Factors Affecting Customer Demand of Financial Services Offered By Commercial Banks in Nairobi County

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Abstract- The demand for retail banking services is concerned with the demand for the financial services offered in retail/ commercial banks. The general objective of this particular study was to examine the factors affecting customer demand for financial services offered by commercial banks in Nairobi County. The researcher used both primary and secondary data sources. The target group for this study was bank customers from a select 13 of the 43 commercial banks operating in Nairobi County as registered by the Central Bank of Kenya that is; Barclays Bank, CFC Stanbic, Chase Bank, Commercial Bank of Africa, Co-operative Bank of Kenya, Diamond Trust Bank, Equity Bank, Gulf Africa bank, I&M Bank, Kenya Commercial Bank, NIC Bank, Standard Chartered Bank and the United Bank of Africa. From these 13 Banks, a sample population of 115 respondents was drawn for investigation. This sample was selected using stratified random sampling technique. Both open and closed ended questionnaires were used and the data was analyzed by SPSS version 17. The study results revealed that; many respondents reported earnings above Ksh20,000, there was under saving, many investors had accounts that were opened with nil requirements for bank balances, Interest rates on the other hand were cheaper for short term credit services, 51% of respondents operated savings accounts, 32 % operated checking accounts and 14% salary accounts.

Index Terms- Interest rates, savings, bank facilities, bank balances, customer demand

I. INTRODUCTION

Population increases as well as an increase in individual Per capita income levels have generally fuelled strong appetites for financial services in the Banking sector globally. Banks worldwide have continued to grow and have become among the main pillars of several economies both in developed and developing countries (World Bank, 2013). The growth in the demand of retail banking services in Africa has been spurred largely by the emerging middle class in the continent an income category which has tripled over the past 30 years to 355 million or more than 34% of the continents population. This has led to the sudden shift by domestic, regional and international banking groups to focus their efforts to expand the menu of services to meet the growing needs of this affluent class (AFDB, 2012). Retail Banking in Sub-Saharan Africa is projected to grow by 15% per annum by 2020 which will then bring the sectors contribution to GDP to about 19% from 11% in 2009 (AFDB, 2012).

Kenya's financial sector is the third largest in Sub-Saharan Africa after South Africa and Nigeria respectively (World Bank, 2013). The sector comprises of a large Banking sector, the securities market and the large and growing pensions and insurance industry. The Banking sector dominates the financial sector comprising of 43 Commercial Banks, 1 Mortgage finance company, 9 deposit taking Microfinance Institution, 7 representative offices of Foreign Banks, 107 foreign exchange bureaus and 2 credit bureaus (CBK, 2012). According to CBK (2012), there exist 44 Commercial Banks and Mortgage Finance Institutions in Kenya. Out of this, 31 are locally owned and include 3 Banks with significant shareholding by the Government and state owned Corporations, 27 Commercial Banks and 1 Mortgage Finance Institution.

Bank customers in Kenya often cite the cost of credit as a stumbling block in getting access to formal credit and often look for cheaper sources of credit such as 'chamas', investment groups, Sacco's and shylocks among others which offer low cost of credit to potential customers. Deposit rates also play a crucial role in influencing customers when opening deposit accounts such as savings accounts. The interest rate on deposits charged by the different Commercial banks in Kenya has been heavily criticized for being extremely low compared to the interest rate charged when they lend money (World Bank, 2013). The average deposit rate charged by banks in currently stands at 6% on average compared to 17% the average lending rate charged by banks in Kenya (CBK, 2012).

There are several factors that exist which affect customer demand for financial services offered by Commercial Banks and they include income levels, savings Levels (Ando A, 1963)availability of bank branches, and availability of bank agents, transaction costs charged by banks (Allen .F, 2013) banking products, customers saving level and efficiency of services offered by banks among others. This study therefore will shed light on the factors that affect customer demand in financial services offered by Commercial Banks in Nairobi County.

On the matter of determining factors for financial services demand, these appear to vary. However, the common thread in most studies remains that this demand is a function of income, savings and transaction costs however different studies focus on a variety of other independent determinants of financial service demand. (Dick A, 2002) study focused on the costs associated with financial service access, such us; opening balances in America. His findings were that American consumers were less responsive to opening balances than they were to deposit rates. (Beck T, 2008) in their study associated the large fixed transaction costs peculiar to traditional (paper) banking service expansion to be correlated with a consumer perception of cost related inconvenience and hence lower bank service demand.

There are minimal studies to the authors' knowledge that have solely focused on the determinants of demand for the specific financial services offered by commercial banks by retail banking customers with specific reference to the determining factors; - income level of customers, savings level of customers, transaction costs charged by commercial banks and commercial bank accessibility in Kenya. Conversely, this documents utility to bank customers is unique in the provision of information on the bank products offered in commercial banks in Kenya and its provision of an insight into the functional properties of these banking services. Therefore, this study attempted to explore the different factors which influence and affect customers for the demand for commercial banking services which remains an under-researched area of study with the objective of establishing the factors affecting customer demand in financial services offered by Commercial Banks in Nairobi County.

The study will cover approximately 13 of the 43 Commercial Banks registered by the Central Bank of Kenya under cap 488 of the Banking Act operating in Nairobi County. The respondents of the study will be Commercial Bank customers and staff operating in Nairobi County. The study is significant because of the following reasons and to the following parties:

I. Commercial Banks: By enabling them retain and increase the number of customers based on the   findings of the research study thus increasing completion.
II. Commercial Bank Customers: By enabling Commercial Bank Customers to make informed choices with regards to the different bank
III. Researchers: By acting as a guide to future researchers and will aid the expansion of this study focus on commercial banks and perhaps other financial institutions such as Saccos and Insurance Companies in future.
IV. Policy Makers: Will enable them to make sound legislations and policies involving banking and financial matters such as the issue of interest and deposit rates.

II. LITERATURE REVIEW

2.1 Theoretical Framework
2.2.1 Classical theory of demand
Banking services are demanded in a similar manner to any other service and the prices assosiated with the issuance of such service are the prime determinants of demand. Prices on the other hand are settled by market forces of supply and demand model. It is concluded that in a competitive market, the unit price for a particular good will vary until it settles at a point where the quantity demanded by consumers (at current price) will equal the quantity supplied by producers (at current price), resulting in an economic equilibrium for price and quantity (McConnel, 2008).

McConnel (2008) gives the four basic laws of supply and demand are as follows; If demand increases and supply remains unchanged, a shortage occurs, leading to a higher equilibrium price; If demand decreases and supply remains unchanged, a surplus occurs, leading to a lower equilibrium price; If demand remains unchanged and supply increases, a surplus occurs, leading to a lower equilibrium price; If demand remains unchanged and supply decreases, a shortage occurs, leading to a higher equilibrium price. Demand is often depicted graphically as a negatively sloping curve asymptotic to the x axis (which is representative of the quantity of products demanded). It represents the amount of some good that buyers are willing and able to purchase at various prices, assuming all determinants of demand other than the price of the good in question, such as income, tastes and preferences, the price of substitute goods, and the price of complementary goods, remain the same. Following the law of demand, the demand curve is almost always represented as downward-sloping, meaning that as price decreases, consumers will buy more of the good (McConnel, 2008). Just like the supply curves reflect marginal cost curves, demand curves are determined by marginal utility curves. Consumers will be willing to

buy a given quantity of a good, at a given price, if the marginal utility of additional consumption is equal to the opportunity cost determined by the price, that is, the marginal utility of alternative consumption choices.

Thus a demand schedule is defined as the willingness and ability of a consumer to purchase a given product in a given frame of time. (McConnel, 2008) Aforementioned, the demand curve is generally downward-sloping however there may be rare examples of goods that have upward-sloping demand curves. Two different hypothetical types of goods with upward-sloping demand curves are Giffen goods (an inferior but staple good) and Veblen goods (goods made more fashionable by a higher price) (Binger, 1998) Two distinctions ought to be made between the individual and market demand curves. The latter is obtained by summing the quantities demanded by all consumers at each potential price (Binger, 1998). The determinants of demand include Income, Tastes and preferences, Prices of related goods and services, Consumers expectations about future prices and incomes and the number of potential consumers among others (Binger, 1998).When consumers increase the quantity demanded at a given price, it is referred to as an increase in demand. Increased demand can be represented on the graph as the curve being shifted to the right. At each price point, a greater quantity is demanded, as from the initial curve to the new curve.

The price of money (interest rate) quite often influences customers when deciding to take a loan. The higher the price of money, the lower the demand for money in the economy, the opposite is true. (World Bank, 2013) reported that small medium sized enterprises cite the cost of credit as being the major stumbling block in getting access to credit inferring to the high cost of borrowing or interest rate in the economy which keeps them away from formal financial instructions.

2.2.2. Theory of Consumer Choice

In microeconomics, the theory of consumer choice relates preferences (for the consumption of both goods and services) to consumption expenditures; ultimately, this relationship between preferences and consumption expenditures is used to relate preferences to consumer demand curves (McConnel, 2008). The link between personal preferences, consumption, and the demand curve is one of the most closely studied relations in economics. Consumer choice theory is a way of analyzing how consumers may achieve equilibrium between preferences and expenditures by maximizing utility as subject to consumer budget constraints (Binger, 1998).

The fundamental theorem of demand states that the rate of consumption falls as the price of the good rises; this is called the substitution effect. Clearly, if one does not have enough money to pay the price, then they cannot buy any of those items. As prices rise, consumers will substitute away from higher priced goods and services, choosing less costly alternatives. Subsequently, as the wealth of the individual rises, demand increases, shifting the demand curve higher at all rates of consumption; this is called the income effect. As wealth rises, consumers will substitute away from less costly inferior goods and services, choosing higher priced alternatives (Binger, 1998).

Economists' modern solution to the problem of mapping consumer choices is analysis. (Binger, 1998) For an individual, indifference curves and an assumption of constant prices and a fixed income in a two-good world will derive the following situation where the consumer can choose any point on or below the budget constraint line represented as a diagonal line. In other words, the amount spent on both goods together is less than or equal to the income of the consumer. The consumer will choose the indifference curve with the highest utility that is within his budget constraint. Every point above his budget line is outside his budget constraint (beyond his means) so that the best that he can do is the single point on his indifference schedule that is tangent to his budget constraint (understood as a price that is agreeable to his budget).Income effect and price effect deal with how the change in price of a commodity changes the consumption of the good. The substitution effect is the effect observed with changes in relative price of goods. This effect basically affects the movement along the demand curve (McConnel, 2008).

