



STRATEGIC INTELLIGENCE PRACTICES AND PERFORMANCE OF THE BANKING INDUSTRY: THE ROLE OF REGULATORY FRAMEWORK IN COMMERCIAL BANKS IN KENYA

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Abstract

The purpose of this study was to establish the effect of regulatory framework on the relationship between strategic intelligence and performance of commercial banks in Kenya. The study was anchored on resource based (RBV) and offense-defense theories. Target population comprised 40 commercial banks and the sample size was 181 selected proportionately through stratified sampling procedure. The study used both primary and secondary data, where primary data was obtained from Kenya commercial banks head offices, while secondary data, for the year 2016 – 2018, was obtained from the annual reports of the central bank of Kenya. Data analysis was done using descriptive statistics and linear multiple regression analysis. Findings indicate that strategic intelligence, interaction term and regulatory framework had a significant role to the positive changes on the performance of the banking industry in Kenya. The study recommends that the central banking and banking industry management team should jointly explore and enforce provident guidelines such as

liquidity management, credit risk management and foreign exchange risk management guide and develop strategic intelligence practices which can enable them to foresee threats and risks as well as opportunities in the environment they operate in.

Keywords: strategic intelligence, performance, regulatory framework, commercial banks, Kenya

INTRODUCTION

Banking industry is a network of financial institutions silenced by the government to receive or handle cash, credits, and other financial transactions for the whole nation. Banks accepts deposits from public and creates a demand deposit but also provide loans to borrowers (Werner, 2014). Banks, therefore, are an economic backbone of a country since they provide liquidity needed for household consumption, hence increasing money circulation in an economy (Driga, 2006). Banks are financial intermediaries, in that they transfer funds from one state to another, make payments for goods and services, provide safe savings supports and promote economic activities by issuing tradeable claims, funding high economic potential projects in a country (Driga, 2006). Banks have made a notable contribution toward realization country's sustainable development goals in Kenya (SDG) (Klapper, El-Zoghbi, & Hess, 2016). Reports show that through improved customer care services and improved technology, banks have increased profitability significantly (Chironga, Cunha, De Grandis, & Kuyoro, 2018). This informs that banks in Kenya adopted Kaplans model that include financial and non-financial measurers for superior performance.

However, despite its great position in the country's economy, banking industry worldwide is cumbered with enormous challenges caused by radical shifts, engineered by new competition from financial technology (FinTech) (Chen, Li, Wu & Luo, 2017), changing business models, banking regulation and compliance requirements among other challenges (Vives, 2019). In Kenya for example problems such non-performing loans, weak internal control mechanisms and poor governance are among the problems that limits the performance and growth of the industry (Muriithi & Louw, 2017). For the industry to survive therefore, stringent measures are necessary. These measures must basically focus on attaining high performance of each an individual bank, such that collectively the industry may remain as a country's economic giant. In this case strategic intelligence is indispensable, since strategic intelligence is about having right information at the right time with the right people who will provide right decision making and proper forecasting (Xu, 2007).

Strategic intelligence is an alert to sophisticated competitive business platform such as the banking industry it is a wider scope, and longer-term horizons, for organisational

sustainability (Westerfield, 2001). It is argued therefore that, strategic intelligence is about having right information which require specific information-processing practices (Xu, 2007) or applying the best practice strategies found business intelligence soft skills, competitive intelligence, and knowledge management (Liebowitz, 2006). Through strategic intelligence practices therefore, organisations can secretly set targets and shape various efforts hence manage to be ahead of challenges and barriers to growth (National Research Council, 2011). Current banking trends show that technology continues to make banking business better due to data analytics which facilitates competitive advantage (Owens, 2012).

However, this requires high intelligence to select between options and reduce efforts required to make quality decisions (Kruger, 2010). This part is played by the strategic intelligence practices in an organisation. Strategic intelligence pertains foresights or ability to understand trends and potential threats or opportunities (Chen, Li, Wu & Luo, 2017). It is also about visioning or system thinking which motivates people to work as a team, hence enabling the organisation to achieve their set objective and both long and short-term goals (Maccoby, 2001). Strategic intelligence practices enhance conceptualizing, synthesizing, and integrating functions that work together hence solving a common problem in the market. Strategic intelligence practices contribute directly to the success of specific investigations (Maccoby, 2001; Peterson, 2005). It performs both creation and discovery hence enabling managers to notice and identify trends as they begin, and faster react by setting a counterintelligence security measure (Shapira, 2020). Moreover, to improve the nation's economy therefore, organisations employ continuous monitoring and orientation of economic intelligence practice by using information security, which is provided through strategic intelligence practices such as business intelligence (Ursacescu & Cioc, 2012).

