Assessing strategic alliances' influence on performance of commercial banks, Kenya

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ABSTRACT

Performance of Commercial Banks in Kenya has been on the decline in the last one decade with majority of the banks making minimal profit while others experiencing a yearly decline of more than 10% in profitability. This is against high cost of business operations; increased competition forms the digital space among others. Consequently, most of the banks have been experiencing a shrinking market share due to closure of some of their branches. Given the changes in the business environment such as entrance of new competitors, dynamic innovations, legislative and economic dynamics, organizations need to move with speed and make choices that add value to customers and those which will enable the organization remain relevant in such a dynamic business environment. It is on this context that this study sought to analyze the influence of strategic alliance on performance of Commercial Banks in Kenya The study was guided by the Resource-Based Theory of Strategic Alliances. This theory was appropriate since its major focus is on the rationale, formation and organizational preferences that have value addition for excellence. To achieve the objectives of the study, explanatory research design was used. Both primary and secondary data were collected. Primary data was collected using questionnaire while the secondary data was collected from relevant literature materials, organization's annual reports and website. Cronbach's Alpha co-efficient was used to test the reliability of the data with an acceptable level of 0.7 at a confidence level of 95%. The study targeted tier 2 Commercial Banks in Kenya with the top management bank employees as the key respondents. These tier 2 banks have been in existence for more than 20 years and controls over 17 % of the market share in the banking industry. These banks are capable of advancing to tier 1 category if the right strategies are put in place. The study employed census targeting the entire population of the 162 top management bank employees. 18 respondents drawn from the top management team at Family Bank Limited which is one of the Tier 2 banks were considered for pilot study through convenience method. The pilot respondents were excluded from the main study leaving out 144 respondents from the other 8 Tier 2 banks who were considered in the main study. Out of the 144 respondents, 120 top management employees responded the questionnaire hence result findings were based on the 120 respondents. Descriptive and inferential statistics was used in analyzing the data. Descriptive statistics entailed the measure of central tendency (mean) and the measure of dispersions (standard deviation). The statistical package for social sciences (SPSS) was used to generate the data. Inferential statistics entailed regression and correlation analysis. Data was presented using tables. The study established that there was a significant influence on Product and processes through strategic alliances on performance of commercial banks in Kenya. The study concluded that, firstly, mobile banking and internet banking has enabled customers to access essential services at the comfort of their homes or offices. Secondly, big data solutions facilitate safeguarding of customers' information. Thirdly, banks targets different categories of customers and uses differentiated channels in order to reach out to them hence the researcher recommends that banks need to adopt strategic alliances to reduce costs, ride on strengths, innovations and resources of key strategic partners in order to enhance performance.

Keywords: Commercial Banks, Performance, Strategic Alliances, Tier I &Tier II Banks

I. INTRODUCTION

Organizations adopt and implement various strategies for organization performance amongst them innovation strategies (Kiplangat & Tibbs, 2018). Strategic alliances have emerged to be of core value in the current business world. Commercial banks can enhance their profitability, market share and product performance through strategic alliances (Kariuki, 2020). In response to the business world dynamics, organizations need to embrace a strategic approach by acting proactively even if it means getting out of their conventional way of doing business and consequently guaranteeing sustainability of services rendered and products offered (Kim & Mauborgne, 2017). Research has proved that innovative companies have continued to excel in the competitive business environment, more importantly those organizations that have embraced strategic alliance approach. Kim and Mauborgne (2017), states that strategic alliances add values to customers by riding on the strength of each stakeholder in the alliance.

strategic alliances entail making competition insignificant by creating and delivering value to the buyers and the company through expanding the existing markets, opening up uncontested market space as well as tapping into the

unsatisfied consumer demand (Amit & Zott, (2001), Kim and Mauborgne (2014), assert that organizations that create strong strategic alliances are able to serve a wide range of customer needs as one stop shop. with the use of appropriate technologies innovations, the increased customer base enjoys innovated product and process value. such firms stand a better chance of propelling towards sustainable growth and profitability. Performance of commercial banks can be measured either by financial or non-financial parameters (Kotane et al., 2019). Financial parameters entail financial analysis such as profitability, debt decrease, liquidity and solvency and the Company's financial health (Kesimli & Gunay, 2011). Profitability is the degree to which a firm makes profit from the input of the various factors of production. Profitability is measured from the rate of return on assets (ROA), the profit margins either gross or the net profit or by using the return on equity or investment (ROE) / (ROI). Profitability enhances the survival rate of a business.

