International Journal of Economics, Commerce and Management
United Kingdom Vol. II, Issue 11, Nov 2014
http://ijecm.co.uk/ ISSN 2348 0386

EFFECTS OF EXPANSION STRATEGIES ON PERFORMANCE OF SELECTED COMMERCIAL BANKS IN SOUTH NYANZA REGION, KENYA

Gatwiri, Martha
Cooperative Bank of Kenya, Kisii East Branch, Kenya
gatwiri51@gmail.com

Bichanga, Walter Okibo
Jomo Kenyatta University of Agriculture and Technology, Kenya
bwokibo@jkuat.ac.ke

Loki, Michael
The Presbyterian University of East Africa, Nakuru Campus, Kenya
mkloki@gmail.com

Makau, Ngati Francis
Diamond Trust Bank Kenya, Kisii Branch, Kenya
ngati.francis@yahoo.co.uk

Abstract

Expansion as a strategic growth option is particularly relevant in developing countries like Kenya because of very low product penetration and consumption levels. Strategic expansion in the banking industry demand that companies should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved through expansion strategies. The study sought to determine the effects of expansion strategies on performance of selected commercial banks in South Nyanza region, Kenya. Five commercial banks were evaluated which included Co-.operative Bank, Equity bank, Barclays bank, Kenya Commercial bank and Diamond Trust Bank. 47 respondents who are employees of these banks were used in data collection. The study revealed that through agency banking commercial bank *were able to reach most people in the rural areas in Kenya and thus expand their banking activities. The study found that mobile banking positively influenced the performance of commercial bank to a great extent. Through strategic alliance commercial banks were able to provide financial service to their customer even where there were no bank branches. The study found that merger and acquisition influence the expansion of commercial banks as the commercial banks were able to get customer even in the region where they did not have actual branches.*

Keywords: Acquisition, Competitive Strategy, Expansion, Mergers, Mobile banking, Performance, Strategic alliance, CBK, KBA

INTRODUCTION

Strategic management is viewed as the set of decisions and actions that result in the formulation, implementation and control of plans designed to achieve an organizations vision, mission, strategy and strategic objectives within the business environment in which it operates (Johnson & Scholes, 2002). As today's business environment becomes increasingly competitive, business organisations are becoming more aggressive and dynamic in identifying competitive strategies that will ensure profitable existence. Competition may be attributed to business innovations, advancement in technology and the changing demand of customers (Ndwiga, 2011). Laverty (2004) is of the view that, in order to achieve and sustain competitive advantage, managers should examine factors affecting the implementation of competitive strategies. He notes that an organisation should align its strategies with structure, provide strategic leadership, establish a corporate culture and monitor the implementation of the strategies. These measures are particularly important in the banking industry and hence the need to evaluate the expansion strategies employed by commercial banks in Kenya today. The study will focus on commercial banks in South Nyanza region.

As at 31st December 2011, the banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company - MFC), 4 representative offices of foreign banks, 6 Deposit-Taking Microfinance Institutions (DTMs), 118 Forex Bureaus and 2 Credit Reference Bureaus (CRBs). Out of the 44 banking institutions, 31 locally owned banks comprise 3 with public shareholding and 28 privately owned while 13 are foreign owned (CBK, 2011). The number of bank branches increased by 98 from 1,063 in 2010 to 1,161 branches in 2011 indicating increased access to banking products and services.

The number of banks ATMs increased by 226 from 1,979 in December 2010 to 2,205 in December 2011 representing an increase of 11.4%. 6 large banks accounted for 54 percent of total assets, 53 percent of customer deposits, 55 percent of capital & reserves and 62 percent of pre-tax profit in 2011. Developments within the banking sector are strongly guided by the medium-term objectives of the financial sector reform and development strategy embedded in the economic development blueprint, Vision 2030. In the year 2011, access to financial services continued to be enhanced, spurred by increased innovation in the delivery of financial products and services throughout the country.

The banking sector registered enhanced growth in the year 2011, with a 20.4 percent increase in the total net assets from Ksh.1, 678.1 billion in December 2010 to Ksh. 2,020.8 billion in December 2011. Loans and advances, government securities and placements which accounted for 57.0 percent, 15.1 percent and 5.8 percent of total assets respectively continue to be the major components of the balance sheet. Net Loans and Advances recorded a growth of 31.4 percent from Ksh.876.4 billion to Ksh.1, 152.0 billion in December 2011. Significant portion of the sector's loans were advanced to personal, trade, manufacturing and the real estate sectors, which accounted for 72 percent of the gross loans in 2011. However, investment in Government securities declined from Ksh.342.5 billion in 2010 to Ksh.304.8 billion in 2011. This may be attributed to low interest rates on government securities during the first half of 2011 compared to lending interest rates.

