was done on the contribution of the commercial banking sector on economic growth in Pakistan. The aim of the study was to investigate the contributions of the commercial banking sector on Pakistan's economic growth. The study was done on 10 banks for the period of 1981 to 2010. Analysis of the data from the 10 banks was done using the Augmented Dickey Fuller (ADF), Philip Perron unit root test, ordinary least square and the granger causality test. The regression results indicated that deposits, investments, advances, profitability and interest earnings had significant positive impact on economic growth. The Granger-Causality test confirmed that there was a bidirectional causal relationship between deposits, advances and profitability and economic growth. The study concluded that activities in the banking sector, including advances by the commercial banks, affected economic growth.

Aliero, Abdullahi and Adamu (2013) did a study on private sector credit and economic growth in Nigeria. The study sought to analyze and establish the relationship between private sector credit and economic growth in Nigeria. The study was conducted for the period 1974-2010. The Autoregressive Distributed Lag (ARLD) bound F-test for co-integration approach was used for analysis of the data. The results indicated that a long run equilibrium relationship existed between private sector credit and economic growth. However, causality results indicated that there is no causal relationship between private sector credit and economic growth. The conclusion was that that private sector credit did not affect economic growth. Waiyaki (2013) did a study focusing on financial development, economic growth and poverty in Kenya. This study was done with the aim of finding out the nature of the relationship between financial development, economic growth and poverty. The study covered the period 1997 to 2010 using data from annual reports from the Central Bank of Kenya. Data were analysed using unit root tests, co-integration analysis and granger causality tests. The study found mixed results concerning the relationship between financial development variables and economic growth. For instance, for the benefit of this research, money supply and bank deposits had a significant influence on economic growth. On the other hand, financial indicators like stocks volume had no significant influence on real GDP. The conclusion was that money supply and bank deposits had great positive effect on economic growth. AbubakarandGani (2013) conducted on financial development and economic growth. The aim of the study was to examine and establish the long run relationship between financial development indicators and economic growth in Nigeria. The study was done for the period of time between 1970 and 2010. Among other indicators of financial development, the study also used liquid liabilities of commercial banks, credit to the private sector, interest rate spread and government expenditure. The study applied the

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Johansen &Juselius (1990) approach to cointegration and Vector Error Correction Modeling (VECM). The study found that in the long-run, liquid liabilities of commercial banks exerted significant positive influence on economic growth while credit to the private.

Critique of Literature:

The empirical literature has explored various studies on the effects of accessibility of financial services on commercial banks' performances. For example; on a global level, Bologna's (2011) study titled; 'Is there a role for funding in explaining recent US bank failures?' this study looked at failures of the banking sector in general and isn't specific to the commercial banks. In other studies, Erol, Baklaci, Aydoğan and Tunç (2014) investigated the performance comparison of Islamic (participation) banks and commercial banks in Turkish banking sector; the study looks at banking from a religious angle, the Islamic people and their participation in banking activities. Naceur and Goiaed (2011) investigated the determinants of the Tunisian banks' performances during the period 2007-2011. This study looks at longitudinal trend of banks performance over a 5 year period and what factors determined the performance of banks.

Regionally and Locally, Angelini, Clerc, Cúrdia, Gambacorta, Gerali, Locarno and Vlček (2015) investigated the long-term impact on economic performance and fluctuations the study focused on deposits and relationship lending while Obokoh, Monday and Ojiako (2017) sought to investigate the impact of inaccessibility of bank finance and lack of financial management knowledge to small, micro and medium enterprises (SMMEs) in the Buffalo City Municipality in South Africa. These studies looked at the context of lack of some banking services like deposits and relationship lending and lack of financial management knowledge affecting performance. Locally, Kiragu (2010) reviewed the relationship between the capital adequacy and the profitability of banks in Kenya,Waiyaki (2013) did a study focusing on financial development, economic growth and poverty in Kenya while Kamoyo (2010) investigated the determinants of liquidity of commercial banks using bank data for 80 countries between 2009 and 2015. The local studies though relevant, their focus is on a past period prior to implementation of reforms on the accessibility of financial services especially to SMEs thus limiting the application of their findings.