Debt decrease shows the ability of the firm to repay its debts from the firms' income (Kesimli & Gunay, 2011). It is important since it can be used to project the ability of the firm to service additional debts. If the debts of a firm are on the rise compared with the ability to repay the debts, then the firm experiences cash flow constraints causing a downward trend in the performance of the firm (Kesimli & Gunay, 2011). Debt to asset ratio can be used to measure the ability of the firm to repay its debts. Liquidity of the firm is the capacity of the business to settle its monetary commitments as they fall due without diverting the proprietor's value (Kesimli and Gunay, 2011). Failure of a business to meet its present financial responsibilities affects its operations adversely leading to poor performance. Liquidity is measured using current ratio, quick ratio, receivable collection period or payables period (Sanghani, 2014). Solvency entails measuring long term debt against the organization's assets and equity in order to determine its financial stability. A low debt to assets ratio is an indicator of good business performance.

Performance of commercial banks can also be measured non-financially (Yuliansyah et al., 2015). This can be deduced from shareholder's value, market performance, level of sales, number of new or repeat customers, level of product or service innovation, speed of customer service or delivery, efficiency in production, new skills learned by the employees and the number of employees in the organization (Ahmed et al., 2015). Growth in employees' number is the most common non-monetary aspect that is utilized by small business enterprises to measure performance (Bala & Venkatesh, 2013). The rationale is that a firm will engage more employees if it is making high profits. In this study both financial and non-financial parameters will be measured. Profitability of the commercial banks will be considered as the financial parameter whereas market share and product performance will be considered as the non-financial parameters. Tier 1 banks in Kenya include Kenya Commercial Bank, Equity Bank, Absa Bank Ltd, among others. Tier 2 banks in Kenya comprise of Eco Bank, Family Bank Limited, Citi Bank, Prime Bank among others. Their asset base is lower than that of Tier 1 banks, for instance Eco Bank 53.5 billion, Family Bank 69.1 billion, Citi Bank 98.3 billion, and Prime Bank 76.4 billion.

Globally, the effect of Brexit for the UK and the European Union (EU) being unclear, there is uncertainty in meaningful performance of many banks (Global Shadow Banking Monitoring Report, 2017) therefore the years ahead demand that banks moves decisively in order to improve profitability. Innovation is key for meaningful improvement of performance. Banks must cope with the numerous challenges related to regulations, disruptive models and advances, new contenders and demanding clients while seeking new procedures for practical development (S. Colombo, (2017).

The numerous financial regulatory and reforms changes in the Kenyan financial area in the new past have achieved numerous primary changes in the area and have likewise attracted overseas banks to enter and extend their activities in the country (Olweny & Shipho, 2011, as cited in Kamau, 2009). Banks in Kenya take a lead in the financial sector; hence, their contribution to economic growth is key (Olweny & Shipho, 2011, as cited in Kamau, 2009). Industries, for example, manufacturing and agribusiness essentially depend on the financial sectors for their growth and expansion. Kenya has 39 commercial banks with about 2,825 Automatic teller machines (ATMs) that are mainly located in urban areas (Central Bank of Kenya [CBK], 2020). 40% of the banks are located in Nairobi the capital city while the rest are distributed across the major towns in the country (CBK, 2020). The Kenyan banking sector has faced numerous changes in the recent past ranging from governmental regulations, technological changes, increased competition especially from the telephony industry, Micro –finance institutions as well as from Savings and Credit Co-operatives (SACCOs), tough economic situation and the changing consumer trends. Mobile banking has offered customers banking services where customers can save their deposits and borrow loan facilities (Muisyo et al., 2014), SACCOs have also been able to avail credit facilities as well as safeguard their member's savings at a lesser cost. These changes are threatening the status quo of the banks and in this regard, they need to respond strategically for them to sustain their profitability, market share as well as improve the shareholders' return.

M-Pesa, a mobile phone money transfer platform run by Telecommunication Company has made it possible to access financial services since it is easily accessible and the M-pesa agents can be found even in the most remote corners of the country (Ashta, 2017). People in the rural areas before the innovation of M-pesa lacked financial service providers and in some cases, people in the urban areas didn't operate bank accounts because of the high rates charged

by the banks. Banks provides a foundation where individuals can invest, deposit and withdrawal money easily and use it for different purposes. In this case, Mobile banking has become so useful since people can save, deposit and withdraw money directly from their bank accounts using their mobile phones (Nicoletti, 2015). This is likely to boost banks profitability, market share and product performance. Currently we are living in digital world where almost everything is being digitized inclusive of how we make payments unlike a few decades ago. Today banks deliverables are on the digital platforms that encampuses a number of players to complete a transaction. Firms therefore need to think of strategies that will make competition irrelevant by creating and delivering value to customers hence enabling the organization to remain relevant by tapping into the unsatisfied consumer demand through value addition.