The source of funding in the banking sector, mainly customer deposits grew by 20 percent from Ksh.1, 236.5 billion in 2010 to Ksh.1, 488.2 billion as shown in Table 12. The growth was supported by branch expansion and receipts from exports. The increased deposits enhanced the banks' capacity to extend credit to various economic sectors. NPLs declined by Ksh 4.6 billion in 2011 as banks enhanced credit appraisal standards. In terms of profitability, the sector registered a 30.5% growth in pretax from Kshs 14.9 billion in April 2009 to Kshs 19.5 billion at the end of April 2010.consequently,annualized return on assets has improved from 2.8% in April 2009 to 3.0% in April 2010, while return on equity increased from 25.3% to 27.3%. Total industry income increased by 18.5% during the year from Kshs 53.0 billion in April 2009 to Kshs 62.8billion in April 2010, while total expenses increased by 13.7% from Kshs38.1 billion in April 2009 to Kshs 43.4 billion, interest on loans and advances, fees and commissions and government securities were the major sources of income accounting for 53.0%, 26% and 16.0% of total income, respectively. Meanwhile, staff costs, other expenses, and interest on deposits were the components of industry expenses, accounting for 34%, 27% and 26%respectively, (CBK, 2012).

Research by the Kenya Bankers Association found that as much as 67% of the potential value of expansion strategy in commercial banks in Kenya result to increase performance (KBA, 2012). Commercial banks play a very key role in the economic growth of any country. The sector contributed 5.4% of the GDP in 2010 with a potential to contribute 8% to 15% (CBK, 2011) compared to 22% in South Africa and Ghana at 28%. In addition, they hold assets worth 63% of the GDP. In the last few years the banking sector's growth has been on an upwards trend posting double digit growth in profitability during the period. The sector posted a profit of 48 billion in 2009 which was 14.3% growth from 2008. This result jumped by 28.4% in 2010 and 35.1% in 2011 (CBK, 2011). Would expansion strategies employed by commercial banks be the source of this impressive performance?

The banking industry in the region has experienced a high growth rate. The banks are employing both acquisition and start-up in their regional expansion strategies. Financial pundits opine that it would be prudent for the banks to consolidate in the local market before going regional. With only 20 per cent of Kenya's population banked, there is need for banks to strategize and reach more of the unbanked, which would constitute a big business growth as opposed to regional. Therefore, expansion strategy is vital to the adaptation of the changing business environment. Empirical studies done in Kenya include; Kisaka (2007) researched on expansion strategies adopted by media houses in Kenya. To the researcher best knowledge there is limited empirical evidence on the expansion strategies employed by commercial banks in Kenya. This study seeks to fill the existing research gap by conducting a study to determine the effects of expansion strategies on performance of selected commercial banks in South Nyanza region, Kenya. The general objective of the study was to establish the effects of expansion strategies on performance of selected commercial banks in South Nyanza region, Kenya. The study was guided by the following specific objectives

i. To determine the effects of agency banking on performance of commercial banks in South Nyanza Region, Kenya
ii. To examine the effects of mobile banking on performance of commercial banks in South Nyanza Region, Kenya
iii. To establish the effects of strategic alliance on performance of commercial banks in South Nyanza Region, Kenya
iv. To assess the effects of merger and acquisition on performance of commercial banks in South Nyanza Region, Kenya.

THEORETICAL REVIEW

This study was guided by the non-bank led theory, social construction theory and the resource dependency theory in orders to evaluate the expansion strategies employed by commercial banks in South Nyanza Region, Kenya.

Nonbank-led Theory

Kumar (2004), in the theory of non-bank led theory states that customers do not deal with a bank, nor do they maintain a bank account. Instead, customers deal with a nonbank firm either a mobile network operator or prepaid card issuer and retail agents serve as the point of customer contact. Customers exchange their cash for e-money stored in a virtual e-money account on the non-bank's server, which is not linked to a bank account in the individual's name (Kumar, 2006).

This model is riskier as the regulatory environment in which these nonbanks operate might not give much importance to issues related to customer identification, which may lead to significant Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) risks. Bringing in a culture of Know Your Customer (KYC) to this segment is a major challenge. Further the nonbanks are not much regulated in areas of transparent documentation and record keeping which is a prerequisite for a safe financial system. Regulators also lack experience in the realm. For these reasons, allowing nonbank-led model to operate is an unnecessarily big leap and an unjustifiably risky proposition. However, this model becomes viable after regulators have gained sufficient experience in mitigating agent related risks using bank led model and need to think about mitigating only e-money related risks (Kapoor, 2010).