According to Levine, Bernard, and Nagel (2017), high performance is predicted by combination of analytical skills, hence strategic intelligence is a provider of such skills. It is also argued that strategic intelligence is used to reveal the final product of that process (Silaş, 2013). In the context of this study therefore, banking industry benefit from strategic indirection provided through strategic intelligence. Banking industry direction, in most cases is determined by the banking regulatory framework, whose main objective is to enhance increase transparency while protecting investors' capital, foster accountability and public trust (Kale, Eken, & Selimler, 2015). In this case commercial banks regulatory framework is an intelligence hub for the economic standing for the country.

Regulatory framework maintains that commercial banks must remain solvency by avoiding excessive risks continue servicing the nation's economy (Wongwachara, Jindarak, Nookhwun, Tunyavetchakit & Klungjaturavet, 2018). This is possible when regulations are

enforced by the banking regulatory framework. However, compliance on the regulations has become the most critical challenge to banking industries worldwide (Claessens, 2007). This is because of the set limits on the competitive strategies and consequences they hold on disparate resources in the industry. Strategic intelligence paves way to develop strategic alliances with individuals or other banks counterpart to solve such problems together. Without diluting and regulation, strategic intelligence cognitive ability and creativity solves problems (Jaarsveld & Lachmann, 2017).

As noted, commercial bank regulations are designed to create market transparency both to the investors and the regulatory framework (Krambia-Kapardis, 2016). This is necessary because banks do not work in isolation, they are a global economy holder, as such control is necessary (Kale, Eken, & Selimler, 2015). The idea behind this is to avoid situations where some banks will need government's bailout. Principally, a fail of one bank leads to a financial catastrophe to the whole industry, and logically to the whole national economy (Economics, 2016). This study therefore investigated the moderating effect of regulatory framework on relationship between strategic intelligence and performance of commercial banks in Kenya. The main purpose was to establish the role played by regulatory framework in enhancing strategic intelligence and its contribution to the performance of commercial banks in Kenya.

REVIEW OF LITERATURE

Theoretical Review

This study is anchored on the resource-based view theory (RBV) which was authored by a scholar known as Penrose back in 1959. RBV is known as the theory of the growth of the firm, and majorly focuses on internal resources as means of organisational processes that lead to sustainable competitive advantage. Accordingly, for the resources to provide an organisation with competitive advantage, they must be valuable, rare, inimitable, and non-substitutable (VRIN) (Barney, 2001). This implies if organisations are to remain afloat, they must develop unique, firm specific core competencies, and keep on the watch to outperform their competitors through a differentiation strategy (Stajkovic & Sergent, 2019).

RBV is shareholder interests-based theory, in that it focuses on performance which is the expectations of the shareholders in any business entity (Barney, 2001). On other hand organisations performance is a country's economic benefit, thus RBV is nations' economic theory (Campbell & Kubickova, 2020). Whichever way of evaluation of the performance results, the outcome must be measurable (Pavlou, & El Sawy, 2011). The RBV offers strategist insights on potential threats and opportunities that and can possibly impact firm growth (Aragón-Correa

& Sharma, 2003). This provide avenues to exploit organisation individual charism which stream with authentic strategic thinking and resulting to powerful competitive edge.

RBV is greatly appreciated by managers in strategy formulation since the theory activate skills of business evaluation, stimulate intelligence (IQ) for identifying firm's potential key resources, hence categories the valuable, rare, imperfectly imitable, and non-sustainable and develop strategies to protect them (Wade & Hulland, 2004). However, depending on which RBV attribute the firm chooses to dwell on, resource-based theory avail unique resources to the firm and it's the responsibility of managers to deploy the valuable resources to achieve competitive advantage (Wade & Hulland, 2004). The current business trend in Kenyan banking industry cannot ignore RBV as a theory guide antecedent to stabilize the varied performance results (Hugo, 2013). However, RBV has been criticized that capability is too limited, the fact that the model does not consider customer limits great opportunities for growth a company (Kraaijenbrink, Spender, & Groen, 2010).