1.1 Statement of the Problem

Given the numerous entrants in the financial industry especially from the mobile telephony, the changing consumer demands, technological and economic dynamics as well as regulatory constraints, banks need to reposition themselves and come up with strategies that will enable them to survive and boost their performance in the competitive business environment and consequently adding value to their customers. The performance trend according to Central Bank of Kenya (CBK) reports shows a decline in profits and income from the Commercial banks coupled with ever rising of bad debts. For instance, as at the end of financial year 2015 profit before tax from Commercial banks in Kenya declined by 5% from 141.1 billion in 2014 to 134 billion in 2015. In the financial year 2017 profit before tax declined by 10% from 147.4 billion in 2016 to 133.2 billion in 2017. The level of loans uptake in financial year 2017 also decreased by 6% from 2,293.1 billion in 2016 to 2,158.5 billion in 2017. The level of bad debts increased by 36% from 108.3 billion in 2014 to 147.3 billion in 2015. The same negative trend was retained in consequent years with the level of non-performing loans (NPLs) increasing by 23% from 214.3 billion in 2016 to 264.6 billion in 2017 (CBK, 2017). Year 2018 shows a very minimal increase in pre-tax profit from 133.2 billion in 2017 to 152.7 billion in 2018 (CBK, 2018) and the same minimal increase was noted in 2019 where pre-tax profit rose from 152.7 billion to 159.1 billion as well as minimal improvement on the level bad debts by 0.2% (CBK, 2019). Consequently, there was very minimal increase in profitability in 2021 from 134.1 B in 2020 to 149.2 B in 2021 (CBK, 2021). The minimal profit and income from the finance segment was as a consequence of increased investment in government securities. The rate of lending in private sector and to individuals was on decline.

Profitability of Banks in Tier 2 which are the banks with a potential of advancing to Tier 1 category is on decline while the level of non-performing loans is on the rise. For instance, Profit before tax of HFC decreased by 72 % in 2017 from 1.4 billion in 2016 to 393 Million in 2017 while the level of non-performing loans increased by 33% from 6.2 billion in 2016 to 8.2 billion in 2017. Loss before tax made by HFC in 2018 was 642.7 million and consequently made a loss of 137.8 million in 2019 whereas the asset base decreased from 68 billion in 2017 to 62 billion in 2018 due to decreased borrowing. This declining trend applies to most of the banks in Tier 2. Tier 1 banks accounted for 89.8 % of the total pre-tax profit, whereas the share of total pre-tax profit of Tier 2 banks decreased to 11.2 % from 15.08 % due to National Bank of Kenya Ltd, which made a loss of Ksh.821.2 million in December 2019, as compared to a profit of Ksh.587.5 million in December 2018. The merger between NIC Bank and Commercial Bank of Africa also contributed to the reduced market share and profitability of Tier 2 banks (CBK, 2019). Similarly in the consequent years these banks continued to experience a decline in profitability especially in the face of Covid-19 pandemic (CBK, 2021)

The number of Commercial banks went down from 43 to 39 due to capital inadequacy and mal practices (CBK, 2018). Additionally, a number of banks closed down some of their branches due to high operation cost compared to profit generated. In 2017, a total of 39 branches were closed down by various Commercial Banks in Kenya. For instance, Bank of Africa closed down the majority of branches where it closed down 12 branches followed closely by Eco-bank which closed down 9 branches. This massive closure of branches by various Commercial Banks in Kenya led to a loss of 1,620 jobs whereas in 2018, 42 branches were closed down leading to a loss of 1,720 jobs (CBK, 2019). Restructuring of loans in the face of Covid-19 and this meant delay of interest payable to banks by borrows hence a reduction in profitability (CBK, 2021). The number of bank employees also went down. With the embracement of value innovation strategies, the performance of commercial banks in Kenya is likely to improve significantly.

1.2 Research Objective

Assess the influence of Strategic Alliances on Performance of Commercial Banks, Kenya**.**

1.2.1 Hypothesis

H01: There is no significant relationship between strategic alliance and performance of commercial banks in Kenya

II. LITERATURE REVIEW

2.1 Theoretical Review

Theories form the basis on which a study is undertaken. Theories are framed to describe, envisage and understand phenomena as well as to problem and expand present knowledge within the confines of critical bounding assumptions. This research shall be led by resource-based theory of strategic alliances (Eisenhardt & Schoonhoven, 1996). This theory calms that mergers or acquisitions create strength for firms as a result of pooled resources hence creating a competitive edge. The resource-based view suggests that the rationale for alliances is the value-creation potential of firm resources that are pooled together. The four elements that enhances effectiveness and efficiency include complementariness, congruence of goals , compatibility of organisations and change that is expected to occur from the alliance referred to as 4CS pooling together provided an opportunity for each firm to tap into the unique traits of each other creating a value that cannot be easily copied or outdated in a dynamic environment .