According to Hogan, (2011) to mitigate the e-money risks (which are peculiar to Nonbank-led model), necessary changes in the existing regulations are required. It starts by bringing non-banks under financial regulatory net by giving these entities special status of some sort of quasi-bank/remittance agent etc. Grant of this status depends upon meeting pre-specified standards of transparency, financial strength and liquidity. There should be clear, well-defined limits on nature, type and volume of transactions that such entities can undertake. To avoid insolvency, these entities may be required to deposit their net e-banking surplus funds with scheduled banks meeting certain minimum rating criteria (State Bank of Pakistan, 2011). The Nonbank-led Theory is found relevant to the study as it explain how agent deals with customers on behalf of the bank. This theory is used to determine the effects agency banking on expansion of commercial banks in South Nyanza Region, Kenya

Social Construction Theory

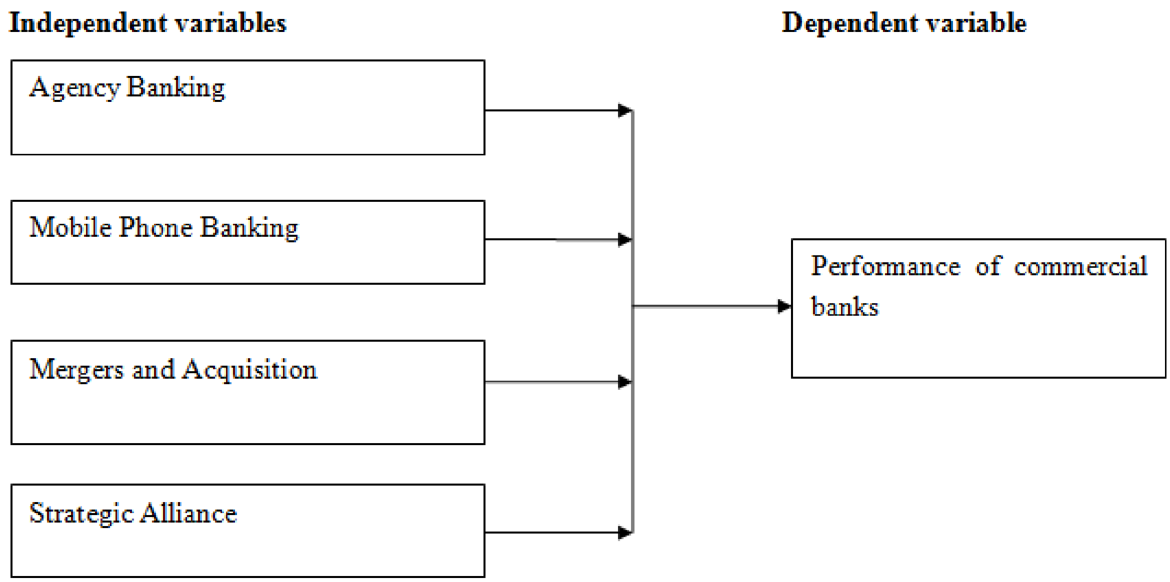
Trevor Pinch and Wiebe Bijker's (2006) in their theory of social construction of technology argues that that technology does not determine how people receive and use mobile technology but that people determine how and in what ways technology is used.. The theory posits that the use of a technology cannot be understood without understanding how it is socially integrated within society. Within different social contexts, technology can take different meanings and adoption depends on how society views the technology. Under this theory, the adoption of a technology is not only due to its technical superiority but due to social factors as well. In the context of this study, mobile phone technology and specifically mobile phone financial services having been driven by both business factors and social networks related to business and family. The decomposition theories of planned behavior not only keep the theory of planned behavior principles but also add important value of the original theory, as it adds a bigger number of beliefs and constructs to the models (Vankatesh, Davis and Morris, 2007). This theory is used to explain the effects mobile banking on expansion of commercial banks in South Nyanza Region, Kenya

Resource Dependence Theory

Resource dependence theory is based on the principle that no organization is self-sufficient and that it obtains resources through exchanges with the environment (Barringer and Harrison, 2010). It focuses on the control factor over those resources, suggesting that the more power and control an organisation has over the resources it requires, the less vulnerable it becomes. In addition, such power/control might make the organisation more competitive *vis à vis* others in the same environment.

The competitive advantage can only be sustained provided the resources acquired "are rare, valuable in the market, imperfectly imitable, and no substitutable" (Barringer and Harrison, 2010). Barringer and Harrison's main critique of the resource dependence paradigm is that it focuses on the needs for resources and exchanges rather than the processes of how these take place. Their point is relevant when posited within a management discussion and is, therefore, a good example of the link between motivational paradigms and the alliance management process. The theory of resource dependency theory is used to establish the effects strategic alliance on expansion of commercial banks in South Nyanza Region, Kenya and to assess the effects of merger and acquisition on expansion of commercial banks in South Nyanza Region, Kenya.

Figure 1: Conceptual Framework



KNOWLEDGE GAPS

No study has been done focusing on the expansion strategies commercial banking sector in Kenya. Following the background of this study, it is only those commercial banks that are able to adapt to the changing environment and adopt new expansion strategies can be guaranteed hope of survival. Some of the forces of change that have greatly influenced the banking industry include intense competition, regulation, and technological advancement. Strategic expansion in the banking industry demand that companies should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved through expansion strategies. The study therefore sought to establish the effects of expansion strategies on performance of selected commercial banks in South Nyanza region, Kenya.