Some of the limitations of RBV therefore, are covered by the dynamic capability model postulated by Teece, Pisano, and Shuen (1997). Dynamic capability theory is the ability of organisation and its managers to integrate, build and reconfigure internal and external capabilities to handle fast varying milieus (Brodie, Benson-Rea & Medlin, 2017). This makes it easy for organisation to adapt to organisation resource base. Dynamic capability theory emphasizes on three main principles necessary for organisation growth; ability to learn, build assets and integrate the strategic assets (O'Reilly III, & Tushman, 2008). The theory concentrates on the contextual framework of continuous search and development of best strategies to managers, to successfully capture standards and ensure survival (Lichtenthaler & Lichtenthaler, 2009), through information provision and interaction with external environment.

This will allow the organisation such the banking industry to fast track new technology and incorporate customer feedback in company processes. On other hand transformation can happen when managers are intelligent enough to timely gather information, synthesize, analyse and quickly make informed decisions to implement innovation (Zack, 2009). Accordingly, this requires an open system of a firm where employees and manager can easily interact and have a joint participation in growing the organisation (Lenssen, Gasparski, Rok, Lacy, Ayuso Rodríguez & Ricart, 2006). Teece (2010) referred this as "corporate agility". Dynamic capabilities are a network capability, such that in banking industry it set bases for alliances and expansion of businesses (Rothaermel, & Hess, 2007).

This is important for suitability a practical example in Kenya is given by Equity bank whereby it has extended and captured business in different countries (Watiri, 2013). However, the theory has been criticized that it is vague and tautological, in that it does not clearly bring out

the modality on how to respond to the business changing environment. These limitations, therefore, necessitate strategic intelligence to develop context, knowledge and understanding of the changing environment. Intelligence process accordingly, can be employed using six steps: planning and direction, collection, processing/collation, analysis, dissemination, and reevaluation (Peterson, 2005). It is the provision of information about targets of concern (Westerfield, 2001).

The concept of strategic intelligence was pioneered by the classical scholars in the United States in 1947 (2010). Strategic intelligence concept evolution took four phases starting from second world war time, second phase concentrated on the analysis which assisted policy makers with facts hence making informed decisions, third phase improved the previous two phase's deficiency through scientific advances and development of technologies and the fourth phase started when terror globally began to shake the world from 1997 (Poteat, 2011). The theory is classified in three categories including strategic intelligence, tactical intelligence and operational intelligence, and the main focus is on broad issues which impact strategy such as national economics or global economics among others (Westerfield, 2001).

Strategic Intelligence in business scenario involves assimilating of economic information to create a deep understanding of issues of continuity in business (Kuosa, 2014). It provides in-depth assessments of trends and developments to recognize and warn on changes related to the issues that may affect the future strategic environment (Sadler & Dalal-Clayton, 2012). As noted, the roots of strategic intelligence concept are traced from military, hence associated with the theories of power (Boake, 2002; Adamsky, 2010). However, power theories are not sufficient to explain strategic intelligence without involving the 'defense' theories. This study, therefore, associates the strategic intelligence with theories of defense for the protection of the country's economy (Coulomb, 2004; Kent, 2015). The offense-defense theory dates back in 1920 during the error of political economy through the book authored by Arthur Cecil Pigou (Pigou, 1920). In this study offense-defense theory uphold that, state's relative ease of attack and defense provides a powerful predictor of war initiation and business conflict (Lieber, 2005).

The economics defense or defenses economics theory is relevant in this study due its background that touches economic warfare, economic growth, and competitive strategies (Lambert, Perkovich, & Levite, 2017). Defense is about employing strategies to secure business secrets and avoid failure which may happen due to easily imitable products, easily substitutable products, easily found products, and with less value addition (Kak & Sushil, 2002; Markman, Espina & Phan, 2004). Offense on other hand, in business suggests challenges that every business must work against, to transform the limitations found in their entity (Freeman, & McVea, 2001). The banking industry are constantly in war for survival, high competition in the

industry is provocative to any management that is awake (Banks, 2006; Carletti, 2008). Defense is inevitable in this scenario. However, offense must also be cautiously implanted to an opponent in business undertakings. Compliance with the banking regulations must be given priority to avoid unscrupulous businesses which may worsen the situation. According to McNutt and Rossi (2010) if manager adapts compliance as a significant core element for their overall strategy and govern behaviour of their operation they can preserve long-term value for their organisations.