The utility of graphical representation of such utility curves is that they can be used to predict the effect of changes to the budget constraint. If the price of a single good in this 2 good representation of demand increases, the budget constraint will pivot/ rotate such the quantity demanded for the less expensive good increases and that which is demanded for the price affected good reduces such that the consumer maintains a utility similar to his previous utility subject to his budget constraint. Notice that because the price of one of the goods does not change, the consumer can still buy the same amount that good if he or she chooses. On the other hand, if the consumer chooses to buy only the more expensive good, he or she will be able to buy less of it because its price has increased (McConnel, 2008). The theory of consumer choice examines the trade-offs and decisions people make in their role as consumers as prices and their income changes (Binger B, 1998). To maximize the utility with the reduced budget constraint, the consumer will re-allocate consumption to reach the highest available indifference curve which his budget line is tangent to such that in the instance that a good is a normal good, consumption and utility derived from consumption declines as the price of that good increases and such the concept of marginal rate of substitution is introduced (McConnel, 2008).

Every price change can be decomposed into an income effect and a substitution effect; the price effect is the sum of substitution and income effects. The substitution effect is a price change that alters the slope of the budget constraint but leaves the consumer on the same indifference curve. In other words, it illustrates the consumer's new consumption basket after the price change while being compensated as to allow the consumer to be as happy as he or she was previously. Then the income effect from the rise in purchasing power from a price fall reinforces the substitution effect. If the good is an inferior good, then the income effect will offset in some

degree the substitution effect. If the income effect for an inferior good is sufficiently strong, the consumer will buy less of the good when it becomes less expensive, a Giffen good (Armendiaz, 2005) (commonly believed to be a rarity). The money income of the consumer causes changes in purchasing power as well as a change in quantity demanded brought by a change in real income (which increases consumer utility). Graphically, as long as the prices remain constant, changing the income will create a parallel shift of the budget constraint. Increasing the income will shift the budget constraint right since more of both can be bought, and decreasing income will shift it left.

2.3 Conceptual Framework
The conceptual framework illustrates the relationship between the independent variables which include Transactions costs (ATM costs, Interest and deposit rates & withdrawal fees), Savings level and Household or individual income level and the demand for Commercial Banking Services which is the dependent variable. Figure 2.1 below illustrates the conceptual framework which will be used in the study.
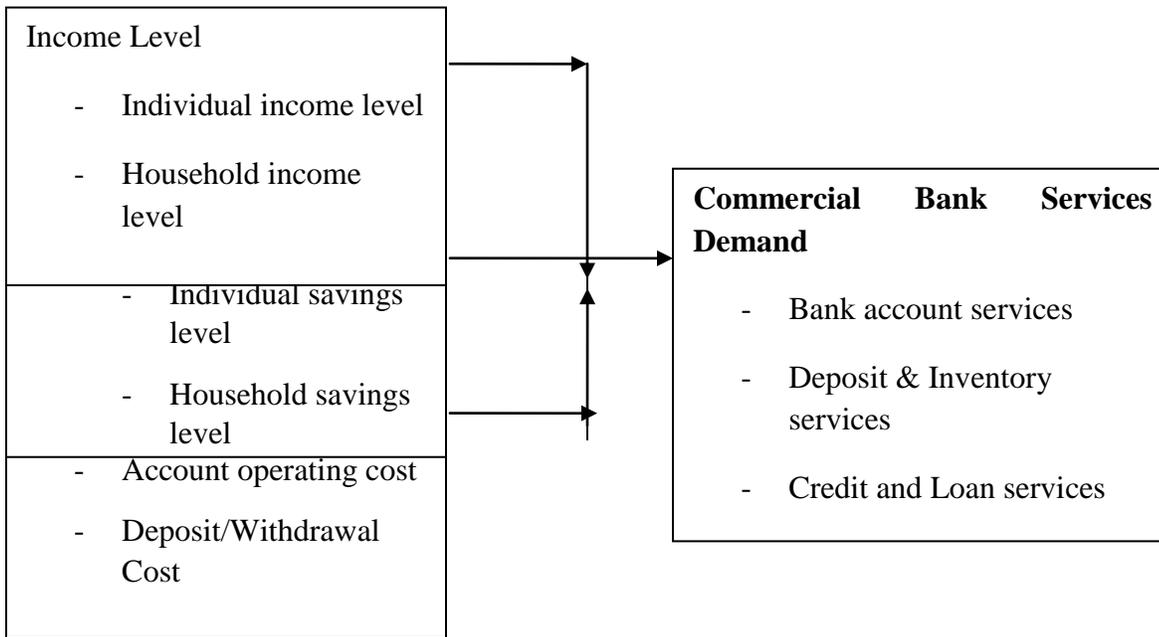
Figure 2. 1: Conceptual Framework

2.3.1 Income Levels
Income is defined as the payment received in exchange for labor or services or from the sale of goods or properties (Zeller, 2001). In cross sectional studies, income levels are often observed to be intimately related to financial sector development and by extension the demand for financial services in both developed and developing countries. This is explained thus; that the volume and sophistication of the financial services demanded is much greater in the higher income economies than in the lower income economies and as such developed countries are better able to achieve economies of scale in banking (Allen, 2013). In micro studies where household surveys are utilized, a peculiar phenomenon begins to emmerge whereby negative income growths correlate with positive demand for financial services in particular loans or credits for purposes of household consumption smoothing or among micro and small enterprises to subsidize the operatitonal costs of the enterprise (Zeller, 2001).

It is most often assumed in economic theory that higher incomes strongly correlate with a higher demand for financial services (Ando, 1963) this is perhaps explained by the fact that higher incomes imply that the demand for consumer durables have been met and that basic expenses such as utilities and food constitute a lower percentage of income such that money demand is increasingly for precautionary and asset storage value and hence the demand for portfolio banking services. However, lower incomes also tend to coincide with a greater interest and demand for financial serrvices albeit of a different kind i.e. credit.

In the kind of financial services demanded among income groups, there is an observed bias for credit services and informal and semi-formal financing options. They are constrained in terms of financing options such that (La Ferara E, 2003) observed among low income earners that 25% of home credit users and 23% of payday credit users are among this group of individuals without an alternative source of credit. The illegal lending sector on the other hand was being used by approximately 3% of low income earners, a figure that tended to increase significantly in more deprived income groups.

2.3.2 Savings Levels

A savings culture is often associated with robust demand for financial services. According to Ando & Modgliani (1963), the life cycle hypothesis assumes that the prime earning years of an individual is often the period in which demand for banking services is highest (Ando, 1963) established the existence of a positive correlation between demographics and savings levels as retirees dispose off assets to afford utilities and recreation and as the middle aged individuals in their earning prime differ consumption. Thus, very much like the Keynesian theory the life cycle hypothesis sticks to the definition of savings as deffered consumption. Sticking to this theme, the share of conumption in income tends to be much lower in higher income groups than in lower income groups. This is probably because their transitional income is much higher than in lower income groups who because of such factors as limited emloyment options precipitated by possibly limited levels of education and skill which results a situation whereby there is little avenue for any additional income streams (Dick, 2002).

For the lower income quintiles, savings levels relates to the demand for financial services especially the demand for credit services as credit is etched onto the reality of low income existence credit often offers the only means through which management of cash flow is possible. In the UK (La Ferara E, 2003) observed that 7 in 10 low income households absolutely have no savings and could not raise any sufficient money in times of an emmergency such as an adverse income shock such as a lay off.

Banking demand influenced by savings in Sub-Saharan Africa is not limited to individual demand for such banikng services such as savings accounts due to the prevalence of group savings rather than individual savings culture. In Ghana and Kenya, Commercial Banks have established linkages with informal actors such as Chamas in Kenya and Susu's in Ghana where 4,000 Susu's were collecting an average monthly value of $15 worth of savings on average per individual and servicing 200,000 clients in the country in 2003 (Binger, 1998)

Atieno (1997) asserts that, In Kenya various account services have been launched such as the Chama accounts by NIC-Bank and Co-operative Bank in order to tap into this group savings culture. This is because the incentive behind group savings is often that of investments, asset purchases e.g. land that often have to be formaly financed due to the large purchasing costs and collateral requirements as well as the reluctance of MFI's and infomal financial institutions to give large volume or long term credits (Armendiaz, 2005). (La Ferara, 2003) on the other hand observed that in the UK where 78% of lower income households had no savings at all, demand for financial services especially credit services is often driven by the lack of safety nets and that the reality of life on a low income and for many was the only way of funding purchases. In the UK over 10 Million of households in the low income brackets used commercial credit facilities to finance expenditure and only about 0.5 million were using social credit to finance their expenditure (Whtley, 2011). Bank deposits to GDP ratio in Sub-Saharan Africa stood at 25% on average compaerd to other countries outside Subsaharan Africa where the ratio averaged about 40% (IMF, 2012). This suggests that there exists a comparativley lower savings culture in Subsaharan Africa as compared to other developing countries outside the continent.

2.3.3 Transaction Costs

Both households and firms pay transaction costs each and every time they decide to buy or sell financial assetts. These costs consist of service charges, commissions, bid/ask spreads and the time required to effect a transaction. (Hess, 1995) argues that if transaction costs were to matter "households would be biased towards the size of asset portfolio it already owns rather than towards that which it would have otherwise owned minus the transaction cost" and that such households would trade less often on their asssets. He adds that when actual and optimal portfolio amounts differ, households can; earn lower expected rates of return, bear uncompensated diversifiable risk and have non-optimal amounts of liquidity (that is; higher than is optimal prefference to hold money).

Data in Kenya is sketchy to say the least but in economies such as the USA, there was an observable correlation between increased transaction costs and lower asset volumes traded by households between 1970 through 1986 so that transaction cost increases significantly reduced the buying and selling of financial commodities/assets by households (Hess, 1995). Transaction costs such as transport costs to financial institutions, transaction charges such as deposit charges, withdrawal and ATM charges, Interest rates on credit cards, interest rates on loans, account operating costs such as the costs for various services such as mobile banking charges, account inquiries charges, internet banking charges as well as operating balance charges incurred on opening a bank account impact the demand for financial services for instance; due to the small volume nature of deposits in Kenya and in Sub Saharan Africa in general, such costs can frequently erode the convenience of banking services.