RESEARCH METHODOLOGY

This study adopted a descriptive design. Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way (Bryman, 2001). The study was conducted to cover Co-operative bank, Equity bank, Kenya Commercial bank, Barclays bank and Diamond Trust Bank branches operating within the South Nyanza region. The population of interest for this study was commercial Banks operating in South Nyanza Region, currently there are over 19 banks operating in South Nyanza Region.

The study involved collection of data from 5 banks which included Co-operative bank, Equity bank, Kenya Commercial bank, Barclays bank and Diamond Trust Bank in South Nyanza Region. According to Ngechu (2004), a population is a well-defined or set of people, services, elements and events, group of things or households that are being investigated. There are 119 employees who are currently working with the 5 banks that were selected from South Nyanza Region as tabulated in the table below;

Target population

Table 1: Target Population

Bank	Managers	Other Staff	Target Population
Co-operative Bank	3	22	25
Equity Bank	4	25	29
Kenya Commercial Bank	4	24	28
Barclays Bank of Kenya	3	18	21
Diamond Trust Bank	2	14	16
Total	**16**	**103**	**119**

The total number of commercial bank in South Nyanza Region are 19 the study used purposive sampling to select all respondent from five commercial banks in South Nyanza Region, the study had have 47 respondent who were used in data collection.

Sample Size

Table 2: Sampling

Bank	Managers Sample (100%)	Other Staff Sample (30%)	Sample Population
Co-operative Bank	3	7	10
Equity Bank	4	8	12
Kenya Commercial Bank	4	7	11
Barclays Bank of Kenya	3	5	8
Diamond Trust Bank	2	4	6
TOTAL	**16**	**31**	**47**

The data collection procedure involved administering of questionnaires to the respondents. This study was interested in evaluating the effects of expansion strategies.

The study targeted a sample size 47 of respondents from which 43 filled in and returned the questionnaires making a response rate of 91.4%. This response rate was satisfactory to make conclusions for the study. The response rate was representative.

ANALYSIS & FINDINGS

Reliability Analysis

Table 3: Reliability Coefficients

Scale	Cronbach's Alpha	Number Of Items
Agency banking	0.801	5
Mobile banking	0.717	4
Strategic alliance	0.818	5
Merger and acquisition	0.703	5

A pilot study was carried out to determine reliability of the questionnaires. Table above shows that strategic alliance had the highest reliability (α=0.818) followed by agency banking (α=0.801), then mobile banking (α = 0.717) and merger and acquisition (α=0.703). This illustrates that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7.

Agency Banking

Table 4: Influence of Agency banking on the performance of commercial banks

Opinion	**Frequency**	**Percentage**
Yes	41	95.3
No	2	4.7
Total	43	100

From the research findings, majority of the respondents as shown by 95.3% indicated that Agency banking influences performance of commercial banks in South Nyanza Region, Kenya, whereas 4.7% of the respondents were of the contrary opinion. This implies that Agency banking does influence the performance of commercial banks in South Nyanza Region, Kenya.

Table 5: Extent to which agency banking influence performance of commercial banks

Extent	**Frequency**	**Percentage**
Very great extent	13	30.2
Great extent	23	53.5
Moderate extent	5	11.6
Low extent	2	4.7
Total	**43**	**100**

The study sought to determine the extent which agency banking influences the performance of commercial banks in South Nyanza Region, Kenya, from the research findings, majority of the respondent as shown by 53.5% were of the opinion that, agency banking influences the performance of commercial banks in South Nyanza Region, Kenya to a great extent, 30.2% of the respondents indicated to a very great extent, 11.6% of the respondents indicated to moderate extent whereas 4.7% of the respondents indicated to a little extent. This implies that agency banking influences the performance of commercial banks in South Nyanza Region, Kenya to a great extent.

Table 6: Influence of agency banking on performance of commercial banks

Statement	Mean	Std Deviation
Inability of the retail outlets to fulfill these requirements prevents the expansion of retail banking to areas of low income earners.	1.72	0.25
Banking agents may include: pharmacies, supermarkets, convenience stores, lottery outlets and post offices	1.70	0.24
The trend of agent banking is evident in many nations all over the globe	1.49	0.27
Financial institutions can only be allowed to work through retail outlets if the laws permit it	1.67	0.30
Regulators determine what kind of, if any, financial institutions are permitted to contract banking agents	1.70	0.21