Strategic intelligence is about identifying your competitor, what could be their competitive strategy, their current product, future plans, their strength, and weakness (Johnson, 2003). It is trader's intuition (Bruguier, Quartz, & Bossaerts, 2010). This helps in formulating the organisation strategic plan. This is the direction that banking industry in Kenya must follow to remain stable in business. Strategic intelligence is implementation of tactics (Baker, 2009) though it slightly differentiated from tactical intelligence (Moore, (2006). While tactical intelligence provides information relating to a particular battle and provides real-time analysis in current competitive landscape (Tounsi & Rais, 2018).), strategic intelligence is a wider scope, such as planning, manpower allocation prioritization of activities (Sharma & Sisodia, 2016).

Tactical intelligence helps managers not to be blindsided but get information for further analysis and make informed strategic decisions (Culver,2006; Hostmann,2008). Strategic intelligence is both military and economic power (Fuld, 2010). Intelligence is hard to gather, hence it is valuable, rare, inimitable, and non-substitutable, thus, it is dynamic. According to Tsai, K-H, & Chen (2011) intelligence is a form of competitor acumen, but also it can facilitate better negotiation (Galinsky, Maddux, Gilin, & White, 2008). Regulatory framework and offense-defense strategy are linked in this study since regulatory framework's main objective is to influence direction, which in this case is a defense strategy. On other hand as company's compete for customers, the outcome of act depict offense.

Regulatory framework is an identified set of constitutional, legislative, regulatory, jurisprudential, and managerial rules (Davis-Roberts & Carroll, 2010). In essence, framework is basic, fundamental structure to a set of regulations, while regulations are principles, rules, or laws aimed for controlling or for governing behaviour (Coglianese, 2012). In other words, this is a mechanism, which guides governments or their agents, and or their international bodies set requirements, on organisations that operate legally within a given country (OECD, 2015). As such, it is an infrastructure in existence, in a given state or nation to control the behaviour in existing businesses (Hodge, 2007).

As noted, regulatory framework affects the direction of a proposed or adopted course of action, rule, principle, or law (Masharsky, 2014; Abdallah, 2015). Some of the regulatory

framework in banking captured by IMF include licensing, corporate governance, capital requirements and leverage (Song & Oosthizen, 2014). Principally, in Kenya financial regulatory framework aims at regulating the rules that govern the behaviour of the banks and the related financial institutions. Moreover, regulatory framework in Kenya ensures that only those financial institutions that are financially viable operate in the market. Regulatory framework also controls excessive risk-taking by management of banks. Additionally, they empower central banks to properly monitor, intervene, establish appropriate rescue, and exit means under the mandate of the central bank (Putnis, 2013). This provides protection for investors, enhancing efficiency and improve the social welfare (Tchana, 2009).

Empirical Review

The banking industry in is one of the main drivers of Kenyan's economy and the best performer in east Africa (Muriithi, & Louw, 2017). Records indicate that, currently the country has forty (40) commercial banks excluding the banks under statutory management and on receivership (CBK, 2018). According to Chironga, Cunha and De Grandis, (2018) commercial banks in Kenya registered higher profitability by 24.6% on average based on data from 2016, the year when a law on capping interest rate was passed. This is an indication that banking industry realized sound performance in the past. Further, due to digitization, with mobile services increase, diversification, and high adoption of technology among other activities, led to improved access to financial services significantly (Chironga, Cunha & De Grandis, 2018). However, despite the positive indicators, commercial banks average net interest margin declined from 8.96% in 2016, 8.4% 2017 and 7.9% 2018. This was caused by the drop-in capital adequacy and fall in asset quality in the year 2017 (CBK, 2018). As note by Ekinci and Poyraz, (2019) the drop-in capital for one commercial bank affects the whole economic standing of a nation. This also goes against the efforts of the government towards achieving of Vision 2030, which aims to provide its citizen with high quality of life, through encouraging good performance in every commercial sector (GoK, 2007). To rectify the problem therefore, close monitoring of the commercial banks by the regulatory framework is necessary.

Accordingly, one of the goals of regulatory framework in banking sector is to improve national economies by providing directives on banks operation (Chortareas, Girardone & Ventouri, 2012). Hellmann, Murdock and Stiglitz (2000) support this argument by adding that banking industry is imperative that they are regulated due their importance to the economy. The objectives applied for regulation and supervision of banking activities are mainly to pursue and maintain financial stability by ensuring the safety and soundness of banks (Song & Oosthizen, 2014). Regulatory framework also ensures fair competition, market openness, risk awareness,

and implementation of constitutional acts such as criminal acts on money laundering and compliance controls on internal and external audit (Hodge & Greve, 2007; Putnis, 2013; Masharsky, 2014).