Research Gaps:

Several studies have looked at different contexts in performance; Erol, Baklaci, Aydoğan and Tunç (2014) compared Islamic participation and commercial banks in Turkey. It was also done in a different economic context to that of Kenya, as such is the case of Bologna (2011) in the US.Obokoh, Monday and Ojiako (2017) study was done in South Africa covering the small, micro and medium enterprises (SMMEs) and hence it fails to mention the commercial banks thus creating a knowledge gap. Kiragu (2010) linked capital adequacy and profitability, which is only one aspect of performance, hence leaving a gap on other aspects of performance. Waiyaki (2013) in the study fails to cover the banking sector which commercial banks fall into, instead looks at economic development and poverty and Kamoyo (2010) looked determinants of liquidity in commercial banks, but doesn't touch on accessibility of financial services and performance creating a knowledge gap. These studies have covered different contexts in their topics; have been done in different contextual regions with varied financial systems than the one in Kenya hence creating a research gap, which this study will fill by looking at the impact of accessibility of financial services on performance of commercial banks in West Pokot County, Kenya.

3. RESEARCH METHODOLOGY

Introduction:

Research methodology is an approach and a set of supporting methods and guidelines used as a framework for conducting research (Blessing &Chakrabati, 2009). This chapter outlines the research design that was used in the study, the target population, sampling techniques that were adopted in getting sample size for the study, data collection instrument and method together with how their validity and reliability was determined, data analysis and presentation and the ethical considerations that the researcher tried to abide by while carrying out the research process.

Research Design:

Research design is a master plan that specifies the methods and procedures for collecting and analysing needed information (Jonker& Pennink, 2010). The study adopted a descriptive research design. According to Yin (2013) a descriptive research design provides an accurate account of characteristics of a particular individual event or group in real

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life situation and may be used for the purpose of developing theory, identifying problems with current practice, justifying current practice, making judgments' or determining what others in similar situations are doing. And according to Kothari (2004), the purpose of descriptive research is to determine and report the way things are and it helps in establishing the current status of the population under study. Since this study was interested in determining the impact of the independent variables on the dependent variable, this descriptive research design was suitable in focusing on the current phenomenon in regard to accessibility of financial services on performance of commercial banks.

Target Population:

A population refers to an entire group of individuals, events or objects having a common observable characteristic (Gravetter&Forzano, 2012). A population describes the parameters whose characteristics the research will attempt to describe and the target population is the group of individuals who have the knowledge and information that the researcher is interested in. For this study the target population included all the commercial banks that operate in West Pokot County. According to the CBK records of 2016, there are 5commercial banks the in county. The target population included all 162 staffs in the 5 commercial banks.

Sampling Technique and Sample Size:

Sampling techniques is a process adopted by researchers in selecting respondents who participate in a stud from the target population. This study will adopt a census sampling technique. Census is where all the respondents are included in the study because the population size is small and can easily to accessible to respond to the research question (Kothari, 2008).According to Mugenda and Mugenda (2003) stated that with any population of 200 or less items that is homogenous and accessible, census sampling is ideal. Since the population for this study was only 162, then census was applied.

Data Collection Instrument and Method:

The study collected primary data. Primary data was collected using structured questionnaires for their proximity of the truth and control of error (Cooper &Schinder, 2003). The researcher developed closed ended questions that covered the background information of the respondents and the four independent variables and the dependent variable. Questionnaires were administered by the drop-off and pick-up later method. Respondents were allowed one week to fill the questionnaires before they were picked for analysis. At the point of dropping the questionnaire, contact information of the respondents was obtained to respond to their queries.

Pilot Testing:

Questionnaires were pre-tested before being administered to respondents in order to ensure validity and reliability of the instruments. 10 respondents working in the micro-finance institutions in West Pokot County were used to test the research instruments. According to Kothari (2004), the purpose of pre-testing the data collection instrument is to ensure that the items in the instrument are stated clearly to allow for clear understanding of the questions by the respondents.