2.2 Empirical Review

Organizations currently contract and subcontract different business procedures to realize a wide variety of business goals extending from decrease of expenses to innovation and business change as well as value addition to customers .The main reasons for entering into strategic relationship is to increase customer base and value for customers by giving or granting usage to more items and services that the individual firms have no capabilities and competencies Strategic alliances in the modern business world have become an important part of most of the bank's investments and growth strategy portfolios in the current competitive world .(Will Kenton,2024).

Observations show that an alliance or association is formed for mutual benefits between business organizations. Two or more companies may form an alliance to share resources and activities in pursuing a strategy. In alliances, each business maintains its operations independently and they are not influenced by what happens in the other company. Strategic alliances entail sharing of knowledge and skill among legally independent firms in order to decrease threat and expenses in essential parts such as relationships with suppliers, growth of new products and technologies. Strategic alliances have enabled firms to get effective ways of integrating new technologies in their operations hence enabling them to venture into new and emerging markets, although they are not easy to form and support. Strategic alliances are fast becoming a trend in the corporate business. Most corporate deals in today's business environment are based not on ownership, but on partnerships (Kenton. 2024). Through distribution partnership, banks act as an intermediary and hence offer products of another company. For instance, alliance between bank and insurance companies has led to emergence of Bancassurance where the bank offers insurance products of more than one insurance company. Alavudeen and Rosa (2015) cited that there was a bright future for bancassurance in the Indian insurance market. Bancassurance which is the integration of banking and insurance has been adopted as a distribution channel of insurance products (Ng'etich, 2017). This relationship enables the bank to offer insurance products to its customers hence value creation in an area where it does not have internal expertise and an area that requires a lot of investments in operation (Quagliarello, 2004).

Technological strategic alliance outsourcing has become an integral role in virtually every business process (Saxena & Bharadwaj, 2009). Subcontracting is largely defined as a decision taken by a firm to contract a third-party service provider who in return offers and manages resources and services for financial gains for a certain agreed duration (Kern & Willcocks, 2000). Banks are currently outsourcing services such as business internal review, data innovation (IT), HR and administrative activities, cash transfer, ATM administrations and card handling (Barako & Gatere, 2008). Information technology outsourcing has enabled banks to remain relevant and current with regards to innovation. Banks can keep pace with technological improvements and meet their customer needs by offering requests and innovations sourced remotely.

Jin-lung et al. (2017), examined Influence of bancassurance on bank execution. The investigation findings disclosed that banks with larger participation in bancassurance business normally are likely to improve in their efficiency and therefore accumulate better proceeds. Consequently, the empirical outcomes provided a proof to substantiate that bancassurance business offers considerable profits for banks and consequently leading to a growth in shareholder value. The research outcomes also concluded that the adoption of a diversification strategy in bancassurance can influence bank performance.

III. METHODOLGY

Explanatory research design was incorporated which enabled identification of the link between the variable and the phenomenon being studied (Van Wyk, 2011). It enabled the researcher create an in-depth understanding regarding the organization under study as well as establish relationships between value innovation strategies and performance of Commercial Banks in Kenya which are the study variables and enable make generalization.

The target populace denotes to the whole collection of people, events or objects that the investigator desires to study (Sekaran, 2014). Mugenda and Mugenda (2008), also describes the target populace as a distinct set of people, things, services, elements and events that are being studied. The study focused mainly on the 9 Tier 2 Commercial Banks in Kenya licensed by the Central Bank of Kenya with the top management bank employees as the key respondents. The researcher focused on the Tier 2 banks since they have the potential of advancing to Tier 1 banks which despite being less in number controls over 70% in the banking industry. Pilot study was carried out at Family Bank Limited which is one of the Tier 2 banks.

The study employed census targeting the entire population of the 162 top management bank employees. The top management bank employees were used as the unit of enquiry as they possess valuable information and are knowledgeable on matters regarding the bank's strategies. This enabled the researcher to obtain useful and the desired information in accordance to the goals of the study. Both primary and secondary data was gathered. Primary data was collected from organized respondents using a questionnaire. Cooper and Schindler (2014), characterizes a survey as a progression of inquiries based on the researcher's topic of interest on which the respondents' opinions are sought. Secondary data was collected from relevant literature materials, organization's annual reports and publications as well as from the website.