The study sought to determine the extent to which respondents agreed on the above statements relating to effects of agency banking on performance of commercial banks in South Nyanza Region, Kenya, from the research findings majority of the respondents agreed that the trend of agent banking is evident in many nations all over the globe as shown by a mean of 1.50, financial institutions can only be allowed to work through retail outlets if the laws permit it as shown by a mean of 1.67, regulators determine what kind of, if any, financial institutions are permitted to contract banking agents, banking agents may include: pharmacies, supermarkets, convenience stores, lottery outlets and post offices as shown by a mean of 1.70 in each case and inability of the retail outlets to fulfill these requirements prevents the expansion of retail banking to areas of low income earners 1.72. The study further established that agent bank offered the same services as a real bank which include cash deposits and withdrawal, disbursement and repayment of loans, payment of salaries, pension, transfer of funds, and issuance of mini-bank statements, among others, it was revealed that commercial banks needs to evaluate their pricing mechanism for the services provided by the agents, change their system as frequent so as to avoid system failure and delays in transaction execution and in order for banks to remain competitive in the global business, they must develop strategies to simplify their provision of financial service to their customers while unifying their customer relation with agents.

Mobile Phone Banking

Table 7: Effect mobile banking influence performance of commercial banks

Opinion	Frequency	Percent
Yes	39	90.7
No	4	9.3
Total	**43**	**100**

The study sought to determine the whether mobile banking influence performance of commercial banks in South Nyanza Region, Kenya, from the research findings majority of the respondents as shown by 90.7% indicated that mobile banking influences performance of commercial banks in South Nyanza Region, Kenya, whereas 9.3 % of the respondents were of the contrary opinion. This implies that Effect mobile banking influence performance of commercial banks in South Nyanza Region, Kenya.

Table 8: Extent mobile baking influence performance of commercial banks

Extent	Frequency	Percentage
Very great extent	18	41.9
Great extent	22	51.2
Moderate extent	2	4.7
Low extent	1	2.2
Total	**43**	**100**

The study sought to determine the extent to which mobile baking influence performance of commercial banks in South Nyanza Region, Kenya, from the findings majority of the respondents as shown by 51.2% indicated that mobile baking influence performance of commercial banks in south Nyanza region, Kenya to a great extent, 41.9% of the respondents indicated to a very great extent 4.7% of the respondents indicated to a moderate extent whereas 2.2% of the respondents indicated to low extent this implies that mobile baking influence performance of commercial banks in south Nyanza region to a great extent.

Table 9: Influence of mobile banking on performance of commercial banks

Statement	Mean	Std Deviation
mobile phone banking in facilitating the financial transactions between banks and their customers	1.86	0.24
Mobile phone banking has the potential to be transformational owing to various facts.	1.74	0.23
Internet banking has great potential for banks to reduce costs and with the proliferation of mobile devices banks have an opportunity to develop cost effective service channels.	1.56	0.28
mobile technologies has provided an opportunity for financial providers in introducing new financial innovations	1.98	0.26

The study sought to establish the extent to which respondents agreed with the above statements relating to mobile banking influence on performance of commercial banks in South Nyanza Region, Kenya. From the research findings majority of the respondents agreed that; internet banking has great potential for banks to reduce costs and with the proliferation of mobile devices banks have an opportunity to develop cost effective service channels as shown by a mean of 1.56, mobile phone banking has the potential to be transformational owing to various facts as shown by a mean of 1.74, mobile phone banking in facilitating the financial transactions between banks and their customers shown by a mean of 1.86, mobile technologies has provided an opportunity for financial providers in introducing new financial innovations as shown by a mean of 1.98. The study also established that mobile banking utilizes the mobile connectivity of telecommunications operators and therefore does not require an internet connection, with mobile banking, users of mobile phones can perform several financial functions conveniently and securely from their mobile, clients subscribed to mobile baking can check their account balance, review recent transaction, transfer funds, pay bills, locate ATMs, deposit cheques, manage investments, etc. mobile banking is available round the clock 24/7/365, it was easy and convenient and an ideal choice for accessing financial services for most mobile phone owners in the rural areas and mobile banking is more secure than online/internet banking.

Mergers and Acquisition

Table 10: Effects of merger and acquisition on performance of commercial banks

Opinion	Frequency	Percent
Yes	40	93
No	3	7
Total	**43**	**100**

From the research findings majority of the respondents as shown by 93% indicated that merger and acquisition influences performance of commercial banks in South Nyanza Region, Kenya, Whereas 7% of the respondents were of the contrary opinion. This implies that merger and acquisition influence performance of commercial banks in South Nyanza Region, Kenya.

Table 11: Extent to which merger and acquisition influence performance of commercial banks

Extent	Frequency	Percent
Very great extent	19	44.2
Great extent	21	48.8
Moderate extent	2	4.6
Low extent	1	2.3
Total	**43**	**100**

The study sought to determine the extent to which merger and acquisition influence performance of commercial banks in South Nyanza Region, Kenya, from the findings, majority of the respondents as shown by 48.8% indicated that, merger and acquisition influence performance of commercial banks in South Nyanza Region, Kenya to a great extent, 44.2% of the respondents indicated to a very great extent, 4.6% of the respondents indicated to a moderate extent whereas 2.3% of the respondents indicated to a little extent. This implies that merger and acquisition influences the performance of commercial banks in South Nyanza Region to a great extent.