On an annual basis for instance (Whtley, 2011) spoke of a £630 million behavior induced cost to low income consumers of financial services. In Kenya where alternative institutions such as SACCO's, MFI's and Mobile money offer substitute financial services similar to commercial banks for individuals, households and micro enterprises transaction cost differences are of pivotal influence on whether commercial banking services are competitive enough to effectively demand. This is apparently evident by the sharp acceleration in mobile money services subscription relative to bank service uptake in Kenya (CBK, 2012)

2.3.4 Demand for Banking Services
Commercial banks may be described as institutions that engage in the following services.; processing of payments through e-money transfers, issuing of bank drafts and bank charges, accepting money on term deposits and lending by overdrafts, installments, provision of documents such as standby letter of credit, guarantees, performance bonds, securities underwriting, commitments and other forms of sheet exposures, safe keeping of documents and other documents in safety deposit boxes, sales, distribution of brokerage with or without advice, cash management and treasury, merchant banking and private equity financing, etc. In general, there are three broad categories of financial services/ banking services i.e. loans (credit services), savings services such as deposit accounts and insurance services that retail banking consumers may demand which are demanded for various reasons such as financial smoothing (Ellison et al., 2011) or for portfolio services such as the income life cycle hypothesis explains (Ando A, 1963).

Unsecured loans are monetary type loans that are not secured against the borrowers assets. Such type of credits/ loans are most typically credit card debt, credit lines and corporate credit lines, overdrafts among others which may be available under many different guises and credit packages (Schindler, 2007). As previously discussed, different income groups demand different financial services from commercial banks. For lower income group where cash flow management and consumption smoothing/ financial smoothing is a concern, it is typical that their major utility in using commercial banking services would be for the sake of credit/ loan facilities. For higher income groups interested in capital gains and equity banks offer a variety of agency services such as advisory services to cater to that niche, thus the demand for banking services may be perceived as a multivariate type of demand.

2.4 Empirical Review

Paradigm has shifted over the years on the determinants of household demand for financial service from the typical perspective on loans (when focus was on MFI's in the 80's) to the forgotten half i.e. demand for savings services and later the emergence of demand for finance in the 90's. Consensus has however been reached that consumers stand to benefit from a wider range of financial services than just credit services (Armendiaz B, 2005). Demand for financial services is looked at from the perspective of income generation and financial smoothing such as investment, savings and credit deposits that earn interest to credit demand, insurance demand and short-term credits demand (Zeller J, 2005). It is imperative that it is understood that literature strands that focus on the demand for financial services in developing countries are rarely correlated to each other. (Allen .F, 2013) The consensus is out on whether demand for financial services in emerging markets is driven by prices or by discourse. In emerging markets a key characteristic observation has been the large significance of the informal sector whereby it is popular discourse that by incorporating the un-institutionalized capital and actors of the informal sector into the financial system, financial development can be fast tracked in emerging markets. However; there is the hurdle of low demand for financial services at market prices to grapple with and more curious still; the effective functioning of alternative financial services providers such as informal credit and insurance markets such that the benefits of formal financial services do not exceed the relatively greater fixed costs associated with such products to the consumer (Beck, 2010).

An alternative view is that limited financial literacy serves as a more significant barrier to demand than the high fixed cost issue associated with formal financial services and especially traditional banking services such that if an individual is unfamiliar with a product/ service they will have no cause to demand for it. This assumption while not mutually exclusive from the first assumption has had significantly divergent repercussions as far as suggested strategies for the mitigation of low demand for financial services in the developing world as evidenced by the actions of financial sector actors. Households with low financial literacy tend to have the following financial habits; low pension/retirement savings, they borrow at high interests, and participate less in the financial system relative to the actions of their more financially literate counterparts (Lustradi, 2006).

In Indonesia, a ratio of Educational expenditure to GDP has been used in a prior survey of the phenomena by the Micro-Finance Innovation Centre for Resources and Alternatives (MICRA) as an indicator of financial literacy through population literacy. At the time of the study, the ratio of educational expenditure to GDP in Indonesia was one of the lowest in the world however; contrary to theoretical assumption the banking industry in the country was of significant geographical reach. Moreover, at the time Indonesian banks offered savings accounts with minimal deposit requirements the equivalent of $0.53 and a return on deposits (interest earning capability) for deposits exceeding $1.06. This compared to a per capita income of $1,306 the banking penetration at the time of the study in the country was at 41% of the total population and 32% of the rural households in Indonesia that have a bank account (Cole S, 2009).

To evaluate the importance of financial literacy in households decisions to use banking services;-the study offered its unbanked respondents a two hour long financial literacy class with $14 subsidies to observe whether they would indeed open bank accounts. In 2007, India ranked ahead of the USA at 38th place worldwide in terms of bank branch penetration with approximately 10 bank branches per 1,000km^2 compared to the USA in 39th place with 9.81 branches per 1,000km^2. As a measure of financial literacy, the questionnaire survey instrument employed the following questions to gauge the respondent's level of financial understanding/knowledge. Which are as follows: Suppose you borrow Rp. 100,000 from a money lender at an interest rate of 2% per

month, with no repayment for three months. After three months, do you owe less than Rp. 102,000, exactly Rp. 102,000, or more than Rp. 102,000? If you have Rp. 100,000 in a savings account earning 1% interest per annum, and prices for goods and services rise 2% over a one-year period, can you buy more than, less than, or the same amount of goods in one year as you could today with the money in the account? Is it more risky to plant multiple crops or one crop? And suppose you need to borrow Rp. 500,000. Two people offer you a loan. One loan requires you to pay back Rp. 600,000 in one month; the second loan requires you to pay back in one month Rp. 500,000 plus 15% interest. Which loan represents a better deal for you? The mean share of correct answers was 52% in Indonesia, and 34% in India. It should be noted that all questions were multiple choice, two with two possible answers, and two with three possible answers. Thus, random guessing would yield an average score of 42%, which is in fact higher than the average score in India, where many respondents answered do not know rather than guess. The percentages of do not know" answers ranged from 6% to 38% in India and from 4% to 16% in Indonesia. The inflation questions elicited the most do not know responses in both countries. Looking at individual questions, a majority of people in both surveys responded correctly to the compound interest question (59% correct in India and 78% in Indonesia).

Discerning interest rate versus lump sum loan repayments seemed to be most difficult for Indian respondents (only 24% in India) whereby the diversification question yielded (31% correct answers in the Indian survey and 28% in Indonesia) (Cole S, 2009). Different authors identify seasonal income fluctuations as major determinants on the demand for financial services in their studies. (Beck T, 2008) such that borrowing derived from adversity is identified as being integral to the livelihood systems in developing countries such that in Burkina Faso loans and credits are used to solve inventory constraints in businesses as well as for expenditure smoothing in times of economic shock. (Zeller M, 2001) In comparison to the literature on credit demand, there are significantly fewer contributions on the savings behaviour of households in developing countries and in contrast studies tend to focus on rural demand. Also studies in developed countries that focus on formal savings demand often tend to observe savings patterns over a lifetime and such studies often regard age as an explanatory factor behind savings level (i.e. life cycle income hypothesis) and as such observations in developing countries often tend to contradict such theoretical expectations (Spio K, 1996).

Other studies on the demand for financial services tend to focus on the concept of credit rationing and its impact on both formal and informal demand for credit services. (Atieno, 1997) which thus leads to a combined study of the demand for formal and informal loans. An important insihght into these studies is that credit rationing is not the sole determinant of demand for either formal or the informal financial services (credit services) but that there are other explanatory factors at work such as; the distinct underlying motivation of customers in applying for loans (i.e. either for investment or for financial smoothing the latter having been identified as the major motivation behind informal credit services).

Other studies observe that countervailing impacts such as education levels, number of dependants, asset holdings, credit history, and secure land rights affect the demand of either demand for formal financial services such as banking is or the demand for informal financial services with the exception of asset holdings which affect the demand for both formal and informal financial services. (Bensako, 2010) Variables such as connections to financial institutions exhibit a positive and significant demand impact on the demand for both formal and informal loans. Others on the other hand are of the opinion that land holdings affect the probbability of using banking services such as credit services more often than labor increase and that this difference in probbability effect is significant (Beck, 2008).

2.5. Critique of Existing Literature
One of the critiques of the existing literature on consumer demand for commercil banking services is thus; That there is a shortage of empirical data on the banking sector in the African region (Allen, 2013); that studies on banking in Africa and in the developing world tend to be difficult to comparein cross-country terms and that there is often a confusion in the terms used and the difference in meanings between terms from one study to the next ; That cross country comparisons are difficult to establish due to the lack of panel data until recently as well as due to the lack of simmilarity between research instruments applied (i.e. macro data and household surveys) (Guerin, 2011); that studies of banking demand tend to focus on both the informal and formal sector and their different banking institutions (Beck et al., 2010).

2.6. Research Gaps
Various studies have focused on comparative studies between the formal and the informal financial sector(La Ferrara 2008; Schindler,2007). Some have focused on cross country comparisons between the uptake of one financial service or another (Allen .F, 2013) however, none have focused on customer demand for financial services offered by commercial banks in Nairobi county Kenya.

III.   METHODOLOGY

The researcher will use mixed research design technique. This type of research design combines the collection and analysis of qualitative and quantitative data. Mixed research design uses both research strategies and research approaches. Research strategy is a procedure for achieving a particular intermediary research objective such as sampling, data collection or data analysis. A research approach refers to an integrated set of research principles which are roadmaps that are associated with particular research interests. Examples of research approaches include experiments, surveys and correlation studies among others where each approach is specifically suited to address a particular analytic interest (Mugenda & Mugenda, 1999). The mixed research design technique will be utilized to overcome the limitations of a single research design and to address questions under study at different levels so as to understand the different factors affecting customer demand for financial services offered by Commercial Banks in Nairobi County.

The accessible population or the respondents will be customers from the 13 out of the 43 specific Commercial Banks branches selected for the study and operating in Nairobi County (CBK, 2012). A sample of (30%) 13 banks of the total 43 Commercial Banks operating in Nairobi County were selected for the purpose of this study. The researcher used Non-probability sampling specifically purposive sampling technique to select the 13 Commercial Bank branches operating in Nairobi County which were relevant to the research study. The target populations of the study are the different commercial bank customers. Table 1 below illustrates the sampling frame developed by the researcher of the 13 selected Commercial Banks operating in Nairobi County.

In this study, the sampling frame will be drawn from 13 of the total 43 Commercial Banks operating in Nairobi County. The researcher managed to visit and interview the Commercial Bank Branch Managers of the 13 selected Banks and it is from this interview that the estimate number of bank customers from each branch was derived. The sampling frame in Table 1 indicates that there is an estimate of about 78,000 customers from the 13 selected commercial bank branches under study. According to Mugenda & Mugenda (1999) when the population of a study is more than 10,000 individuals, 384 of them are recommended for as the desired sample size given that the Z statistic is 1.96 at 95% confidence level as shown in the following formula.

$$N = \frac{Z^2 P q}{d^2}$$

Where:
N = The desired sample size (When population is less than 10,000)
Z = The standard normal deviate at the required confidence level
P = The proportion in the target population estimated to have characteristics being measured
q = 1-p
d = The level of statistical significance set

$$384 = \frac{1.96^2 (0.5)(0.5)}{(0.05)^2}$$

Since resources and time are a major constraint in deciding the sample size, the above procedure will help guide the researcher in determining the sample size. Therefore, as indicated above, the study will use a sample of 30% of the desired sample size (384) as the actual sample size. Therefore the actual sample size that the study will consider will be 115 respondents from the 13 selected Commercial Bank branches under study.