Validity is the level in which the outcomes acquired from the examination of the information really address the phenomena under investigation (Sekaran, 2014). The validity in this study was the degree to which research tools that were used to collect the information, measured what it was intended to measure. Cronbach's alpha coefficient was worked out to measure the reliability. Inferential statistics entailed correlation and regression analysis. Correlation was used to analyze the strength and direction of association between two variables. It ranges from -1.0 to 1.0 (Sekaran & Bougie, 2011). A correlation coefficient of 0.7 was acceptable at a confidence level of 95%. Through the measures of central tendencies, the researcher was able to establish the relationship between the variables . The data was examined using both descriptive and inferential statistics. Descriptive statistics involved the measures of central tendency and measures of dispersion for likert scale variables in the questionnaire. In this regard the calculation of mean as a measure of central tendency and calculation of standard deviation as a measure of dispersion (Sekaran & Bougie, 2011). The results of the descriptive statistics were presented in tables.

Inferential statistics entailed correlation and regression analysis. Correlation was used to analyze the strength and direction of association between two variables. It ranges from -1.0 to 1.0 (Sekaran & Bougie, 2011). A correlation coefficient of 0.7 was acceptable at a confidence level of 95%. Hypothesis testing was done at a confidence level of 95% where, if the P-value was ≤ 0.05 the null hypothesis was rejected. P-value ranges from 0-1. Regression analysis was done to examine whether an independent variable predicts a given dependent variable. Multiple regression analysis was used to analyze the data after it has been checked for consistency and then coded. The ANOVA statistics (F-test) was used to present the regression model significance;

Y= $Y = \beta_0 + \beta_1 x_1 + \varepsilon$

Where;

Y= Performance of Commercial Banks in Kenya

β_0= Regression constant. Constant or intercept which is the value of dependent variable when all the independent variables are zero.

β_1- Regression coefficient for the independent variable.

x_1= Strategic alliance

ε = Random Error component

IV. FINDINGS & DISCUSSION

4.1 Response Rate

Out of 144 targeted individuals, 120 responded, resulting in a response rate of 83.3%. This was deemed a good response since a response rate above 60% is acceptable and should be the target of most research (Fincham, 2008).

Table 1

Response Rate

Respondents	Frequency	Percentage
Respondents	120	83.3
Non-Respondents	24	17.3
Total	**144**	**100**

4.2 Reliability Test

The findings in Table 2 demonstrate that all variables exhibit satisfactory internal consistency. Specifically, Cronbach's Alpha values are 0.767 for Strategic Alliances, 0.796 for Performance of Commercial Banks and an overall reliability score of 0.808 across the 45 items. Since these figures surpass the commonly accepted threshold of 0.7, they indicate that the measurement instruments employed are dependable and appropriate for subsequent analysis. This affirmation supports the trustworthiness of the data collected for the study.

Table 2

Reliability Test

Variables	No. of items	Cronbach Alpha Coefficients
Strategic Alliances	9	.767
Performance of commercial banks	9	.796
Overall	45	.808

4.3 Factor Analysis

Factor analysis was used to reduce the statements under Strategic Alliance by putting together interrelated variables and generate a small number of measures of Strategic Alliance. The extraction of the factors followed Kaiser Criterion where by an Eigen value of 1 or more indicates a unique factor. Table 3 presents the Total Variance analysis for Strategic Alliance measures which consisted of 9 statements. The findings show that all observable statements measuring construct of Strategic Alliance can be reduced into one factor as was hypothesized by the researcher. That one factor accounted for 60.109% of the original variables which is total variance explained by the extracted factor.

Table 3

Strategic Alliance Variance

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.218	60.109	60.109	4.218	60.109	60.109
2	0.718	10.125	70.234			
3	0.617	8.180	78.414			
4	0.550	6.356	84.770			
5	0.489	5.762	90.532			
6	0.400	4.943	95.475			
7	0.379	2.602	98.077			
8	0.218	1.013	99.090			
9	0.197	1.040	100.00			

Source: Researcher (2025)

Extraction Method: Principal Component Analysis-The extraction of the elements followed Kaiser Criterion where by an Eigen worth of at least 1 demonstrates a special component. Table 3 presents the Total Variance analysis for strategic alliance measures which consisted of 9 statements. The findings show that all observable statements measuring construct of Strategic Alliance can be reduced into one factor as was hypothesized by the researcher. That one factor accounted for 60.109% of the original variables which is total variance explained by the extracted factor. Total variance indicates that the 9 statements of strategic alliance can be factored into 1 factor.