Table 12: Influence of merger and acquisition on performance of commercial banks

Statement	Mean	Std Deviation
The operating capacity of bank is significantly increased through a combination of mergers and acquisitions and new equity capital build up.	1.67	0.26
Mergers and acquisitions provide an opportunity for banks to rationalize operating cost by applying the economy of scale benefits.	1.60	0.25
When operating capacities of the merged banks are expanded, the cost of Financing operations reduces significantly	1.98	0.26
Merger increase organizations market share, which reduces competition thus helping the firm to gain more profits.	1.93	0.20
mergers and Acquisitions can generate cost efficiency through economies of scale, can enhance the revenue through gain in market share and can even generate tax gains	1.67	0.26

The study sought to determine the extent to which respondents agreed with the above statements relating to merger and acquisition influence on performance of commercial banks in South Nyanza Region, Kenya. From the research findings, majority of the respondents agreed that mergers and acquisitions provide an opportunity for banks to rationalize operating cost by applying the economy of scale benefits as shown by a mean of 1.60, the operating capacity of bank is significantly increased through a combination of mergers and acquisitions and new equity capital build up , the operating capacity of bank is significantly increased through a combination of mergers and acquisitions and new equity capital build up as shown by a mean 1.67 in each case. The study also established that through buyouts and mergers the control of the market and the monopoly power of banks are strengthened, which results to higher prices for the banking products and services, for the customers of the new bigger banks, besides, the buyouts and the mergers might have as a main goal not to improve the interests of the shareholders but those of the management of the banks, which due to many reasons can obtain better and more secure salaries and privileges when the bank size increases

Strategic Alliance

Table 13:Effects of strategic alliance on performance of commercial banks

Opinion	Frequency	Percent
Yes	36	83.7
No	7	16.3

The study sought to determine whether strategic alliance influences the performance of commercial banks in South Nyanza Region, Kenya. From the research findings, majority of the respondents (83.7%) agreed that strategic alliance influences performance of commercial banks, whereas 16.3% of the respondents were of the contrary opinion. This implies that strategic alliance influence performance of commercial banks in South Nyanza Region, Kenya.

Table 14: Extent to which strategic alliance influence performance of commercial banks

Extent	**Frequency**	**Percent**
Very great extent	11	25.6
Great extent	26	60.5
Moderate extent	4	9.3
Low extent	2	4.6
Total	**43**	**100**

The research sought to determine the extent to which strategic alliance influences the performance of commercial banks in South Nyanza Region, Kenya, from the research findings majority of the respondents as shown by 60.5% were of the opinion that strategic alliance influences the performance of commercial banks in South Nyanza Region, Kenya to a great extent, 25.6% of the respondents indicated to a very great extent, 9.3% of the respondents indicated to a moderate extent whereas 4.6% of the respondents indicated to a little extent. This implies that strategic alliance influences the performance of commercial banks in South Nyanza Region to a great extent.

Table 15: Influence of strategic alliance on performance of commercial banks

Statement	Mean	Std Deviation
Lack of trust between organizations may explain the low overall success rate of alliances	1.60	0.25
Lower risk implies lower potential reward relative to other expansion strategies such as acquisitions	1.65	0.25
While strengthening competitive strengths organizations share resources needed to enter new markets.	1.91	0.27
Hybrid organizations are often more effective at competing in a global setting because it allows for the combination of independent organizations under one competitive unit	1.86	0.27
Alliances give organization advantages in both economies of scale and scope, as well as reduce the amount of risk encountered	1.60	0.25

The study sought to determine the extent to which respondents agreed with the above statements relating to strategic alliance influence on performance of commercial banks in South Nyanza Region, Kenya. From the study findings majority of the respondents' agreed that alliances give organization advantages in both economies of scale and scope, as well as reduce the amount of risk encountered lack of trust between organizations may explain the low overall success rate of alliances as shown by a mean of 1.60 in each case, lower risk implies lower potential reward relative to other expansion strategies such as acquisitions as shown by a mean of 1.65, hybrid organizations are often more effective at competing in a global setting because it allows for the combination of independent organizations under one distinct competitive unit as shown by a mean of 1.86, while strengthening competitive strengths organizations share resources needed to enter new markets as shown by 1.91. The study also revealed that strategic alliances helps to proves efficiency, productivity, and financial stability, opens the door to new funding opportunities, increases program visibility, credibility, and prestige, ignites a spirit of innovation, offers clients better quality and a wider range of services, merges service and administrative functions to save costs and lower overhead reduces consumer confusion

CONCLUSIONS

The study revealed that through agency banking commercial bank were able to reach most people in the rural areas and thus expand their banking activities; from the finding the study concludes that agency banking affects the performance of commercial banks in South Nyanza Region, Kenya to a great extent.