According to Lempere (2019) regulation in financial sector in Kenya as in the whole world is mandatory because they enhance stability, promotion of competition and protection of the consumers. This study focused on the Kenyan financial sector in general, ignored the importance of industry specific, furthermore the study was a case study hence compromised the relevance because of generalized results (Panda, & Gupta (2014). Study by Gakeri, (2015) focused regulator financial services regulatory system in whole East Africa with Kenya while Ondiege (2015) focused on the financial inclusion regulations.

None of these studies focused regulatory framework as mediator variable between strategic intelligence and performance. Moreover, none of these studies dwelt on commercial banking industry in Kenya. However, according to Miencha and Selvam (2013) high efficiency and profitability in commercial banks in Kenya is important. This can easily be achieved through regular monitoring and implementation of strategic intelligence; hence the current study was necessary. To measure performance therefore, the study used both financial and non-financial measures, where financial measures were return on assets (ROE) and non-financial measures were abbreviated as NFP. The study, therefore, was guided by the following hypothesis:

H01: Strategic intelligence has no significance effect on the performance of commercial banks in Kenya.

H02: Regulatory framework has no significance moderating effect on relationship between strategic intelligence and performance of Commercial banks in Kenya.

RESEARCH METHODOLOGY

A multimethod approach was used in this study, where a cross-sectional descriptive survey and explanatory research designs were employed. The use of two designs therefore, provided a wider range for data interpretation and conclusion as noted by (Johnson, Onwugbuzie and Turner (2007). According to Seawright (2016), where a researcher uses two designs, this allows chances of integrating qualitative and quantitative data, and combines them to have a consolidated data for further analysis. Consequently, both descriptive cross-sectional survey and explanatory research designs were employed. Descriptive design provided both qualitative and quantitative data through the research questionnaires, while explanatory research design identified the cause and effect, hence linked between the independent and dependent variables relating to research problem.

As noted, the target population for this study encompassed 40 commercial banks in Kenya categorized as large, medium, and small size based on the market share. According to CBK (2018), the total number of operating commercial banks in the country, as at 31 December, 2018, were forty (40) commercial banks excluding those which were under-receivership or statutory management. This study used a sample size of 181 respondents through proportional sampling technique. A ratio of 0.15 was used at a 95% level of confidence through Krejcie and Morgan’s table for determining sample size (Krejcie & Morgan, 1970). Based on the stated sampling technique as ample size of 181 respondents was selected as indicated in Table 1.

Table 1: Distribution of Sample size

Tier	Population Frequency	Multiplier factor	Sample Frequency	Percent
Large banks	270	0.15	41	22.65
Medium	300	0.15	45	24.86
Small banks	630	0.15	95	52.49
Total	1200	0.15	181	100.00

As indicated therefore, highest sample size came from small banks with 95 respondents (52.49%), while medium banks provided 45 respondents (24.86%) and the larger banks provided 41 respondents (22.65%), making a total of 181 respondents.

This study used questionnaires and document review as data collection instruments. Due to two indicators for performance (financial and non-financial), the study used two separate models to explain performance. The financial measures were Return on Equity (ROE), while non-financial measures were abbreviated as (NFP) which was an aggregated mean of the Likert scale constructs. The models indicated below were used;

$$ROE = \beta_0 + \beta_1 BI + \beta_2 CI + \beta_3 KM + \varepsilon \dots\dots\dots 1$$

$$NFP = \beta_0 + \beta_1 BI + \beta_2 CI + \beta_3 KM + \varepsilon \dots\dots\dots 2$$

Where: -

ROE = Financial Performance

NFP = Non-Financial Performance

$\beta_0, \beta_1, \beta_2, \beta_3$ = beta coefficient

BI = Business Intelligence

CI = Competitive Intelligence

KM = Knowledge management

ε = Error Term

FINDINGS AND DISCUSSION

The presentation of the results includes the descriptive statistics, model summary and multiple regression analysis moderating variable. Table 2 presents the information for regulatory framework provided by respondents through a five-point Likert scale to measure the extent agreement with the suggested statements.