Table 4

Factor loading for constructs of Strategic Alliance

Measures	Factor loading
Customers are able to assess insurance services from the banks	.825
Customers can assess an insurance loan through the banks	.815
Customers can pay for their insurance premiums through the bank	.765
Customers can save money with the bank through their mobile phones without necessary opening bank account	.700
Customer can save money with the bank	.717
Customers who do have an account with the bank can still borrow bank loan using their mobiles phones	.655
Customers can send money to their bank accounts using a paybill number	.929
Customers are able to assess non-bank services and products from the bank	.912
Customers can assess loans through the bank to finance the services and products	.782

A Principal Component Analysis with variance max rotation was also performed on the nine observable variables under strategic alliances. Table 4 above shows that all 9 observable statements in the questionnaire fitted well under latent construct of strategic Alliance. This meant that the individual statements under strategic alliance were strong enough to collect the required information under study. The results indicate that all the statements on strategic alliance attracted coefficients of more than 0.5, implying that each individual statement under construct of strategic alliance was strong and valid enough to collect required data. This is in line with Fayvishenko (2018) who explain that a factor loading greater than 0.5 has good reliability and validity that leads to desirable solutions. Therefore, these results provided a justification for further statistical analysis to be conducted. Hence all the 9 statements measured well the underlying variable of strategic alliance and performance of commercial banks in Kenya and were retained for further analysis.

4.4 Descriptive Statistics

4.4.1 Descriptive Statistics for Strategic Alliance

The objective was to determine the influence of strategic alliance on performance of commercial banks in Kenya. The strategy of strategic alliance had three items of study which included bancassurance, branchless banking and non-equity strategic alliance.

Table 5

Strategic Alliance and Performance of Commercial Banks

Statement	Mean	Std. Dev.
Customers are able to assess insurance services from the banks	3.100	.6101
Customers can assess an insurance loan through the banks	3.3120	.8870
Customers can pay for their insurance premiums through the bank	3.2702	.6011
Customers can save money with the bank through their mobile phones without necessary opening bank account	2.9800	.8132
Customers who do have an account with the bank can still borrow bank loan using their mobiles phones	3.1506	.7902
Customers can send money to their bank accounts using a paybill number	3.0333	.4821
Customers are able to assess non-bank services and products from the bank	3.1140	.5670
Customers can assess loans through the bank to finance the services and products	3.5000	.6231
The bank markets products and services for the partners	3.9082	.8612
N=120		

Table 5 above shows the results for Strategic Alliance. The responses were given by the respondents under bancassurance and they showed a moderate agreement. The items were scored as follows; Customers are able to access insurance services from the bank, a mean of 3.100 and standard deviation of .6101. Customers can access an insurance loan through the bank had a mean of 3.3120 and standard deviation of .8870. Customers can pay their insurance premiums through the bank had a mean of 3.2702, and standard deviation of .6011. The results of the study agree with the study by Waweru (2014), which studied the influence of bancassurance on economic performance of Commercial Banks in Kenya, the study revealed that there was solid positive connection between bancassurance and economic performance of Commercial Banks in Kenya. The responses were given by the respondents under branchless banking and they also showed a moderate agreement. The items were scored as follows Customers can save money with the bank through their mobile phones without necessary opening bank account mean of 2.9800, and standard deviation of .8132. Customers who do not have an account with the bank can still borrow bank loan using their mobile phones had a mean of 3.1506 and standard deviation of 0.7902 and that customer can send money to their

bank accounts using a pay bill number had a mean of 3.0333, and standard deviation of 0.4821.The responses were given by the respondents under non-equity strategic alliance and consequently, they showed a moderate agreement. The items were scored as follows; customers are able to assess non-bank services/products from the bank, a mean of 3.1140 and standard deviation of 0.5670, customers can assess loans through the bank to finance the services/products a mean of 3.5000 and standard deviation of .6231, The bank markets products and services for the partners a mean of 3.9082 and standard deviation of 0.8612. In relation to a study by Onje and Oloko (2016), the study established that firms are benefiting from each other in various zones like marketing, distribution, production, research and development and outsourcing. Also, the study agrees with a study by Kipchirchir and Mose (2024) who conducted a study to identify the motives that triggers banks to engage in strategic alliances. The results of the study revealed joint sales, improved distribution channels and technology transfers as the main objectives of entering into non-equity strategic alliances hence increasing the banks' business opportunities, customer satisfaction and increased convenience.

Generally, the overall mean of adoption of strategic alliance was strongest at non-equity alliances, followed by bancassurance and lastly branchless banking. The findings of the study revealed that Strategic alliances had a major influence on performance of the banks.