Validity:

Validity is the degree to which result obtained from the analysis of the data actually represents the phenomenon under study (Hillier, 2012). Validity will be ensured by having objective questions in the questionnaire. The validity of research instruments used in the study was censured by reviewing and discussing them with the supervisor. The supervisor was able to advice on the most appropriate indicators that will measure variables of the study.

Reliability:

The accuracy of data to be collected largely depended on the data collection instruments in terms of reliability (Blumberg, Cooper& Schindler, 2014). Reliability is the degree to which a research instrument is consistent in capturing information on a phenomenon. This will be achieved by pre-testing the instrument to be used to identify and change any ambiguous, awkward, or offensive questions and techniques as emphasized by (Kothari, 2004). In this study, reliability was ensured through pilot testing of the research instruments and using Cronbach's Alpha value to establish whether the research instrument is reliable or not. A Cronbach's Alpha value of 0.7 and above is recommended for a reliable research instrument (Cronbach, 1951).

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Data Analysis and Presentation:

Data analysis as the process that starts after the collection of data and ends at the point where there is interpretation of results (Kothari, 2008).After data has been collected from the field, the questionnaires will be checked for completeness, coded, and then entered into Statistical Package for Social Sciences (SPSS version 22.0) for subsequent analysis. Descriptive analysis was usedto draw important conclusions and deductions with regards to the study objectives. Measures of standard deviation were obtained such as means, standard deviations and variance Multiple regression analysis was done to assess the relationship between the independent variable (Deposit Services, Loan Access, Borrowings and Economic Development) and the dependent variable of (Performance).

The Multiple Regression Model will follow this format:

$$\mathbf{Y= \beta_0 + \beta_1X_1+\beta_2X_2+\beta_3X_3 + \beta_4X_4+\varepsilon}$$

Where Y= Performance

$\beta_0 =$ Constant

β_1, β_2, β_3 and β_4 are Coefficients of the determinants of the impact of accessibility of financial services on performance of commercial banks in West Pokot County, Kenya

X_1= Deposit Services

X_2= Loan Access

X_3=Borrowings

X_4=Economic Development

ε = error term

The results were presented in frequency distribution table, pie charts, figures and graphs.

4. RESEARCH FINDINGS AND DISCUSSIONS

Introduction:

This chapter presents the findings of the analysed data that was collected and analysed from the field. The purpose of the study was to determine the impact of accessibility of financial services on performance of commercial banks in West Pokot County, Kenya. The study relied on primary data. The collected data was coded into SPSS version 23 for analysis and interpretation using descriptive and inferential statistics.

Response Rate:

The study sampled 162 staffs in the 5 commercial banks. 162 questionnaires were prepared and distributed to the respondents, 122 questionnaires were dully filled and returned to the researcher. This gave a response rate of 75%. The findings are indicated in the Table 4.1 below.

Table 4.1: Response Rate

Variable	Frequency	Percent
Response	122	75
Non-Response	40	25
Total	**162**	**100**

According to Mugenda (2008) indicates that a response rate of 50% is adequate for analysis and reporting, a rate of 60% is generally good while a response rate of above 70% is excellent. Similarly, according to Babbie (2010), a response rate of above 70% is deemed to be very good. Therefore, the response rate in the current study was sufficient for analysis and reporting of the findings.

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General Information:

The general distribution of the respondents is indicated in the subsequent sections below.

Gender:

The gender distribution of the respondents is as shown in the Figure 4.1 below

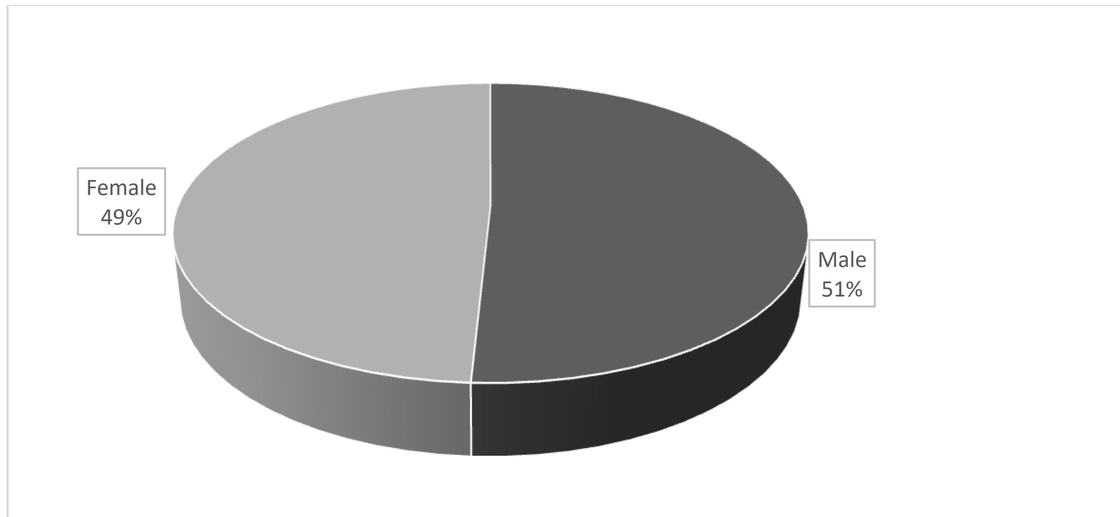

Figure 4.1: Gender

From the findings, 51% of the respondents were male and 49% of the respondents were female. This indicates that all the commercial banks that operate in West Pokot County observe the gender equality rule hence all the genders are equally distributed.

Position:

The position held by the staffs were distributed as indicated in the Figure 4.2 below

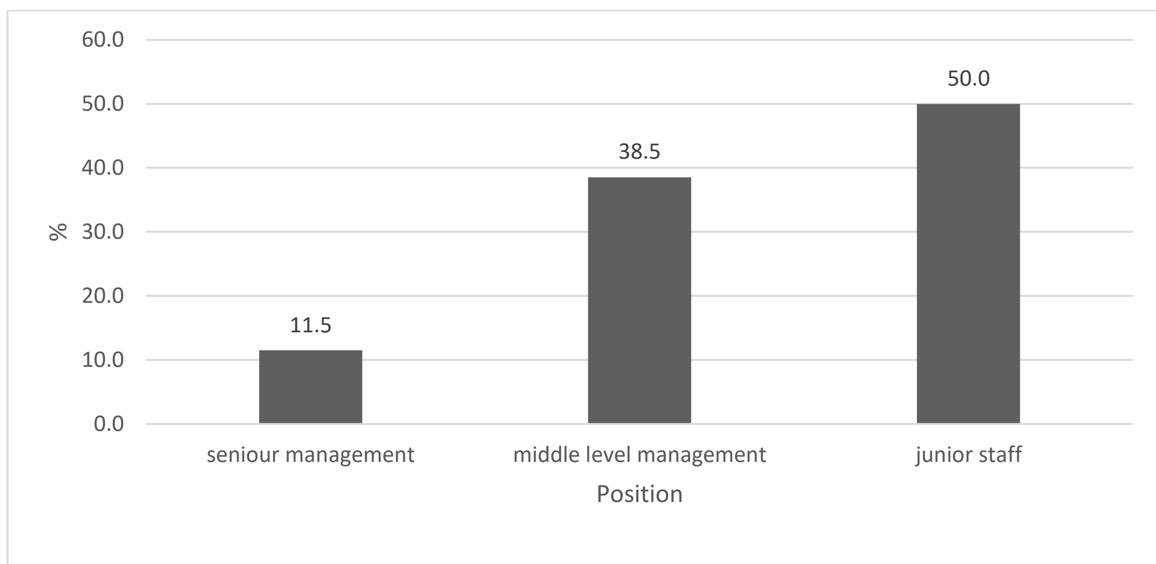

Figure 4.2: Position

From the findings, 50% were junior staffs, 38.5% were middle level managements and 11.5% were senior management staffs. This indicates that most of the respondents were middle and junior staffs, therefore the respondents were skilled and gave reliable data.