Table 1 below shows the commercial bank name, branch name & location, the number of mangers from each commercial bank, the estimate number of customers from each commercial bank and the desired actual sample size for the study. The desired sample size for each Commercial Bank will be haphazardly selected during the survey. Using purposive sampling technique, a sample of 35 managers will be interviewed from the 13 Commercial Banks during the survey.

Table 3. 1: Sampling Frame

No	Commercial Bank	Branch Name & Location	Managers	Customer No	Sample Size
1	Barclays Bank of Kenya	Hurlingham-Yaya Center	2	28,000	15
2	CFC Stanbic Bank	Westlands-Chiromo Rd	3	2,000	5
7	Chase bank	Riverside-Kileleshwa	2	2,000	5
3	Commercial Bank of Africa	Upperhill-CBA HQ	3	2,000	10
4	Cooperative Bank of Kenya	Ngong Rd-NBC Center	3	4,000	12

5	Diamond Trust Bank	Parklands-3rd Avenue	2	2,000	5
6	Equity Bank	Westlands-Woodvale Grove	2	18,500	15
8	Gulf African Bank	Upperhill-Gemina Plaza	3	2,000	5
9	I&M Bank	Westlands-Sarit Center	2	2,500	10
10	Kenya Commercial Bank	Westlands-Sarit Center	6	6,000	13
11	NIC Bank	The Junction-Dagoretti Corner	2	2,000	5
12	Standard Chartered Bank	Westlands-Chiromo Road	3	5,000	10
13	United Bank of Africa	Upperhill-NHIF Building	2	2,000	5
	Total		**35**	**78,000**	**115**

A structured questionnaire was used to obtain the data. A Pilot study of 10% (12respondents) of the desired sample size of 115 respondents will be carried out at Barclays Bank of Kenya: Hurlingham Branch: Yaya Center. According to Mugenda & Mugenda (1999) the purpose of the pilot study is mainly to pretests the instrument to ensure that the items in the instrument are stated clearly and have the same meaning to all the respondents. The pretest will also enable the researcher asses the clarity of the instrument and asses the time taken to administer the instrument. The reason for choice of Barclays Bank of Kenya: Hurlingham Branch: Yaya Center is because it has similar characteristics and features as the other Commercial Bank Branches operating in Nairobi County. The pretest will be subjected to the internal consistency technique using the Kunder-Richardson (K-R) 20 Formula which is as follows:

$$KR_{20} = (K) (S^2 - \sum s^2) / (S^2) (K-1)$$

Where:

KR_{20} = Reliability coefficient of internal consistency

K = Number of items used to measure the concept

S^2 = Variance of all scores

s^2 = Variance of individual items

A high coefficient will imply that items correlate highly among themselves indicating that there exists consistency among the items in measuring the concept of interest (Mugenda & Mugenda, 1999).

Data was analyzed using quantitative analysis. The first step described and summarized the data by use of descriptive statistics. This enabled the researcher to meaningfully describe the distribution of results depending on the variables in the study and the scale of measurements used. Descriptive statistics such as Measures of central tendency (Mean, Mode and Median) and Measures of variability (range, standard deviation, frequency distribution, histograms, frequency polygons, bar charts, percentages and relationships) was used in analyzing the data. Inferential statistics on the other hand was used to make inferences about the population based on results obtained from samples. In this study, the researcher used use Chi-square tests which will attempt to establish the relationship between independent variables and the dependent variable which are categorical in nature for example age and the type of bank account held by a customer among others. The reason for choice of Chi-Square analysis is because the technique can be used on data that has been measured on nominal scale and can be used to see the difference between two or more groups of categories. Chi-Square technique is a non-parametric technique and therefore no assumptions about the data or parameters in the population can be made. The questionnaires were coded and the data will be keyed into the computer using Statistical Package for Social Science (SPSS V-17) as well as STATA (10/12) Statistical Software. The statistical software's was used to analyze both descriptive. The researcher was presented using charts, graphs and tables. Charts

## IV.   FINDINGS, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

4.1 General and Background Information

4.1.1 Response Rate

The study achieved an appropriate number of respondents for the findings to be statistically significant to inference the study population. To achieve this, the study administered 150 questionnaires with 119 of them being appropriately filled for analysis. This response constitutes 79 percent of responses. This response rate was considered appropriate for analysis -as supported by Mugenda and Mugenda (2003) who posit that that a response rate of 70% and above is excellent. Further, the study managed to survey the target 13 banks as indicated in this research and which are operational in Nairobi County. The banks sampled include Barclays bank, CBA, CFC, Chase bank, cooperative bank, diamond trust bank, equity bank, Gulf bank, M bank, NIC bank, Standard Chartered bank, and UBA bank and I&M Bank.

4.1.2 Gender of Respondents

The study sought to establish the gender of the respondents. Therefore, the respondents were asked to indicate their gender. 44 (37%) of the respondents were female and 75 (63%) of the respondents were male as shown in figure 4.1. Gender is an important societal component and has been correlated to some factors like the nature of consumption. With reference to the study, the gender of the respondents determines their demand for bank services.
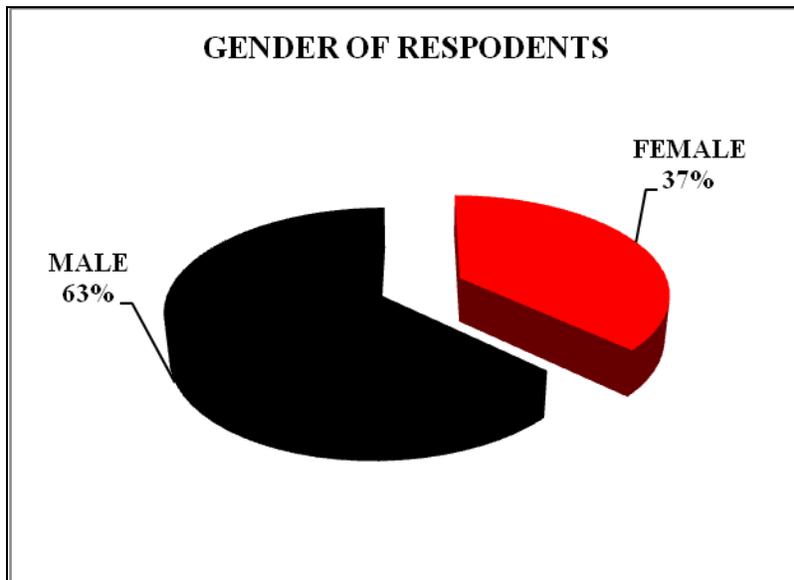
Figure 4. 1: Gender of respondents

4.1.3 Age Group Distribution of The Respondents

To further understand the demographics of the repodents the study sort to identify the age group of the respodents. Majority of the repodents fall in the ctegory of youth (18-35 years), 37% of the respodents identified with the 18-27 years age group, 40% identified 28-37 years group, 19% identified with 38-47 years group and 3% identified with 48 and above years age group as shown in figure 4.2 below.
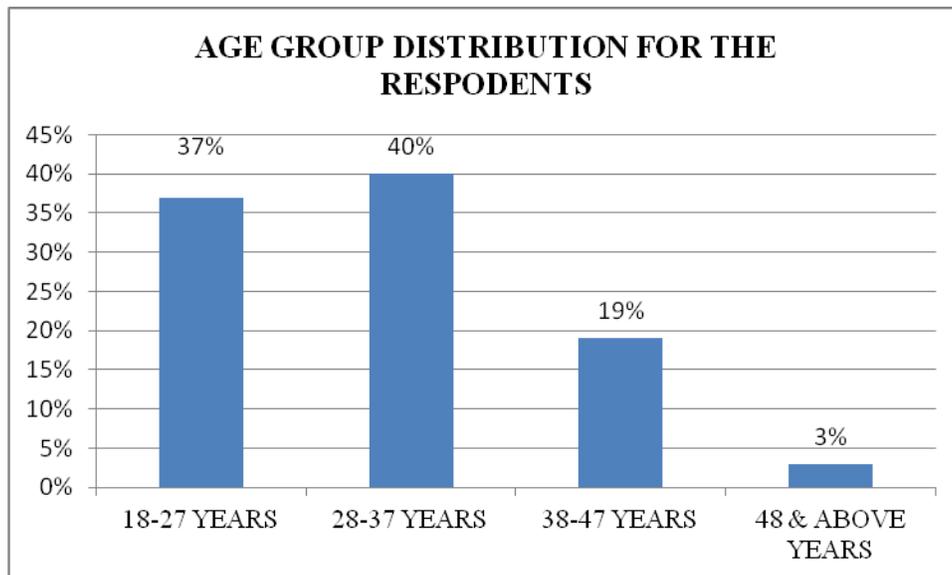
Figure 4. 2: Age group distribution of respondents

4.1.4 Level of Education

The level of education of the respondents was pertinent to the study and it informs the decision making process of the respondents while further significantly contribute to the income level of the respondents. The study got responses from highly educated persons in the society as majority of the respondents had degrees, masters, and doctorate level of education. This is because 69% of the respondents had degrees, 18% had masters, and 2% had doctorate level of education. 2% of the respondents had certificate level of education and 10 % of the respondents had a diploma as shown in figure 4.3.
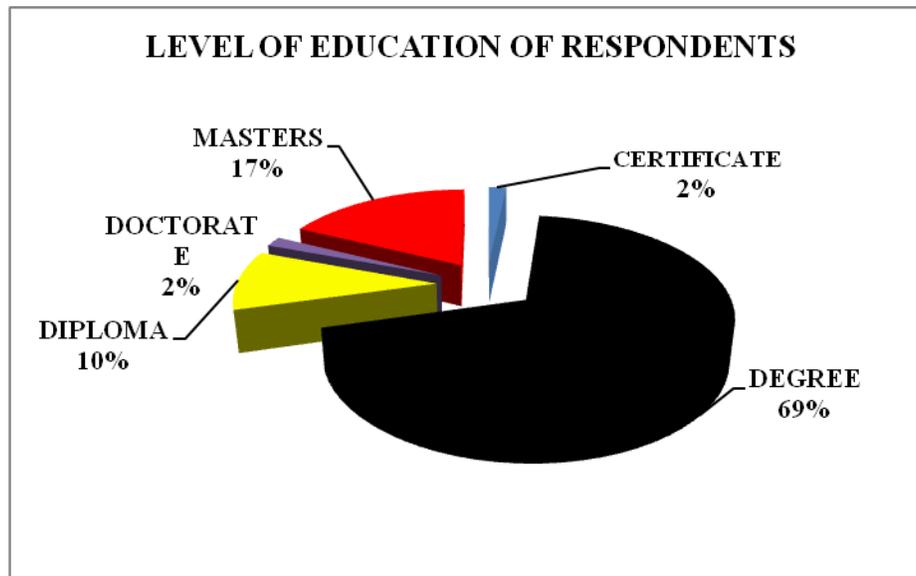
Figure 4. 3: Level of Education

4.1.5 Occupation of the Respondents

65 (55%) of the respondents were employed either by the sampled backs or elsewhere, 28 (24%) of the respondents were self-employed and only 26 (22%) were unemployed as shown by table 4.1 below. It is noteworthy that majority of the respondents had an identified monthly income from their employment and business from those who were self employed. Further, the unemployed respondents recorded s significant level of income. The occupation dictates the income level, which is pertinent to the demand for the services provided by the banks.