Table 2: Descriptive Statistics of Regulatory Framework

Descriptions	Mean	Standard Deviation
Protects bank from the losses.	3.32	1.44
Enables the banks to estimate the impact of the risk on the capital employed.	3.51	1.40
Enhances financial standing	3.53	1.45
Ensures that the bank operations are manageable within acceptable limits and are profitable.	3.54	1.34
Enables the management of working capital.	3.56	1.08
Provides security to the investors.	3.57	1.41
Helps banks to maintain market confidence.	3.64	1.34
Enables banks to deliver intra-bank daily liquidity information to customers.	4.04	0.81
Enables banks to manage cash flows credit facilities.	4.11	0.82
Maintain adequate credit and enforces investment policies.	4.09	1.17
Improve asset value and gives alert against losses.	4.11	0.97
Aggregate Mean Score and Standard Deviation	3.73	1.21

Consequently, table 2 indicates that commercial banks in Kenya agreed to a moderate extent that regulatory framework protects banks from losses. Regulatory framework enables the banks to estimate the impact of the risk on the capital employed. They also enhance financial standing, ensures that the bank operations are manageable within acceptable limits' and are profitable, enables the management of working capital, provides security to the investors and that it helps banks to maintain market confidence with mean scores of 3.32, 3.51, 3.53, 3.56, 3.57 and 3.64 respectively. Further, commercial banks agreed to a large extent that regulatory framework enables banks to deliver intra-bank daily liquidity information to customers, enables banks to manage cash flows credit facilities, maintain adequate credit and enforces investment policies, improve asset value and gives alert against losses with mean scores of 4.04, 4.11, 4.09 and 4.11 respectively.

On average, the results indicate that banks agreed to a moderate extent that the regulatory framework enhanced performance with an aggregate mean score of 3.73 and standard deviation of 1.21. In essence, regulatory framework has been displayed as on that enhance a conducive banking environment to customers and the industry as a whole. This case therefore banks benefit from high efficiency, effectiveness and productivity, while the customers benefit from better services and security of their invest monies. These observations are in line with the findings of Kale, Pasiouras, Tanna & Zopounidis (2009); Fatima (2014); Eken & Slimler (2015). Accordingly, the researcher asserts that regulatory bodies and the enforced regulations have positive effect to the production and banks' efficient operations.

To test the hypothesis for the study, two steps as recommended by Baron and Kenny (1986) were adopted whereby, in step one, the effect of strategic intelligence was regressed against performance (PF) (Composite of financial and non-financial measures of performance) as shown in model 1.

Model 1:

$$ROE = \beta_0 + \beta_1 SI + \varepsilon$$

$$NFP = \beta_0 + \beta_1 SI + \varepsilon$$

In the second step, both strategic intelligence and regulatory framework were regressed against financial and non-financial measures of performance as shown in model 2.

Model 2

$$ROE = \beta_0 + \beta_1 SI + \beta_2 RF + \beta_3 SI * RF + \varepsilon$$

$$NFP = \beta_0 + \beta_1 SI + \beta_2 RF + \beta_3 SI * RF + \varepsilon$$

Where, $\beta_0, \beta_1, \beta_2$ & β_3 = beta coefficients,

ROE = Financial performance,

NFP = Non-Financial Performance,

SI = Strategic Intelligence (Composite of Business Intelligence, Competitive intelligence, and Knowledge management) and

RF = Regulatory Framework (Moderator).

The moderating effect of regulatory framework on the relationship between strategic intelligence and both ROE and NFP of Commercial Banks in Kenya was established. The regression results are shown in Tables 3, 4 and 5.

Table 3: Model Summary of Moderating Models

Dependent Variable	Model	Adjusted R			
		R	R Square	Square	Std. Error of the Estimate
ROE	1	0.857	0.735	0.733	9.670111
NFP	1	0.903	0.815	0.814	0.57196
ROE	2	0.863	0.744	0.739	9.568586
NFP	2	0.917	0.841	0.837	0.53428
Model 1	Predictors: (Constant), SI				
Model 2	Predictors: (Constant), Interaction Term, RF, SI				

The results in Table 3 show adjusted R-square value of 0.733 for the model linking strategic intelligence to ROE. This indicates that 73.3% of the ROE of commercial banks in Kenya was explained by strategic intelligence. The findings also showed that the adjusted R square value for the model linking both strategic intelligence, interaction term and regulatory framework to ROE of commercial banks in Kenya was 0.739. This indicates that strategic intelligence, interaction term and regulatory framework explain up to 73.9% of the ROE of commercial banks in Kenya up from 73.3% which strategic intelligence only explained (73.9% >73.3%). The results, therefore, indicate that the goodness-of-fit for regression model and tolerable for continuing with the analysis.

