MARKET GROWTH STRATEGIES AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE OF NATIONAL COMMERCIAL BANK AFRICA

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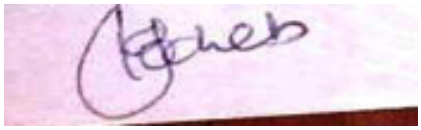
An Applied Research Project Proposal Submitted For Partial Fulfilment Of The Requirement For The Award of Master of Business Administration Degree In The Business Administration Degree In The Business School Of Africa Nazarene University

JUNE, 2024

DECLARATION

STUDENT'S DECLARATION

I declare that this research is my original work and has not been presented for a degree in any other University.



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1st SUPERVISOR'S DECLARATION

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DEDICATION

I dedicate this work to my late dad and my loving mother.

ACKNOWLEDGEMENT

For starter, I would like to acknowledge my husband, Geoffrey Mwangi, my two children Mumbi and David Mwangi for their dedication. Special thanks are extended to my lecturer, Darlyll Stanton, whose guidance and mentorship have been instrumental in shaping my academic journey. His dedication to his students and passion for the subject matter inspired me to push myself beyond my limits. I am also grateful to my supervisors, Dr. Owino and Dr. Musembi, for their exceptional support and guidance throughout the completion of this thesis. Their wisdom, patience, and encouragement made this daunting task seem manageable, and I am deeply appreciative of their mentorship. Furthermore, I would like to acknowledge my colleagues, especially Ben Nyataya, for their support and encouragement. Your camaraderie and belief in my capabilities have been uplifting, and I am grateful for the positive energy you brought to this endeavor. In conclusion, I extend my heartfelt appreciation to all those who have supported me along this journey. Your contributions, whether big or small, have made a significant difference, and I am truly thankful for each and every one of you.

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ABSTRACT

Growth strategies constitute plans that organizations develop to expand their business in specific aspects such as revenue, market share, customer base, or product offerings. Notably, the competitive environment within the market has resulted in financial institutions scaling back their operations. This study was guided by four objectives: to establish the effect of market penetration on the performance of commercial banks in Kenya, specifically NCBA Bank; to determine the effect of market development on the performance of commercial banks in Kenya, focusing on NCBA Bank; to establish the effect of product development on the performance of commercial banks in Kenya, with a case study of NCBA Bank; and to determine the effect of market diversification on the performance of commercial banks in Kenya, again with NCBA Bank as the case study. The study adopted a descriptive research design with the aim of identifying the study phenomenon under investigation, specifying the research questions, defining sources and types of data, and clarifying how data was analyzed and interpreted to answer the research questions. The research was conducted at NCBA Bank, based in Nairobi and Upper Hill offices. The target population consisted of 207 employees at NCBA Bank's head office. The researcher adopted a random stratified sampling technique, focusing on the target population. Primary data collection involved the administration of research questionnaires. A pilot study was conducted with 13 individuals from NCBA Bank Limited who were not included in the final data collection process. Reliability of the study was assessed to ensure consistent findings, while validity was established to confirm the accuracy of the research instruments. Data analysis was performed using SPSS version 25 and presented in the form of charts, graphs, and pie charts. The study reported a moderately significant positive correlation between market penetration on financial performance, $r(261) = .41, p < .001$. The findings suggested that enhanced market penetration methods like agency banking and digital financial services significantly boost financial performance. Moderately significant positive correlation between market development and financial performance, $r(261) = .42, p < .001$. The finding implied that the adoption of financial innovations such as mobile banking, internet banking, and agency banking has positively impacted the performance of commercial banks. The computed Pearson Correlation results as shown in Table 4.9 further revealed a strong significant positive correlation between product development and financial performance of commercial banks, $r(261) = .62, p < .001$. There is a strong significant positive correlation between market diversification and the financial performance of commercial banks in Kenya, $r(261) = .65, p < .001$. This study concludes that both marketing innovation, product diversification innovation, and product innovation and market diversification strategies are integral to the success in the performance of commercial banks. The study was recommended to the policymakers, practice and areas for further research.

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LIST OF ABBREVIATIONS

GDP: Gross Domestic Product

KRA: Kenya Revenue Authority

MSMEs: Micro Small & Medium Enterprises

NCBA: National Commercial Bank of Africa

PfDB: African Development Bank

RBT: Resource Based Theory

DEFINITION OF TERMS

Market Penetration: In the study, focus on increasing market share within the existing markets by promoting existing financial products or services. For the study, it introduced targeted marketing strategies campaigns to attract new customers or encourage existing customers to use additional services.

Market Development: Seek growth by entering new markets with existing financial products or services. In this case, conduct market research to identify new demographic segments or geographic regions with untapped potential.