Table 4. 1:Occupation of the Respondents

OCCUPATION	FREQUENCY	PERCENTAGE
EMPLOYED	65	55%
SELF EMPLOYED	28	24%
UN EMPLOYED	26	22%
TOTAL	**119**	**100%**

4.1.6 Bank Distribution of Respondents

The study established a fair distribution of responses with respect to the different banks sampled. The minimum number of respondents established by the study was 5 respondents (4%) and a maximum of 15 respondents (13%) as shown in table 4.2 below. The distribution reduces bank bias and informs the unbiased and objective deduction of the main demand determinants of the study.

**Table 4. 2: Distribution of Respondents with respect to Banks**

COMMERCIAL BANK	FREQUENCY	PERCENTAGE
BARCLAYS BANK	15	13%
CBA BANK	10	8%
CFC BANK	5	4%
CHASE BANK	8	7%
COOPERATIVE BANK	11	9%
DIAMOND TRUST BANK	5	4%
EQUITY BANK	15	13%
GULF BANK	5	4%

I&M BANK	10	8%
KCB BANK	13	11%
NIC BANK	5	4%
STANDARD CHARTERRED BANK	10	8%
UBA BANK	7	6%
TOTAL	**119**	**100%**

4.2 Income Level of Respondents

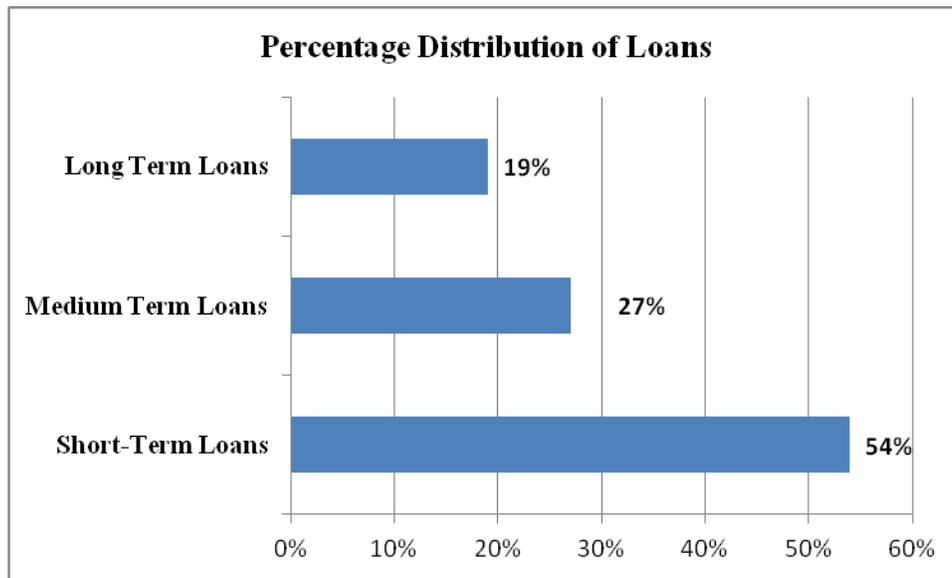4.2.1 Level of Income of the Respondents

One of the main objectives of the study is to examine the effect of income levels on the demand of financial services. Thus, the study enquired the level of income of the respondents to establish a correlation. 26 (22%) identified with the 0-20,000 category of income, 24 (20%) identified with the 20,000-40,000 category, 19 (16%) identified with the 40,000-60,000 category, 11 (9%) identified with 60,000 -80,000 category, 13 (11%) identified with 80,000-100,000 category and 26 (22%) identified with the 100,000 and above category as shown in figure 4.4 below. The study got respondents from different income levels to broaden the scope of correlation.
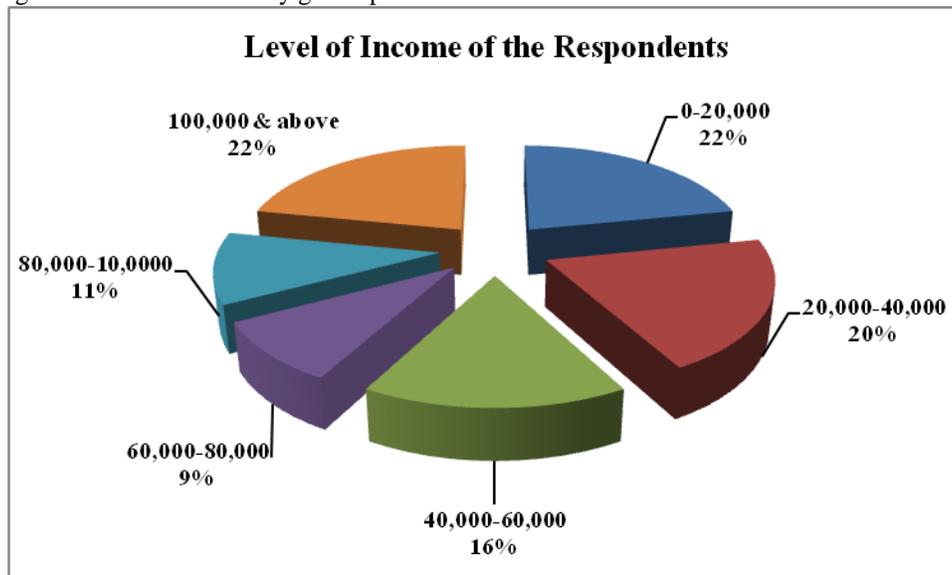
Figure 4. 4: Level of Income of Respondents

4.2.2 **Monthly Income and the Demand for Loans**

One of the main services sort after from the banks is the loan facility that they offer. According to Allen (2013), there is a strong correlation between income and the demand for financial services. The responses offered by respondents support the literature reviewed. All the respondents who had a form of income admitted to have sort for the loan service from their respective banks. The statistics also show that there is a higher demand for the short-term loan facility than the other loan facilities.

Figure 4. 5: Percentage Distribution of Loans

The study further extrapolated the demand of the loan on the different levels of income. A correlation exists between the level of income and the loan facility demanded. The majority of the respondents who had a lower cadre of income (0-60,000) indentified with the short-term loan facility while majority of those with a mid level of income (60,000-100,000) identified with the medium term loan facilities and majority of those with high income (100,000 and above) identifying with the long-term loan facility as shown in table 4.3. Thus, the higher the income of the respondents the higher the demand of financial services and the higher the number of loan facilities available to him or her.

Table 4. 3:Distribution of Demand of the Loan facilities along Income Levels

LEVEL OF INCOME	SHORT-TERM LOAN		MEDIUM-TERM LOAN		LONG-TERM LOAN	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
0- 20000	26	100%	0	0%	0	0%
20000-40000	23	96%	1	4%	0	0%
40000-60000	12	63%	7	37%	0	0%
60000-80000	2	18%	9	82%	0	0%
80000-100000	0	0%	5	38%	8	62%
100000 & above	1	4%	10	38%	15	58%

The study further sort to enquire the frequency to which the respondents had requested for the respective loan service from the bank. Majority identified that they had requested the respective service once in the past year with a scaling down response trend observed on the other frequencies of twice to four times as shown in figure 4.6
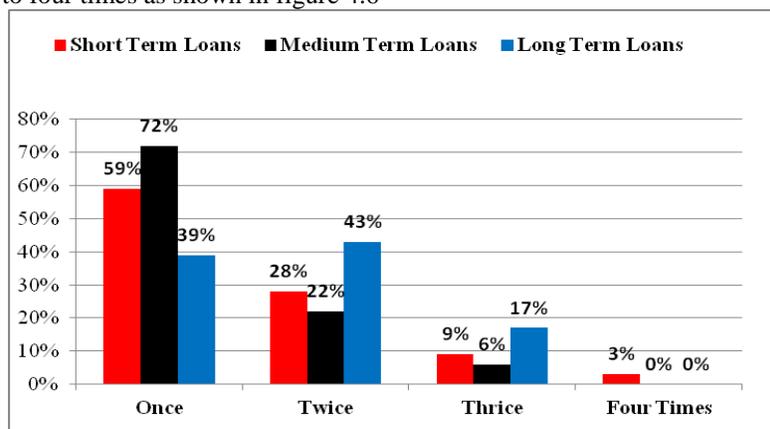
Figure 4. 6:Distribution Frequency of Loan Requests

4.3 Savings level Information

### 4.3.1 Level of Savings of the Respondents

Ando and Modigliani (1963) acknowledged that a savings culture is strongly correlated with a robust demand of financial services. Thus the study sort to test the correlation in order to explain the high demand of financial services by the respondents. Thus, the respondents were expected to respond to their savings levels with all identifying that they had a saving culture. The distribution of savings however differed depending on the level of income. Majority 57% identified with the 0-10,000 category whereas 2% identified with the 80,000-90,000 categories as shown in table 4.4 below. It is indeed noteworthy that the levels of savings were not significantly high with reference to the level of income as some of the respondents under-saving given the recommended 10% of the income benchmark.