Concerning the NFP, the results in Table 3 show adjusted R-square value of 0.814 for the model linking strategic intelligence to NFP. This indicates that up to 81.4% of the NFP of commercial banks in Kenya was explained by strategic intelligence. The findings also showed that the adjusted R square value for the model linking both strategic intelligence, interaction term and regulatory framework to NFP of commercial banks in Kenya was 0.837. This indicates that strategic intelligence, interaction term and regulatory framework explain up to 83.7% of the NFP of commercial banks in Kenya up from 81.4% which strategic intelligence only explained (83.7% > 81.4%). This implies that the moderating variable had high effect on the relationship between strategic intelligence and both NFP and ROE of commercial banks in Kenya. The results are consistent with that of a study by Kale, Eken and Slimler (2015) on the moderating effect of bank regulations on performance of commercial banks in Turkey. Accordingly, the study established that tighter restrictions, strong supervision, monitoring, adequate capital, and renewed reforms positively influenced bank efficiency.

In essence regulatory framework is basically meant to reduce risk in the banking industry. For this therefore, they identify potential threats to industry and try to mitigate them.

Moreover, they assess the vulnerability of critical assets in the industry, the expected likelihood of consequences and prioritize risk reduction measures in the industry. This implies that regulatory framework is a long-term performance factors in the banking industry. Moreover, based on the results therefore, it can be argued that efficiency in banking reduces the level of risk to customer, hence encouraging more investment. It also reduces systematic risk or any misuse such as laundering behaviour and bank failures. This encourages customer attraction while presenting a particular bank as a corporate socially responsible entity. The ANOVA results for model's fitness are presented in Table 4.

Table 4: ANOVA of Moderating Models

Dependent Variable	Model		Sum of Squares	Df	Mean Square	F	Sig.
ROE	1	Regression	35796.17	1	35796.17	382.802	.000
		Residual	12904.52	138	93.511		
		Total	48700.69	139			
NFP	1	Regression	199.004	1	199.004	608.316	.000
		Residual	45.145	138	0.327		
		Total	244.15	139			
ROE	2	Regression	36248.83	3	12082.94	131.971	.000
		Residual	12451.87	136	91.558		
		Total	48700.69	139			
NFP	2	Regression	205.328	3	68.443	239.768	.000
		Residual	38.822	136	0.285		
		Total	244.15	139			
Model 1	Predictors: (Constant), SI						
Model 2	Predictors: (Constant), Interaction Term, RF, SI						

The results indicated in Table 4 show that the F statistic value of 382.802 for the model linking strategic intelligence to ROE was significant (P-value = 0.000). It was also indicated that the F statistic value of 608.316 for the model linking strategic intelligence to NFP was significant (P-value = 0.000). This implies that strategic intelligence contributes significantly to changes in ROE and NFP of commercial banks in Kenya. The findings are consistent with that of a study by Owusu (2017) who evaluated the impact of adopting strategic intelligence among Ghanaian commercial banks and established that strategic intelligence has a significant positive effect on the learning and growth, internal process and customer satisfaction of the commercial banks.

Further results revealed that the F statistic value of 131.971 for the model linking both strategic intelligence, interaction term and regulatory framework to ROE of commercial banks in Kenya was also significant (P-value = 0.000). The F statistic value of 239.768 for the model linking strategic intelligence, interaction term and regulatory framework to NFP of commercial banks in Kenya was correspondingly significant (P-value = 0.000) to imply that the regression models were a good fit. This means that strategic intelligence, interaction term and regulatory framework contribute significantly to changes in both ROE and NFP of commercial banks in Kenya. This is so in view of the argument by Song and Oosthuizen (2014) that regulatory framework in the banking sector helps to pursue and maintain financial stability by ensuring the safety and soundness of banks. These regulatory framework guides the strategic intelligence practices adopted by the commercial banks in ensuring that risk is reduced, and performance is enhanced. The regression models' coefficients are presented in Table 5.