The study found that mobile banking positively influenced the expansion of commercial bank to a great extent , as through mobile banking customer were able to transact from their mobile devices thus access their banking service . From the finding the study concludes that mobile banking influence the performance of commercial banks to a great extent.

Through strategic alliance commercial banks were able to provide financial service to their customer even where there were no bank branches , thus the study concludes that strategic alliance influence the performance of commercial banks to a great extent .

The study found that merger and acquisition influence the expansion of commercial banks as the commercial banks were able to get customer even in the region where they did not have actual branches , thus the study conclude that merger and acquisition positively influence the performance of commercial banks.

RECOMMENDATIONS

From the findings, the study recommends that Central Bank should enhance the current legal framework on agency banking in order help commercial banks improve their expansion through agency banking.

There is need for the management of commercial banks to come up with strategies aimed at enlightening their customer on how to use mobile banking as this will help in expansion of commercial banks.

The study recommends that commercial banks should enter into strategic alliance with other institutions as this will enable them to increase their market share and reduces competition.

There is need for commercial banks to merge with other financial institution as this will help them to expand and also increase their market share

AREAS FOR FURTHER RESEARCH

This study sought to establish the effects of expansion strategies on performance of selected commercial banks in South Nyanza region, Kenya. The study recommends that a study should be done on the challenges facing expansion strategies of selected commercial banks in South Nyanza region, Kenya.

REFERENCES

Abdalla, (2001). "Comparability and Comparison Levels Used in Choices among Consumer Products." Journal of Marketing Research 28(August): 368-74.

Altunbas, Y.; Gardener, E. P. M.; Molyneux, P.and Moore, B. (2006) Efficiency in European banking.

Aguilar, F.J. (2007), Scanning the Business Environment, Macmillan, New York, NY.

Ansoff, H.I. (1957). "Strategies for Diversification." Harvard Business Review 25 (September - October): 113-124.

Auster, E. and, Choo, C.W. (2004), "How senior managers acquire and use information in environmental scanning", Information Processing and Management, Vol. 30 No.5,

Bartlett, C.A.and Ghoshal, S. (2009), Managing across Borders: The Transnational Solution, Harvard Business School Press, Boston, MA.

Benito, G.R.G. (2003), “Seen through the lens of international business strategy”, Keynote Lecture at the International Conference on Divestment: Corporate Strategies, the Regions and Policy Responses, Lisbon.

Berger, A.N (2005).The profit-structure relationship in banking: test of market-power and efficient-structure hypotheses. Journal of Money, Credit and Banking, v. 27, n

Boyd, H. W. Jr., R.Westfall, and S.F. Stasch, (2004). Marketing Research. Delhi: Richard D. Irwin Inc, AITBS 7th edition.

Easterby-Smith (2004). "An Analytical Approach for Evaluating Sales Territory Performance." Journal of Marketing 36 (January):31-37.

Constable and McCormick (2007). "Market Orientation and Company Profitability: Further Evidence Incorporating Longitudinal Data." Australian Journal of Management. 25/ 2: 173-99.

Beddowes, K (2004). Marketing, New Delhi: Tata McGraw Hill 13face= Superscript; thface Superscript; edition.

Capar, N. and Kotabe, M. (2003), "The relationship between international diversification and performance in service firms", Journal of International Business Studies, Vol. 34.

Collis, D.J. (2001), "A resource-based analysis of global competition: the case of the bearings industry", Strategic Management Journal, Vol. 12.

Contractor, F.J., Kundu, S.K. and Hsu, C.C. (2003), "A three-stage theory of international expansion: the link between multinationality and performance in the service sector", Journal of International Business Studies, Vol. 34.

Costa, J. (2007), "A study of strategic planning and environmental scanning in the multi-unit Portuguese hotel sector", Guildford, Department of Management Studies, University of Surrey., unpublished PhD Thesis.

Costa, J. and Teare, R. (2006), "Environmental scanning: a tool for competitive advantage", in Kotas, R., Teare, R., Logie, J., Jayawardena, C. (Eds), The International Hospitality Business, Cassell, London.

Deng, S.and Dart, J. (2005), "The impact of economic liberalisation on marketing practices in the People's Republic of China", European Journal of Marketing, Vol. 29

Dibb, S. (2006), "The impact of the changing marketing environment in the Pacific rim: four case studies", International Journal of Retail and Distribution Management, Vol. 24

Dunning, J.H. and McQueen, M. (2002), "The eclectic theory of the multinational enterprise and the international hotel industry", in Rugman, A.M. (Eds), New Theories of the Multinational Enterprise, Croom Helm, New York, NY.

Dupuis, M., Prime, N. (2006), "Business distance and global retailing: a model for analysis of key success/failure factors", International Journal of Retail and Distribution Management, Vol. 24

Dymsza, W.A. (2012), Multinational Business Strategy, McGraw-Hill, New York, NY.