Table 4. 4: Level of Savings of Respondents

RANGE OF MONTHLY SAVINGS	Frequency	Percentage
0-10000	68	57%
10000-20000	15	13%
20000-30000	10	8%
30000-40000	1	1%
40000-50000	4	3%
50000-60000	6	5%
60000-70000	6	5%
70000-80000	7	6%
80000-90000	2	2%
TOTAL	119	100%

4.3.2 Type of Saving Instruments used by Respondents

Further, the study sort to identify the preferred mode of savings by the respondents. Majority 82% of the respondents identified with the savings account, 12% identified the deposit account and 6% identified SACCOs' as their main preference as shown in figure 4.7
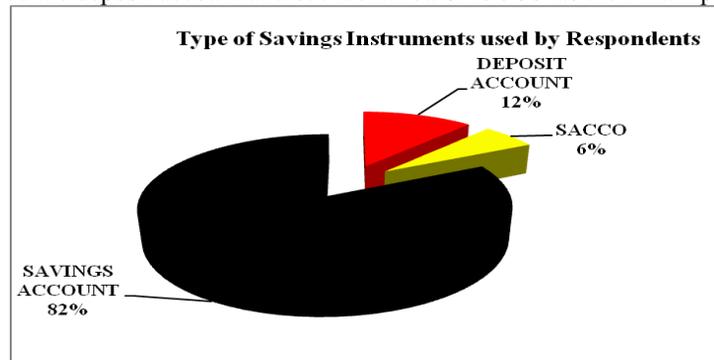
Figure 4. 7: Preferred Savings Instruments

4.4 Transaction Costs Information

4.4.1 Transport costs Incurred by Respondents

The study sort to interrogate whether the correlation between the various transactions costs and the demand for the financial facilities. Hessy (1995) extrapolated from data in the USA that the higher the transaction cost the lower the demand the bank facilities. Thus, the study sort to establish whether such correlation exists in the current Kenyan market. One of the main costs interrogated by the study is the transport cost. Majority of the respondents identified minimal transport costs as 51% of the respondents cited that the transport cost back and forth the bank ranged from 0 to 1000 shillings, 17% identified with 1000-2000 categories as shown in table 4.5 below. The nature of response revealed that transport cost was not high as identified by many respondents thus could not deter the respondents from demanding the services provided by the bank.

Table 4. 5: Distribution of Transport Costs

| Range of Transport Costs	Frequency	percentage
0-1000	61	51%
1000-2000	20	17%
2000-3000	10	8%
3000-4000	2	2%
4000-5000	6	5%
5000 & above	4	3%
Not applicable	16	13%
TOTAL	**119**	**100%**

4.4.2 Bank Charges

The study further interrogated whether bank charges as a function of transaction costs influenced the demand of bank services. 28% identified that they incur 0-1000 shillings in bank charges a month, majority 32% of the respondents cited they incur an average cost of between 1000 and 2000 shillings a month, 14% identified with the 2000-3000 shillings category, 8% identified with 3000-4000 shillings category, 12% identified with the 4000-5000 shillings category, 3% identified with 5000 and above category and only 3% did not respond to the question as shown in table 4.6 below. It is noteworthy that from the response the bank charges do not weigh in on the demand for bank facilities as most of the service fees were low thus majority of the respondents identifying with the lower range cadre of charges.

Table 4. 6: Range of Bank Charges Experiences by Respondents

Range of Bank Charges	Frequency	Percentage
0-1000	33	28%
1000-2000	38	32%
2000-3000	17	14%
3000-4000	9	8%
4000-5000	14	12%
5000 & above	4	3%
No Response	4	3%
TOTAL	119	100%

4.4.3: Opening Bank Account Fees

Another major transaction cost that customers have to incur is the charges required to open a bank account. In an effort to interrogate whether the opening fees deter the demand for bank services the respondents were asked to identify the cost they incurred when opening their bank accounts. Majority (34%) of the respondents cited that there was no cost incurred when opening the bank account with 29%, 11%, 2%, 12%, 13% identifying with 500-1000, 1000-1500, 1500-2000, 2000-2500 and over 3500 categories respectively as shown in figure 4.8. the findings further disqualify opening bank account fees as a transaction cost that influences the demand for bank facilities.
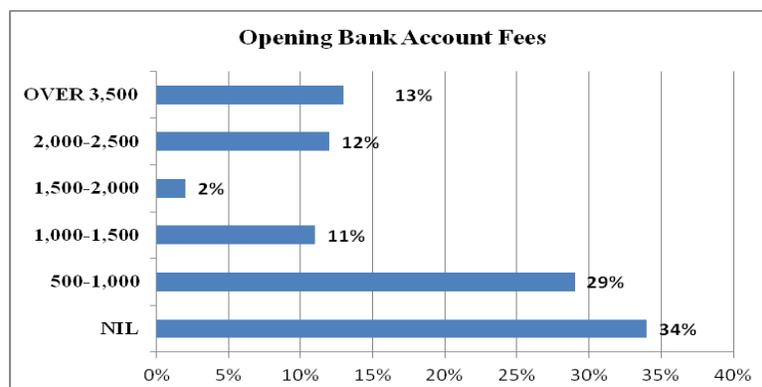
Figure 4. 8: Opening Bank Account Fees

4.4.4 Opening Bank Account Balance

The study also sorts to identify the amount required by the banks as an account balance in the offset of opening a bank account. Majority identified zero balance (30%) and 500-1000 (37%) as shown in figure 4.9 below. This further demonstrates that opening bank balance is not a deterrent to the demand of bank services as the costs are at a bare minimum.
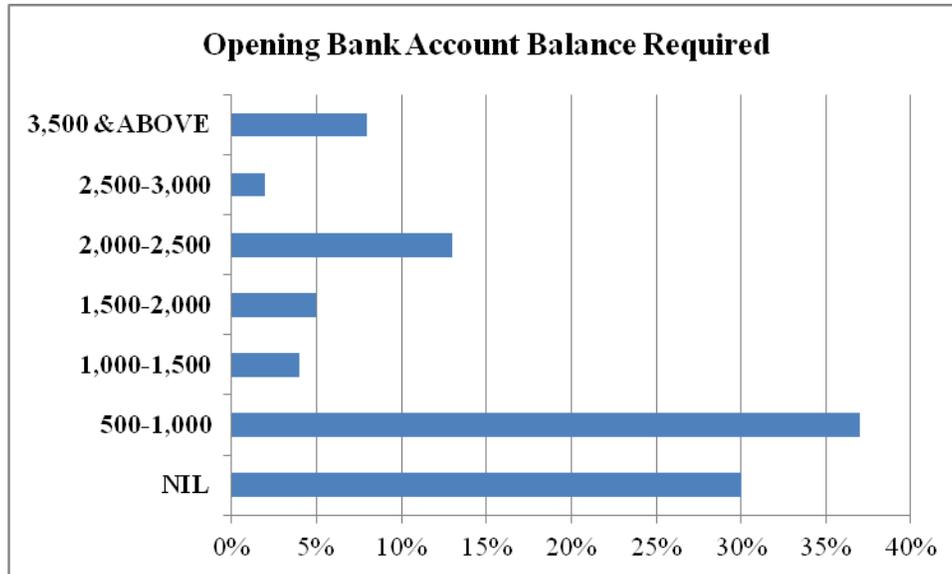

Figure 4. 9: Opening Bank Account Balance Required

4.4.5: Interest Rates

As earlier identified by the research the most sort after bank facility is the loan facility. Thus, the respondents were requested to cite the interest rate they were charged on their loans. Thus from the 54% (64) who had identified they had requested for the short term loan facility majority (42%) identified that they had been charged an interest rate of between 14% and 16% with others citing the rates as shown in table 4.7 below. From the response interest rates on the loans served as a big deterrent to the demand for bank facilities. The demand for money had driven the vast majority to request for the loan facility despite the high interest rates charged by the banks.

Table 4. 7: Interest Rates Charges on the Respondents Short Term Loans

Range of Interest Rates	Frequency	Percentage
0-12%	12	19%
12%-14%	12	19%
14%-16%	27	42%
16%-18%	11	17%
18%-20%	2	3%

Further those who cited to have requested for a medium-term loan (32, 27%), 31% and 22% of them cited to have been charged interest rate of 14%-16% and 16%-18% categories respectively as shown in table 4.8 below. The rate is also considerably high when bench marked with the rate provided by the central bank of Kenya. The high interest rate deterred those with lower cadres of income from accessing the medium term loan facilities while also aggregating to the reduced demand for bank facilities.

Table 4. 8: Interest Rates Charged on the Respondents' Medium-Term Loans

Range of Interest Rates	Frequency	Percentage
0-12%	8	25%
12%-14%	5	16%
14%-16%	10	31%

|		
16%-18%	7	22%
NO RESPONSE	2	6%

Those respondents who cited to have requested for a long-term loan (23, 19%) also concurred on the high interest rates experienced on the loans. 65% of them cited that they had to bare an interest rate of between 16% and 18% as shown in table 4.9 below. The response further affirms the contention that the interest rates discouraged the increase in demand for bank facilities as the rates are too high and those who seek the facility do so due to an increase in the demand for money.

Table 4. 9: Interest Rates Charged on the Respondents Long-Term Loans

| Range of Interest Rates	Frequency	Percentage
0-12%	2	9%
12%-14%	2	9%
14%-16%	2	9%
16%-18%	15	65%
18%-20%	2	9%

4.4.6 Credit Cards

The study sort to interrogate the cost of provision and maintaining a credit card. In the current global predisposition, the credit card has gained popularity as a bank facility to its customers. However, the increase in demand for the facility has not been felt in Kenya given the responses that the study received. 66% of the respondents cited that they do not have a credit card and only 34% of the respondents cited to have sourced the provision of a credit card as shown in figure 4.10 below.
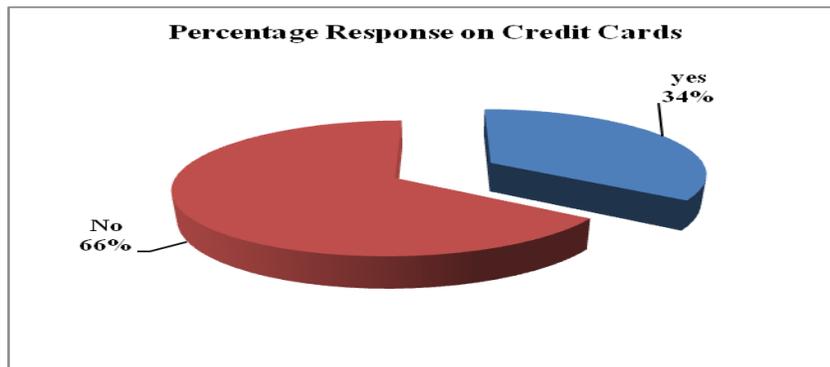
**Figure 4. 10: Percentage Response on Credit Cards**