Product Development: The study utilized market research and customer feedback to identify unmet needs or emerging trends in the financial industry**.**

Market Diversification: Need to evaluate opportunities for diversification into related or unrelated financial sectors, such as wealth management or investment banking.

Growth Strategies: It referred to the deliberate and systematic plans and actions implemented by NCBA Bank to expand its market share, increase its customer base, enhance its product and service offerings, and improve its overall operational efficiency with the primary objective of achieving sustainable financial growth and profitability.

Financial Performance: It referred is to the measurable outcomes and indicators that assess the effectiveness and efficiency of NCBA Bank's utilization of financial resources and the achievement of its financial objectives within a specified period.

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction

This chapter gave an overview of the background of the study, statement of the problem, purpose of the study, objectives of the study, research questions/hypotheses, significance of the study, scope of the study, delimitation of the study, limitation of the study, assumptions of the study, theoretical review and conceptual framework.

1.2 Background of the Study

The critical factor in ensuring that businesses remain relevant and competitive in today's dynamic and fast-growing global market is the implementation and outcome of effective growth strategies. According to Edwards (2021), the existence of a competitive environment within market conditions has greatly increased the importance of commercial institutions scaling their operations. An effective growth strategy helps businesses improve their competitive status and significantly impacts their performance in the industry (Hassel, Palier, & Avlijas, 2020).

Globally, growth strategies have been recognized as essential for the survival and prosperity of financial institutions. Growth can be seen as both quantitative and qualitative. Quantitative growth refers to the increase in current output, sales revenue, and product range. In contrast, qualitative growth focuses on developing the quality of business elements. This dual approach is crucial for sustaining long-term success in a highly competitive and ever-evolving global market. Mansikkamaki (2023) highlights that growth strategies are detailed plans that companies implement to expand their business in specific aspects, such as yearly revenue, the number of customers, or the range of products. Successful growth strategies for professional services firms often include a focus on utilization, project profitability, and delivery success. These strategies are integral to navigating the complexities of the global market and achieving sustainable growth (Aaker & Moorman, 2023).

In a regional context, growth strategies are tailored to the specific economic, cultural, and regulatory environments of different regions. For instance, in emerging markets, financial institutions may prioritize

market penetration and development due to the high potential for customer base expansion and economic growth. Regional growth strategies also consider local competition, regulatory frameworks, and market dynamics (Hassel, Palier, & Avlijas, 2020). For example, in Asia, banks and financial institutions have adopted aggressive market penetration strategies to tap into the growing middle class and increasing demand for financial services. These strategies often involve leveraging technology to enhance service delivery and customer experience, thus gaining a competitive edge in the regional market. Similarly, in Europe, product development and innovation are critical components of growth strategies. European financial institutions focus on developing new financial products and services to meet the evolving needs of customers and comply with stringent regulatory requirements (Steinberg, 2023). This approach ensures that they remain competitive and relevant in a rapidly changing market landscape.

At a local level, growth strategies are highly specific to the unique characteristics and needs of the market. In the context of Kenya, for instance, the financial sector has undergone significant transformations driven by technological advancements and regulatory changes. Commercial banks in Kenya, such as NCBA Bank, have adopted various growth strategies to enhance their financial performance and competitiveness. The study at hand examined the impact of growth strategies—market penetration, market development, product development, and market diversification—on the financial performance of NCBA Bank. The findings revealed that market penetration and development significantly positively affected the bank's financial performance. Product development also played a crucial role in enhancing profitability and market share. However, market diversification did not show a statistically significant impact, indicating that this strategy might require further refinement or different approaches to realize its potential benefits (Kiruja & Kimencu, 2020). The study underscores the importance of tailoring growth strategies to the local market context to achieve desired outcomes.

1.2.1 Market Growth Strategies

Growth strategy constitutes to plans that organizations develop to expand their business in specific aspects such as revenue, market share, customer base, or product offerings (Aaker & Moorman, 2023). Emphasis was on the fact that it involves overcoming current and future challenges to achieve growth goals, which may

include increasing market share, acquiring assets, or improving products or service growth. On the other hand, Hakizimana, Muathe, and Muraguri, (2020) are intentional and based on a company's strengths, with specific goals and measurable metrics. They should be reviewed and updated regularly to ensure they remain relevant and effective. A growth strategy is distinct from a marketing strategy, although marketing is one of the tools used to grow a business (Steinberg, 2023).

1.2.2 Financial Performance

Kori, Muathe, and Maina, (2020) noted that financial performance refers to the ability of a bank to generate earnings from its operations in comparison to its expenses and other relevant costs over a specified period. These earnings should be generated through efficient and effective management of assets and liabilities while maintaining acceptable levels of risk. Meanwhile, Kiruja and Kimencu, (2020) noted that performance of commercial banks is well noted to be the extent to which commercial banks are able to achieve their financial objectives, which includes profitability, liquidity, solvency, efficiency, and growth, amidst the prevailing competitive and regulatory environment. Commercial banks in Kenya are meant to fulfil their financial intermediation role effectively by efficiently mobilizing savings from surplus units and channeling them to deficit units through loans and advances, thereby contributing to economic growth and development.