4.4.2 Descriptive Statistics for Performance of Commercial Banks

The dependent variable in this study was performance of commercial banks. The items scored under the performance of the banks was as follows; The banks has a large customer base compared to other banks had a mean of 3.610 and standard deviation of 1.5591, The bank has more branches compared to other banks had a mean of 4.001 and standard deviation of .7631, The bank offers differentiated or tailor made products and services to serve the needs of its target customers a mean of 4.822 and standard deviation of 1.2142, The banks has diversified its products and services a mean of 4.092 and standard deviation of .3567,the bank has embraced internet banking, agency banking and mobile banking a mean of 4.250 and standard deviation of .2021, the bank partners with other businesses such as insurance companies and mobile telephony a mean of 4.000 and standard deviation of .5567, The bank offers unique and value adding products and services to its customer a mean of 4.210 and standard deviation of .4201, The technology used in the bank has enabled the banks offer speedy services to safeguard information a mean of 4.217 and standard deviation of 1.450 , Interest earned from savings and loans has increased due to digitization of services and products a mean of 4.250 and standard deviation of 1.450. The average mean for all the statements under measure of performance was 4.2. This shows Items under measure of performance contributed significantly to performance of commercial banks in Kenya. The average standard deviation for all the statements under measure of performance was 1.4. Linyiru et al (2015) designated that a standard deviation of more than one (1) designates those responses are moderately distributed while those with less than one (1) implies there was disparities on the responses obtained. The findings show that the responses were moderately distributed. The findings are on Table 6 below.

Table 6

Strategic Alliance and Performance of Commercial Banks, Kenya

Statement	Mean	Std. Dev.
The bank has a large customer base compared to other banks	3.610	1.5591
The bank has more branches compared to other banks	4.001	1.7631
The bank offers differentiated or tailor made products and services to serve the needs of its target customers	4.822	1.2142
The bank has diversified its products and services	4.092	1.3567
The bank has embraced internet banking, agency banking and mobile banking	4.250	1.2021
The bank partners with other businesses such as insurance companies, mobile telephony	4.000	1.5567
The bank offers unique and value adding products and services to its customers	4.210	1.4201
The technology used in the bank has enabled the banks offer speedy services to safeguard information	4.217	1.450
Interest earned from savings and loans has increased due to digitization of services and products	4.2500	1.222

N=120

4.5 Inferential Statistics

Inferential statistics entailed correlation and regression analysis . Before these statistical tests were done, normality and multi collinearity tests were executed to check the assumptions of regression analysis. Normality tests established whether the data sets followed a normal distribution. QQ plot was applied to test for normality and the

conclusion was that if the data points were close to the diagonal line, then the data was normally distributed. Multicollinearity results when two or more study variables are correlated and therefore ends up giving redundant statistics. Multicollinearity was tested using the variance inflation factor (VIF) which was supposed to be less than 10. This is in line with a study by Monyi et al (2016). According to Field (2000), if data in QQ-Plot are ordinarily conveyed, the information focuses will be near the inclining line.

4.5.1 Correlation Results

The results intended to establish the degree of association between two or more variables. The test yields correlation coefficient statistics (r) whose values lies between -1 and +1. Pearson correlation 'r' measures the strength and direction of a linear relationship between two variables (Sekaran & Bougie, 2011). A value closer to +1 shows a strong positive relationship whereas a value closer to -1 shows a strong negative relationship at a significance level of less than 0.05. The independent variables of the study were processes innovation strategy, technological change strategy, positioning strategy and strategic alliance and the dependent variable was performance of commercial banks.

Table 8

Correlation Analysis

		Bank Performance	Processes strategy	Technological change strategy	Positioning strategy	Strategic alliance strategy
Bank Performance	Pearson Correlation	1	. 623*	.557*	. 605*	.211*
	Sig. (2-tailed)		.000	. 010	. 023	. 050
	N	120	120	120	120	120
Strategic alliance strategy	Pearson Correlation	.211	.027	-.061	.016	1
	Sig. (2-tailed)	.050	.769	.507	.861	
	N	120	120	120	120	120

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

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

The results of Table 8 suggest that there was a strong positive and significant relationship between strategic alliance and performance of commercial banks ($r = 0.211$, $P < 0.05$). Generally, the strategic alliance highly influenced the performance of commercial banks in Kenya.

4.5.2 Regression Analysis

Regression analysis was performed to assess the relationship between the dependent variable (performance of commercial banks) and the independent variable (strategic alliance). Null hypotheses of the study were tested to establish whether there was significant influence of strategic alliance on the performance - dependent variable. The coefficient of determination (R^2) which shows the summary of the regression model was used in the study. R^2 offers statistics on the capability of the independent variable to explain for the fluctuations on in the dependent variable.

Table 9

Model Summary for Strategic Alliance and Performance of Commercial Banks

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	. 744[a]	. 554	. 552	1.9810

a. Predictors: (Constant), strategic alliance

The overall importance of the regression model (goodness of fit) was likewise tried utilizing ANOVA (F-test). Table 10 shows the consequences of ANOVA test which uncover that strategic alliance impacted execution of business banks. The Analysis of Variance (ANOVA) gave data about degrees of fluctuation which shaped the reason for speculation testing utilizing P-Value at 95.0% certainty stretch. The P-Value was utilized to conclude whether strategic alliance had genuinely critical prescient impact on execution of business banks at 95.0% certainty stretch given the examination speculations. The P-Value was 0.000 which is lower than 0.05 subsequently the model of fit is satisfactory suggesting that there was a huge positive connection between strategic alliance and execution of business banks.