The study went a step further and interrogated the cost of manitaning the credit card per month in Kenya. A vast majority cited that the facility had a cost implication with 34% citing that the charge was over 3500 per month while the same response was experienced on the 500-1000 category of response with other responses responding as shown in figure 4.11 below. Indeed the cost implication has lowered the demand and adoption of the credit card as a facility offered by the banks.
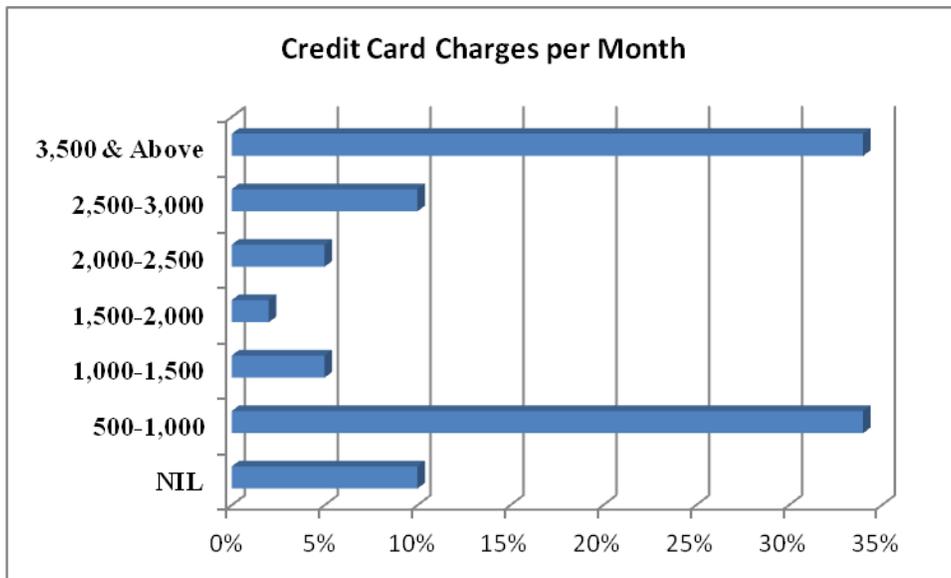
**Figure 4. 11: Credit Card charges Per Month**

4.4.7: Cost of Electronic Banking Services

The pull towards seeking the services offered at the bank has been expanded to include modern day technology advances. Two such mainstream services offered by banks today are internet banking and mobile banking. From the response, mobile banking has a preference over internet banking as 75% of the respondents cited to have subscribed to mobile banking whereas only 20% of the respondents used the internet banking facility as shown in figure 4.12 below. Mobile banking especially in Kenya has gained significant popularity as it allows for customer convenience by removing the location barrier as people can bank money from any part of the country.
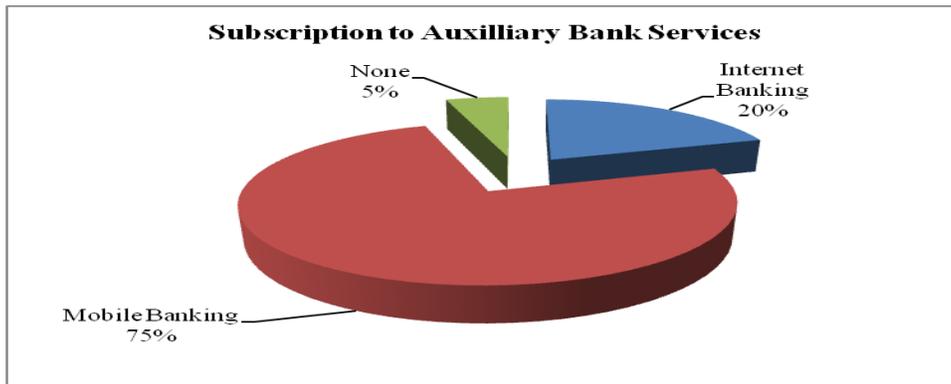

Figure 4. 12: Subscription to Auxiliary Bank Services

The study further sort to interrogate the cost of maintaining these auxiliary services offered by the bank. 55% of the respondents who admitted to the use of mobile banking said that they bore a burden of between 500 and 1000 shillings a month, with 16% citing that the cost to them was zero shillings as shown in figure 4.13 below. It is indeed noteworthy that two forces of demand influence the response. Consumer preference to the mobile banking product has increased the demand for the product regardless the cost and the low cadre of cost that the banks charge for this service.
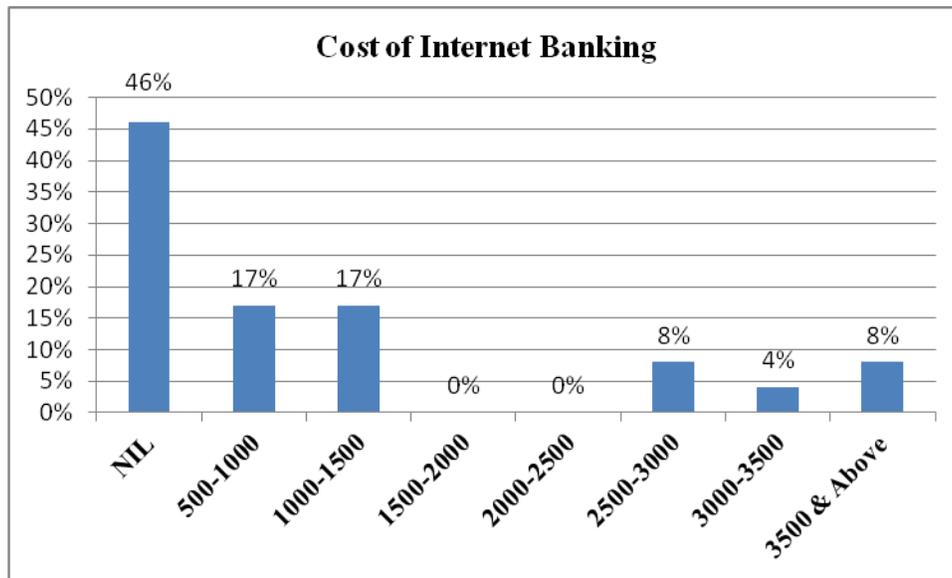
Figure 4. 13: Cost of Mobile Banking

The cost of internet banking as an auxiliary service has not received preference like the mobile banking. However, 46% of those respondents who use the service cite that the cost is zero shillings with 17% and 17% identifying the cost to fall under 500-1000 and 1000-1500 shillings categories respectively as shown in figure 4.14 below. Thus, despite the low cadre of cost maintenance of internet banking the uptake of the product has not inspired uptake in comparison with mobile banking. The main economic reason behind this phenomenon is consumer preference. As earlier highlighted mobile banking has received significant preference over other auxiliary banking services.
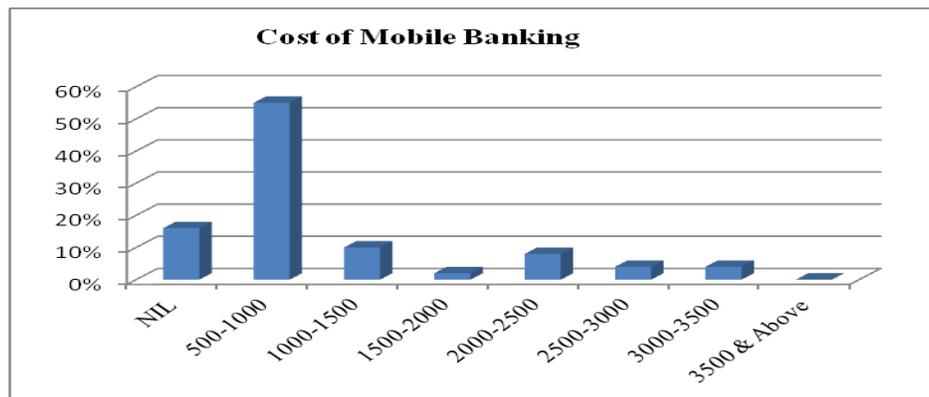
Figure 4. 14: Cost of Internet Banking

4.4.8 Interest Earned on Deposits

Banks encourage deposits by offering suitable return interest on the deposits. Households are pulled towards an economic venture if it has viable returns. Thus, suitable and or favorable interest on bank deposits would pull people to the utility of financial services available. However, the returns made from deposits with reference to the responses received are rather discouraging. 39% of the responses cited to have only received 500-1000 shillings in terms of interest, 18% of the respondents cited to have received an amount between 1000-1500 as interest on deposits as shown in table 4.10 below. The low interest earned discourages households from seeking the services of financial facilities like banks thus reducing the demand for the facilities.

Table 4. 10: Response on Interest Earned from Deposits

Range of Interest Earned from Deposits	Frequency	Percentage
NIL	18	15%
500-1000	47	39%
1000-1500	21	18%

1500-2000	5	4%
2000-2500	5	4%
2500-3000	3	3%
3000-3500	6	5%
3500 & Above	12	10%
No Response	2	2%
Total	**119**	**100%**

4.5 Demand for Commercial Banking Services

In order to understand the demand side of the services requested from commercial banks the study sort to identify which of the services was most sort for by customers.

4.5.1 The type of Account Operated

The respondents were asked which bank account they operated as a measure of preference. 51% cited that they operated a savings account, 32% cited that they preferred the utility of a current account, 14% of the respondents cited the utility of salary accounts and only 3% cited the preference of business account as shown in figure 4.15.
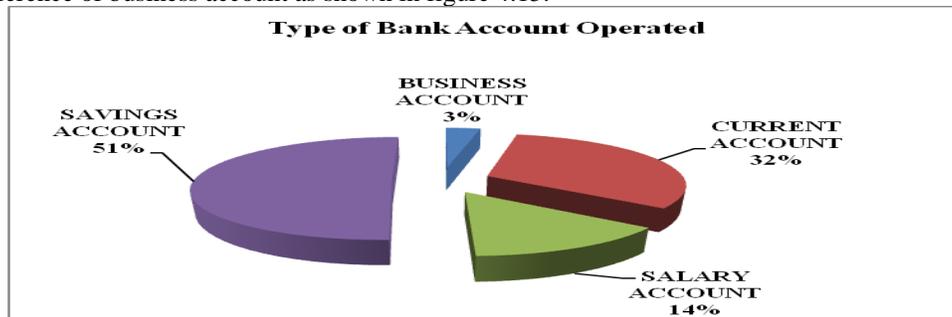
Figure 4. 15: Type of Bank Accounts Operated

**4.5.2 Number of Bank Accounts Operated by Respondents**

To further understand the needs preference the respodents were asked the number of accounts they operated in their prefered type of bank account. From the four respondents who cited the utility of a business account two of them had two such accounts and the other two had three such accounts. 74% of the respodents who cited that they had a current account operated one such account and 21% of them had two such accounts. 65% of the respondents who cited to have a salary account had one such accounts and 80% of the respodents who cited to have a savings account had one such account as shown in table 4.11 below.