Table 5: Regression Model Coefficients of Moderating Models

Dependent Variable			Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	Model		B	Std. Error	Beta		
ROE	1	(Constant)	-27.896	2.026		-13.766	0.000
		SI	0.639	0.033	0.857	19.565	0.000
NFP	1	(Constant)	0.804	0.12		6.704	0.000
		SI	0.048	0.002	0.903	24.664	0.000
		(Constant)	-25.669	15.787		-1.626	0.106
ROE	2	SI	0.377	0.27	0.506	1.396	0.165
		RF	0.192	4.721	0.007	0.041	0.968
		SI*RF	0.053	0.074	0.358	0.722	0.471
		(Constant)	-2.525	0.882		-2.864	0.005
NFP	2	SI	0.116	0.015	2.200	7.702	0.000
		RF	0.940	0.264	0.512	3.566	0.001
		SI*RF	0.018	0.004	1.722	4.402	0.000

The findings in Table 5 shows that the moderating effect of regulatory framework on the relationship between strategic intelligence and ROE of Commercial banks in Kenya was positive but not significant since the interaction term had a positive but not significant beta coefficient (Beta = 0.053, P = 0.471). Conversely, the moderating effect of regulatory framework on the relationship between strategic intelligence and NFP of Commercial banks in Kenya was negative and significant since the interaction term had a negative and significant beta coefficient

(Beta = 0.018, P = 0.000). This implies that the interaction of strategic intelligence with the regulatory framework increases the effect of strategic intelligence on NFP of commercial banks. The null hypothesis was thus rejected.

The implication of these findings is that the regulatory framework consisting of the prudential guidelines such as liquidity management, credit risk management and foreign exchange risk management guide commercial banks in development of frameworks which can enable them to identify threats and risks as well as opportunities in the environment they operate in. The identification of threats and risks as well as opportunities according to Strain (2013) is what constitutes strategic intelligence. Therefore, it can be argued that the regulatory framework, specifically, the prudential guidelines, provides a basis for the commercial banks to come up with strong strategic intelligence practices which can in the long run, enable them to come up with grand strategies to overcome turbulence in the market and gain competitive edge and high performance. This explains the reason why the interaction of these two variables gives a positive and significant effect.

The findings further suggest that if commercial banks in Kenya operate within the prudential guidelines provided by the CBK and develop structures and frameworks to ensure there is continuous data collection, dissemination and storage, this will help them to be able to sense the risks, threats and opportunities in the operating environment and act accordingly. This is based on the argument by Masharsky (2014) that regulatory framework ensures fair competition, market openness, risk awareness, and implementation of constitutional acts such as criminal on money laundering and compliance controls on internal and external audit.

CONCLUDING REMARKS

Conclusion

This study investigated the role of regulatory framework to commercial banks in Kenya. The study sought to determine the moderating effect of regulatory framework on the relationship between strategic intelligence and performance. Accordingly, the results showed that strategic intelligence, interaction term and regulatory framework had a significant contribution to the changes on ROE and NFP on the commercial banks in Kenya.

Policy Implications

Based on the study findings, a set of policy options are recommended for improving performance of commercial banks in Kenya. The study found that Regulatory framework moderates the relationship and strategic intelligence and performance of commercial banks in Kenya. The study also established that regulatory framework significantly moderates the

relationship between strategic intelligence and performance of commercial banks. Further, the literature revealed that CBK has in place prudential guidelines for banks development, which could be termed as sufficient for banking stability. Nevertheless, the CBK need to adopt diversity-enhancing policies, which may be temporary, to be adopted only after diversity-reducing policies are done away with. The diversity-enhancing policies must support the strong, diverse, safe and ethical business models. This is possible when CBK incorporates intelligent and positive critical business analysts in reviewing commercial banks business laws/regulations. Moreover, based on the findings in this study, the researcher recommends that the commercial banks supervisor, CBK, should enforce the banking regulations such as capital requirements, liquidity management and general banking risk management. This implies that both the commercial banks policy makers and the CBK need to jointly explore weaknesses of the ongoing banking regulations and improve where necessary. Further, to avoid sanctions by the regulator authorities (CBK), the managing directors of commercial banks in Kenya must comply with laws specifically on non-performing loans, reputational risks such occurrence of losses and consequent closure or absence of response to adapting to necessary environmental changes in the sector.

Limitations and Future Research

This study sought to determine the moderating effect of regulatory framework on the relationship between strategic intelligence and performance. The researcher administered both open and closed ended questionnaires, and an online document review, which provide independent responses and specific data for Kenya commercial banks' ROE for years; 2016, 2017 and 2018, which were regarded as accurate to the expectation of the researcher. This study was conducted in Kenya, specifically in banking industry, leaving out other economic systems within the country. Future research can be carried out in different sectors to validate these findings.

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