Table 11

Strategic Alliance and Performance of Commercial Banks- ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3890.211	1	3890.211	28.123	.040[b]
Residual	19800.002	118	61.162		
Total	23690.213	119			

Table 11 shows the regression analysis results for strategic alliance as the independent variable and performance of commercial banks as the dependent variable. The findings shown in table 33 show the value of R^2 as 0.554. This indicates 55.4 % of the total variance in degree of association between strategic alliance and performance of commercial banks in Kenya. In this study 55.4 % of performance of commercial banks in Kenya can be accounted by variation in adoption of strategic alliance thus there is a moderate positive linear relationship between strategic alliance and performance of commercial banks in Kenya.

Table 10

Strategic Alliance and Performance of Commercial Banks- Regression co-efficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	37.201	4.111		4.000	.000
	Strategic alliance	1.020	1.214	.554	2.200	.040

Further on the t-statistics were used to establish the influence of strategic alliance on performance of commercial banks. Table 10 displays the beta coefficient and t-test which are the degree of change in the outcome variable. The results indicate that in every 1-unit of change in the predictor variable there was positive gradient. This reveals that when a bank engages on strategic alliance including bancassurance, branchless banking and non-equity strategic alliance, it improves its performance as indicated by the fact that a unit adoption of strategic alliance leads to 1.020 improvements on performance of commercial banks in Kenya as shown in the table. The results show that the β value was 1.020 at P- value 0.040. This means that when a commercial bank engages in bancassurance, branchless banking and marketing products of other partners this leads to 1.020 improvements on performance of commercial banks in Kenya. The linear regression model of strategic alliance and performance of commercial banks was $Y = \beta o + \beta 1X1+\varepsilon$ hence; performance of commercial banks = 37.201 + 1.020 X1.

In this case the null hypothesis that: there is no significant association between strategic alliance and performance of commercial banks in Kenya was rejected and the alternative hypothesis accepted. Hence, strategic alliance significantly influences the performance of commercial banks.

V. CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

The study used both descriptive and inferential statistics, where by descriptive statistics consisted of mean and standard deviation while inferential statistics consisted of Pearson correlation and regression analysis in order to determine the influence of strategic alliance on performance of commercial banks. The correlation 'r' for strategic alliance was 0.211 % implying that there was a moderate significant positive relationship between strategic alliance and performance of commercial banks. The coefficient of determination (R2) was 55.4% which meant 55.4% change in the performance of banks can be explained by strategic alliance. The study found that strategic alliance had a moderate significant influence on performance of commercial banks. The indicators of strategic alliance that were investigated include non-equity alliance, bancassurance and branchless banking.

The study established that most of the banks had embraced bancassurance and therefore offered insurance services to their customers and the customers could pay for the insurance premiums through the bank. A number of the banks also had partnership with other institutions and therefore financed products offered by those institutions and also marketed products on their behalf. This was advantageous to the banks since through financing for the purchase of products offered by other non-related companies and institutions would aid in performance of banks. Branchless banking was the least popular strategic alliance among banks and very few banks had adopted branchless banking and customers could bank money using their mobile phones without necessary having to open a bank account and more so they could borrow loans via their mobile loans without necessary having to open an account with the bank.

The study found that most banks have improved performance as a result of strategic alliances comprising of adoption of bancassurance, branchless banking and non-equity strategic alliances. The overall mean for strategic alliances was 3.2. This show the banks were moderately practicing strategic alliance. Generally, the study established

that processes innovation strategy contributed largely towards the performance of the banks followed by positioning strategy, technological change strategy and strategic alliance.

5.2 Recommendations

Based on conclusion of the study the following were the study recommendations. The study established that each one of the strategic alliances had a significant influence on performance of commercial banks in Kenya. It is therefore paramount that the banks top management implements them in their corresponding banks. Innovative strategies such as mobile and internet banking as well as offering variety of tailor-made products were found to be very important alliances This study recommends commercial banks to accelerate adoption of agency banking especially in places that are in the out skirts of the town to assist the customers get the services closer to where they are hence enhancing the market share of the specific bank. The current study attempted to explore the influence of strategic alliances on performance of commercial banks in Kenya. A similar study should be conducted to establish the extent to which strategic alliance leads to performance of other organizations in Kenya. This will enable to confirm or reject the findings established.

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