Table 4. 11: Number of Bank Accounts owned by Respondents

|	Business Account		Current Account		Salary Account		Savings Account	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
None	0	0%	2	5%	0	0%	2	3%
One	0	0%	28	74%	11	65%	48	80%
Two	2	50%	8	21%	6	35%	10	17%
Three	2	50%	0	0%	0	0%	0	0%

4.5.3 Most urgent Financial Need

The demand for financial needs may also be tailored to meet the immediate financial needs of the customer. Thus, the respondents were asked which their immediate financial needs were. 34% of them highlighted school fees, 26% of them highlighted household expense, 12% of them highlighted mortgage payment, and 21% highlighted the financing of small businesses as demonstrated in figure 4.16 below.
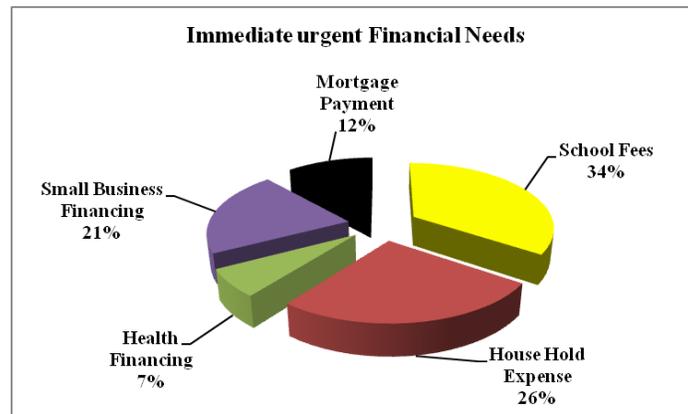
Figure 4. 16: Immediate Urgent Financial Needs

## 4.5.4 Reason for Opening an Account with that Specific Bank

Certain competitive advantages can also significantly improve the demand for financial services offered by many banks. Thus, the study enquired from the respondents from the already identified edges which of them pulled them to that specific bank. 35% of them cited service efficiency, 28% of them cited customer service, 25% cited location, and 12% of them cited competitive rates as shown in figure 4.17 below.
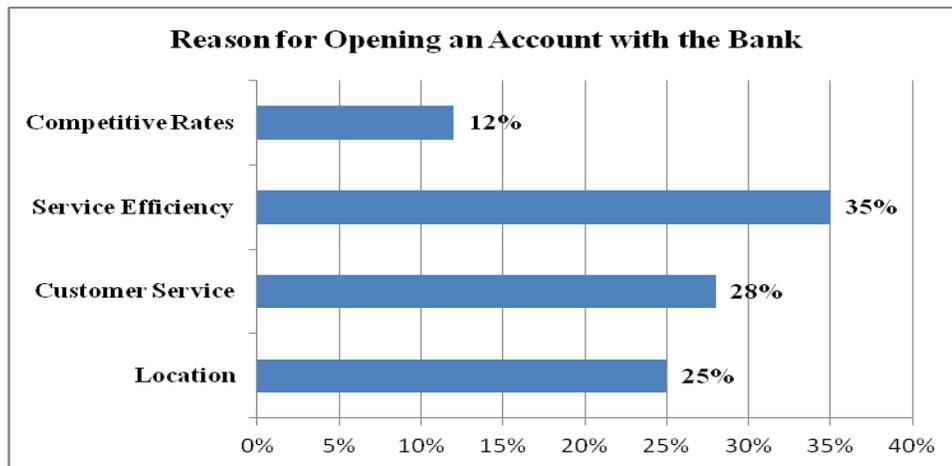
Figure 4. 17: Reasons for Opening an Account with the Bank

4.5.5 Services Demanded from the Bank

The researcher further sort to identify which services pulled the customer to the bank. 34% of the respondents cited savings services, 28% of them cited credit, and loan facilities, 27% of them cited deposit and inventory facilities and 7% of them stated financial payment services as highlighted by figure 4.18 below.
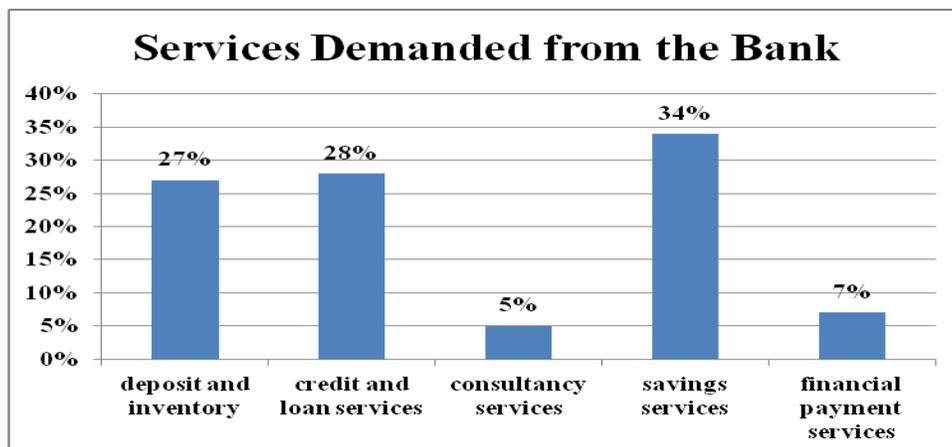
Figure 4. 18: Services Demanded from the Bank

V. CONCLUSION

5.1 Introduction
This chapter presents summary, conclusions, and recommendations, which include the areas for further research, based on the results of the study. The findings were thematically based on the objectives of the study thus the summary conclusion and recommendation deductions in this chapter are consequently arranged in the same prose.

5.2 Summary
The study had a sufficient response rate that adequately represents area of interrogation. The 79% response rate and the effective sampling of 13 banks targeted for response clearly legitimizes the findings of the study. Further the study got responses from a dynamic set of respondents in terms of level of income, occupation, level of education and age group which further ensures the richness and sufficient knowledge base of the responses received to deduce feasible economic patterns pertinent to the study.

One of the specific objectives of the study was to examine the effect of income levels on the demand for financial services in Nairobi County. The respondents came from different occupations thus different levels of income. However, irrespective to the level of income the study correlated the demand for financial services with income. This means that every respondent irrespective of the level of income demanded for a financial service. Further, one of the main services offered by the banks is the loan facility. All the respondents in the study cited to have demanded for this service from their respective banks. However, the level of income was a limitation to the loan facility requested. Those with lower incomes were able to only access short term loans, those with mid level incomes would access both medium and short-term loans, whereas those with higher incomes were spoilt for choice but majority picked a preference to the long-term loans.

The second specific objective explored the effects of savings on the demand for financial services offered by commercial banks in Nairobi County. All the respondents admitted to having savings. However, the level of savings was not commensurate to their income levels, thus the savings registered by most respondents was not up to the recommended standard of ten percent of the income. Therefore, since most of the people with incomes have a certain level of savings most will demand the basic depository and savings services offered by the banks. However since the saving culture is still wanting, secondary services offered by the bank that are supported by savings are not on high demand like mortgages and investments. It is also noteworthy that SACCO's are increasingly becoming a preference to many as a savings facility this also has a reduced impact on the demand of financial services offered by the banks in the County.

The third specific objective sort to interrogate the impact of transaction costs on demand for financial services. Most of the transaction costs that the study considered did not deter consumers to consume the financial services offered. Transport costs, bank charges, opening bank account fees and opening bank balance in all the banks were generally very friendly which had a positive impact in terms of demand for bank accounts in the county. However, the interest rates were considerably high thus having a negative impact on the demand for the loan facilities offered by the banks. The study also interrogated other auxiliary services offered by the banks. Credit cards were not particularly popular among the respondents due to the high charges associated with them. Secondly, the use of "plastic money" is not particularly popular in the County thus the reduced demand. Other services like internet banking and mobile banking had a significant demand. The demand pull for these services especially mobile banking were more of necessity in nature. Most respondents identified with mobile banking because of the convenience in banking it brings along. Thus, the charges had a less impact on the demand for the service.

Finally, the study interrogated the type of services that the respondents demand most from the banks. The savings account and the current accounts are the most demanded from the banks. Further, household expenses school fees and small business financing were the top most priority for most of the respondents. Further, service efficiency and customer service were identified by most respondents as the main reasons why the respondents were drawn to their respective banks. The services that the respondents demanded most from the bank were savings services, credit and loan services and deposit and inventory services. This identification serves the purpose of guiding the study in which areas can be used to increase the demand-pull.

5.3 Conclusions
The implication of the present study should be a strengthened motivation for empirical focus and methodological developments in the measurement and valuation of customer demand and financial services. From the summary, the study established the following conclusions:

5.3.1 Income levels
Income created a need for financial services. Further, the level of income is a significant determinant on the nature of financial services demanded from the bank. Thus the higher the income the higher the ability to access more and better financial services offered by the banks in the County.

5.3.2 Savings Level
The culture of savings in the county was not well built. Further most of the services offered by the banks did not encourage the culture, as the returns on the savings were negligible. Further SACCO's have reduced the appetite for savings facilities offered by the banks. Therefore, the banks need to do more to encourage the culture in the county.

5.3.3 Transaction Costs
Some of the transaction costs encouraged the demand-pull, as they were realistic and fair. However, interest rates charged on the loans are still considerably high thus discouraging the consumption of loans. Further, the use of liquid cash and the high maintenance costs have reduced the appetite for credit cards in the county. Mobile banking has increased the demand for financial services offered by the banks in the county. Internet banking costs are considerably low thus encouraging utility; however, the risks involved in the utility of the facility have discouraged the uptake of the service.

5.4 Recommendations
The recommendations made in this section were derived from the conclusions about the study findings as presented in the previous sections. It is further noteworthy that the recommendations are derived are intended to assist in increasing the demand for financial services offered by the banks in the County and indeed in the country.

5.4.1 Policy Recommendations
Policy intervention recommendations include:
   i.   The banks need to review the interest rates charged on loans. A downward review of the rates would increase the appetite for the facility among its customers thus contributing to an increased demand for the services.

   ii.   The banks should also increase the returns on savings held by customers in the banks. This would thus entice customers to save more with the banks and in turn contribute to an increased demand for their facilities.

   iii.   The Government should increase the security parameters on cyber theft in order to unlock the financial demand potential of the facility which will in turn increase the demand for financial services

   iv.   The banks should encourage and entice retail outlets, like supermarkets and hotels to use "plastic money" which will in turn increase the uptake of other services like credit cards.

5.4.2 Recommendations for Further Research
The researcher recommends key areas as follow-ups to the current study:
   i.   A study to be done on the correlation aspects of income and the demand for financial services using macro data.

   ii.   A study should also be done on the problems facing the savings culture in the county.

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