Fahey, L. and King, W.R. (2007), "Environmental scanning for corporate planning", Business Horizons, Vol. 20.

Farrell, D. (2004), "Beyond offshoring: assess your company's global potential", Harvard Business Review, Vol. 82 No.12.

Freeman, V.; A. Woodwork, and E. Stephenson. (2007). "Acting on Global Trends: A McKinsey Global Survey." The McKinsey Quarterly. (March). [Online] Available:

Fish, M., Rudolph, P. (2006), "The impact of changing conditions on international resort returns: a case study in a developing country", International Journal of Hospitality Management, Vol. 5.

Gerry Johnson and Kevan Scholes (2002) "Exploring Corporate Strategy" 6th edition.

Glueck, W. F. and L. R. Jauch. (2004). Business Policy and Strategic Management. New York: McGraw Hill. 4face= Superscript; edition.

Goldman, A. (2010), "Supermarkets in China: the case of Shanghai", International Review of Retail, Distribution and Consumer Research, Vol. 10 No.1.

Grant, R.M. (2008), Contemporary Strategy Analysis: Concepts, Techniques, Applications, 3rd ed., Blackwell Business, Malden, MA.

Grosse, R. (2005), "Are the largest financial institutions really 'global'?" Management International Review, Vol. 45 No.1.

Hamel, G. and C.K. Prahalad. (2002). Competing For the Future. New Delhi: Tata McGraw-Hill.

Harzing, A.W. (2010), "An empirical analysis and extension of the Bartlett and Ghoshal typology of multinational companies", Journal of International Business Studies, Vol. 31 No.1, pp.101-20.

Heid Vernon W. and Lawrence H. W. (2008) “Strategic Management in a global economy”

Hitt, M.A., Ireland, R.D. (2005), "Corporate distinctive competence, strategy, industry and performance", Strategic Management Journal, Vol. 6 No.3.

Hung, K.H., Li, S.Y and Belk, R.W. (2007), "Global understandings: female readers' perceptions of the new woman in Chinese advertising", Journal of International Business Studies, forthcoming.

Johnson G., and Scholes K., (2002) “Exploring Corporate Strategy;” Texts and Cases, Prentice Hall, New Delhi, 6th edition

Johnson, J.H. (2005), "An empirical analysis of the integration-responsiveness framework: US construction equipment industry firms in global competition", Journal of International Business Studies, Vol. 26 No.3.

Kang’oro V. (2008), “The State of Strategic management practices in public sector organizations in Kenya”, Unpublished Thesis, University of Nairobi

Kim, W. C. and R. Mauborgne. (2005). Blue Ocean Strategy. Boston: Harvard Business School Press.

Kisaka Julie (2007) Expansion Strategies Adopted By Media Houses In Kenya

Kotler, P, (2007) “Marketing Management Analysis, Planning and Control,” Prentice hall A New Delhi

Kumar, M.S. (2004), Growth, Acquisition, and Investment: An Analysis of the Growth of Industrial Firms and Their Overseas Activities, Cambridge University Press, Cambridge.

Malnight, T.W. (2005), "Globalization of an ethnocentric firm: an evolutionary perspective", Strategic Management Journal, Vol. 16 No.2.

Martinez, J.I. and, Jarillo, J.C. (2009), "The evolution of research on coordination mechanisms in multinational corporations", Journal of International Business Studies, No.3.

Pearce J.A., and Robinson R.B., (2003), “Strategic Management; Strategy Formulation, Implementation and Control” Irwin, Homewood, Illinois, 8th edition,

Porter, M.E. (2006), Competition in Global Industries, Harvard Business School Press, Boston, MA.

Prahalad C.K. and Hamel G., (2010), “Core Competency Concept, “Harvard Business Review, May–June 1990.

Prahalad, C.K., and Doz, Y.L. (2007), The Multinational Mission: Balancing Local Demands and Global Vision, Free Press & Collier Macmillan, New York, NY.

Roth, K., Schweiger, D.M., and Morrison, A.J. (2011), "Global strategy implementation at the business unit level: operational capabilities and administrative mechanisms", Journal of International Business Studies, Vol. 22 No.3.

Rugman, A., and Hodgetts, R. (2011), "The end of global strategy", European Management Journal, Vol. 19 No.4.

Rugman, A.M., and Verbeke, A. (2006), "Strategies for multinational enterprises", in Faulkner,

Sullivan, D. (2004), "Measuring the degree of internationalization of a firm", Journal of International Business Studies, Vol. 25 No.2.

Svensson, G. (2001), "Globalization of business activities: a global strategy approach", Management Decision.

Svensson, G. (2002), "Beyond global marketing and the globalization of marketing activities", Management Decision.

Thompson A, Strickland A.J., (2003), “Strategic Management; Concepts and Cases” Irwin, New York

Punch, K (2000), “Developing Effective Research Proposals”, London, California, New Delhi: Sage