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Length of Position:

Length of position distribution of the respondents is indicated as in the Figure 4.3 below

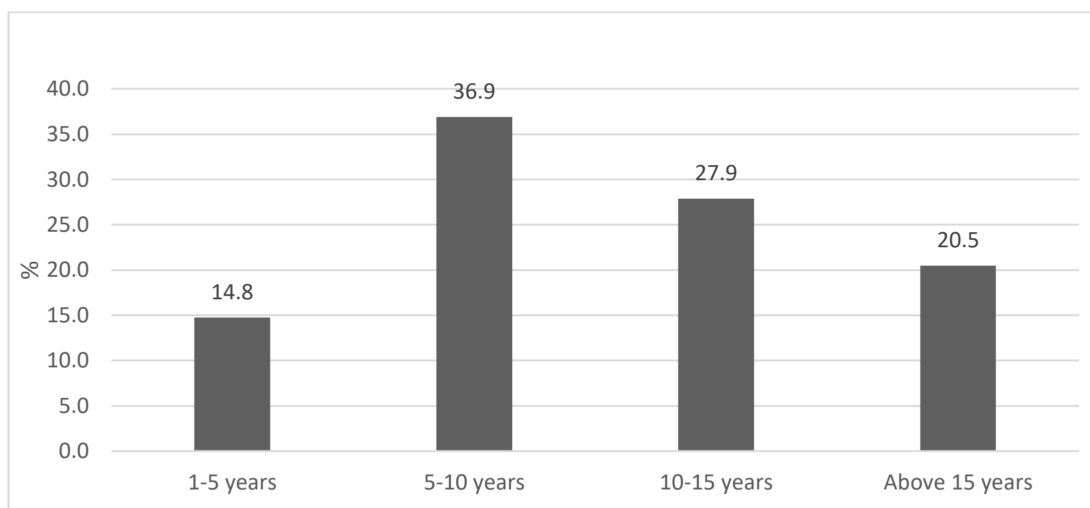

Figure 4.3: Length of Position

From the findings, 14.8% length of position was 1-5 years, 36.9% was 5-10 years, 27.9% was 10-15 years and 20.5 % length of position was above 15 years. Therefore, the findings indicate that most of the staffs were skilled in their positions and would therefore understand the questionnaires and give reliable data.

Length of service:

The distribution of the length of service of the respondents is as indicated in the Figure 4.4 below.

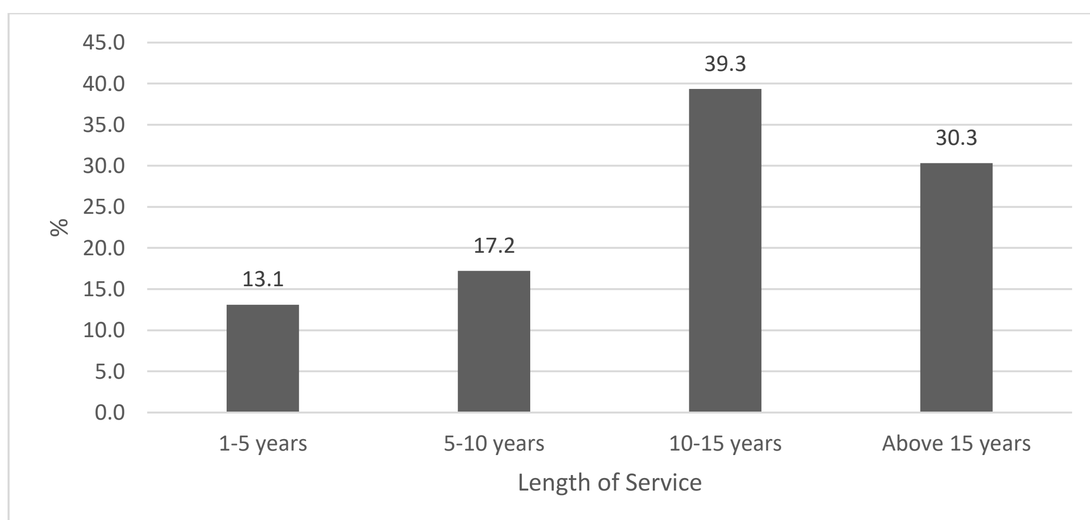

Figure 4.4: Length of service

From the findings, 13.1% length of service was 1-5 years, 17.2% was 5-10 years, 39.3% was 10-15 years and 30.3% length of service was above 15 years. This indicates that most of the respondents of commercial banks that operates in West Pokot County had served for a long duration of time hence was skilled enough to give reliable data.

Deposits Service:

Several statements on how deposit services impact accessibility of financial services on performance were carefully identified by the researcher. Respondents were then requested to indicate the extent of their agreement by the researcher. A Likert scale of 1-5 where: 1= Not at all; 2 = Little Extent; 3= Moderate Extent; 4= Large Extent and 5= Very Large Extent was used.

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Table 4.2: Deposits Service

	Mean	Std. Dev
Deposits services have attracted more customers to our bank	3.88	1.08
Deposit services have increased the savings rate of the locals in our bank	4.13	.865
Affordability of deposit services has improved the total savings in our bank	4.02	.885
Diversified financial service offering has increased the number of customers in our Bank	4.36	.782
Our ability to attract individual depositors has improved our loan issuance	3.42	1.05
Our performance is enhanced by our ability to attract individual deposits	3.38	1.19
Our deposit policies have attracted more customers to our Bank	3.45	.997
Our policies are aimed at attracting personal deposits	3.70	1.00
Large deposits collected from customers has improved the interest income for our Bank	3.90	.957
Average Mean and standard deviation	**3.80**	**0.978**

From the findings, deposits services have attracted more customers to our bank had a mean of 3.88 and standard deviation of 1.08, deposit services have increased the savings rate of the locals in our bank with a mean of 4.13 and standard deviation of 0.865 and affordability of deposit services has improved the total savings in our bank with a mean of 4.02 and standard deviation of 0.885. Diversified financial service offering has increased the number of customers in our Bank with a mean of 4.36 and standard deviation of 0.782. As means are generally above 3.5, this shows that generally respondents agreed on these statements and as such, they affected performance of commercial banks. Fraser, et al (1974) found that the factor which had the greatest influence on bank performance was bank costs, followed by composition of deposits and composition of loans.

The ability to attract individual depositors has improved our loan issuance with a mean of 3.42 and standard deviation of 1.05, performance is enhanced by an ability to attract individual deposits with a mean of 3.38 and standard deviation of 1.19 and the deposit policies have attracted more customers to our Bank with a mean of 3.45 and standard deviation of 0.997.Policies are aimed at attracting personal deposits with a mean of 3.70 and standard deviation of 1.00 and large deposits collected from customers has improved the interest income for our Bank with a mean of 3.90 and standard deviation of 0.957.

When asked to suggest other ways which deposits affected performance, most of respondents indicated that growth in deposits automatically transpired into increase in performance of commercial banks. On the extent which deposits affected performance, most of the respondents 59% said great extent. The average mean was 3.80 with standard deviation of 0.978. This mean showed that respondents generally agreed that deposit services affected performance of commercial banks. The low standard deviation indicates that respondents offered divergent opinions as it regards deposit services and how it affected performance of commercial banks. These findings are echoed with Ochung (2013) who established that there was a very strong correlation between deposits of commercial banks and Financial Institutions and their individual performances.

Regression Analysis:

In order to determine the impact of accessibility of financial services on performance of commercial banks in West Pokot County, Kenya the researcher conducted regression analysis. The finding of Model Summary, ANOVA and Regression Coefficients is indicated in subsequent sections below.

Model Summary:

The coefficients of correlation R and coefficients of determination R^2 is indicated in the Table below as follows.

Table 4.3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.787[a]	.619	.606	1.31974

a. Predictors: (Constant) deposit services, loan access, borrowing and economic development.

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From the findings, coefficient of correlation R is 0.787 an indication of strong correlation between variables, coefficient of determination R^2 is 0.619, showing that 61.9% change in performance is explained by the independent variables; deposit services, loan access, borrowing and economic development. According to Ochung (2012), there was a very strong correlation between deposits of commercial banks and Financial Institutions and their individual performances. 38.1% explains factors that affect performance of commercial banks in West Pokot that were not carried in the current study.

Analysis of Variance:

An ANOVA was conducted at 5% significant level. A comparison between F calculated and F Critical are shown below

Table 4.4: Analysis of Variance.

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	330.712	4	82.678	47.461	.000[b]
Residual	203.779	117	1.742		
Total	**534.492**	**121**			

a. Dependent Variable: Performance

b. Predictors: (constant), deposits services, loan access, borrowing and economic development.

From the findings, F Calculated was 47.470 and F Critical (4, 117) was 2.449, therefore, F Calculated>F Critical thus indicating that the overall regression model was significant in determining the impact of accessibility of financial services on performance of commercial banks in West Pokot County, Kenya. The p value was p=0.000<0.05, an indication that at least one of the dependent variable significantly influences performance of commercial banks in West Pokot. Berger and Bouwman (2013) indicated that the ratio of time and savings deposits had a significant negative impact on commercial bank profitability.

5. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Introduction:

A summary of the analysed findings is clearly presented in this chapter based on specific objectives. Relevant conclusions are drawn from the summarized key findings of the study. Recommendations of the study emanate from the findings of the study relevant to policy makers. Suggestions for further studies are clearly indicated for future scholars and academicians.

Summary of the Findings:

The study sought to assess the effect of accessibility of financial services on performance of commercial banks in West Pokot County, Kenya. The specific objectives of the study were; to establish the effect of deposit services on performance of commercial banks in West Pokot County, Kenya.To assess the effect of loan access on performance of commercial banks in West Pokot County, Kenya.To find out the effect of borrowings on performance of commercial banks in West Pokot County, Kenya.To evaluate the effect of economic development on performance of commercial banks in West Pokot County, Kenya. The study mainly used primary data collected using questionnaires. The collected data was analysed using SPSS software.

The first objective of the study was to examine the effect of deposit services on performance of commercial banks in West Pokot County, Kenya. The study established that diversified financial service offering has increased the number of customers in our Bank with a mean of 4.36 and standard deviation of 0.782. Deposit services have increased the savings rate of the locals in our bank with a mean of 4.13 and standard deviation of 0.865. Affordability of deposit services has improved the total savings in our bank with a mean of 4.02 and standard deviation of 0.885.Large deposits collected from customers have improved the interest income for our Bank with a mean of 3.90 and standard deviation of 0.957. Deposits services have attracted more customers to our bank had a mean of 3.88 and standard deviation of 1.08. The policies are aimed at attracting personal deposits with a mean of 3.70 and standard deviation of 1.00. From regression results, deposits p=0.000<0.05 significantly influenced performance of commercial banks.

Conclusion:

The study concludes that Deposits significantly influenced performance of commercial banks. Diversified financial service offering has increased the number of customers in our Bank. Deposit services have increased the savings rate of the locals in our bank. Affordability of deposit services has improved the total savings in our bank. A large deposit collected from customers has improved the interest income for our Bank. Deposits services have attracted more customers to our bank. The policies are aimed at attracting personal deposits.

Recommendations of the Study:

Since loans significantly influenced performance of commercial banks in Kenya, the study recommends that the Central Bank of Kenya should provide conducive regulatory environment that facilitates growth in loan portfolio of commercial banks in Kenya and therefore performance. Moreover, the top management of commercial banks in Kenya should strengthen their abilities to attract individual depositors and this shall their loan issuance. Commercial banks should formulate sound deposit policies to attract more customers and this shall enhance their performance.

Suggestions for Further Studies:

Since the current study was restricted in the banking sector, future studies should be done in sub-sectors of the larger financial sector like insurance, SACCOs and microfinance industry. Primary data was the main source of information in the current study and future studies should be done using secondary data. Regression results indicated a coefficient of determination of 61.9%, an indication that other factors exist that explain performance of commercial banks which can be examined by future scholars. Future studies can also be extended on current credit facilities like Branch and Tala that are technology based.

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