Okafor, Adeleye, and Adusei, (2021) clearly noted that financial performance involves comparing the company's actual financial results against the goals, hitsorical performance, industry benchmarks, and the performance of competitors. It provides insights into the company's efficiency, profitability, liquidity, solvency, and overall financial health. Further, claimed that financial performance helps stakeholders, such as investors, creditors, management, and analysts, to make informed decisions regarding investment, lending, strategic planning, and resource allocation. It provides insights into the company's efficiency, profitability, liquidity, solvency, and overall financial health (Kori, Muathe, and Maina, 2020).

Cindiyasari, Junarsin, Nani, and Septiani, (2022) noted that financial performance refers to the evaluation of a company's effectiveness in generating profits and creating value for its stakeholders over a specific period, typically measured through various financial metrics and indicators. In most cases, these metrics may include

revenue, net income, earnings per share (EPS), return on investment (ROI), return on equity (ROE), gross margin, operating margins, and others (Kiruja & Kimencu, 2020).

1.2.3 Market Growth Strategies and Financial Performance

Growth strategies and financial performance are closely intertwined aspects of business success. Mutua and Kori, (2022) claimed that growth strategies are the planned and deliberate efforts that businesses undertake to expand their operations, increase revenue, and capture a larger market share. Further, financial performance, on the other hand, refers to the actual results achieved by a business in terms of revenue, profitability, market share, and other key performance indicators (Kiruja & Kimencu, 2020).

1.2.1.1 Market Penetration

Market penetration refers to the successful selling of a good or service in a specific market, measured by the amount of sales volume compared to the total target market for that product. It is a strategy uused to increased business's market share, often achieved through aggressive pricing, marketing, or distribution tactics (Steinberg, 2023). On the other hand, Muriuki, Muema, and Rintari, (2023) noted that market penetration is useful in industries with price sensitive markets, where quick diffusion and adoption of the product can lead to goodwill, efficiency, and discouragement of competition. Meanwhile, Ndun'gus, (2023) noted that market penetration constitute to growing the market share of current goods and services, obtaining dominance of existing markets, reforming a mature market by monopolizing it and driving out competitive and increasing consumption by existing customers. Further, existence of advantages of market penetrationstrategies include quick diffusion and adoption of the product, incentives to be efficient, discouragement of competition, and creation of goodwill.

1.2.1.2 Market Development

Maket penetration focuses on the firms ability to expand into new markets with existing products or services. On the other hand, Tongurai and Vithessonthi, (2023) emphasized on the idea that market development refers to targeting geographic regions, demographic segments, or customer groups (De Haan, Schoenmaker, & Wierts, 2020). As a matter of fact, companies may need to adapt their market strategies, distribution channels, or product features to suit the preferences and needs of the new market. Market development strategies may

include entering international market, exploring new distribution channels, or targeting different customers segments. Sendek-Matysiak and Losiewicz, (2021) market development is a strategic growth approach where a company seeks to sell its existing products in new markets. The strategy can be effective for businesses looking to expand their reach and tap into new customer bases without altering their current product line.

1.2.1.3 Product Development

Product development is the process of bringing a new product from concept to market, encompassing all stages from idea generation through to commercialization and beyond (Taghvaee & Talebi, 2023). It involves a cross-functional team that includes product management, product marketing, and project management. Moreover, Durmusoglu and Calantone, (2023) companies can innovate and introduce new offerings to meet changing customer needs, preferences, or technological advancements. Product development strategies often invovles research and development efforts, designs improvements, or launching product variant or extensives. The approach aims to attract existing customers and differentiate the company from competitors.

Product development process is a collaborative effort involving specialists from funcions like product marketing, design, and engineering. Moreover, stakeholders, including customers, also play a crucial role by providing feedback that informs subsequent product refinements. Granato et al., (2020) noted that product development bary, with common onces incluing ideation, market research, business analysis, marketing, and commercialization.

1.2.1.4 Market Diversification

Diversification is the most risky growth strategy and involves entering new market products or services. This can either be related diverisification, where the new products or markets have some synergy with the existing business, or unrelated diversification, where there are no apparent connections. Diversification allows companies to spread risks across different industries or markets but requires careful evaluation and management of resources, capabilities, and market dynamics (Elsayed, Nasreen, & Tiwari, 2020).

Meanwhile, Abid, Dhaoui, Goutte, and Guesmi, (2020) noted that successful market diversification strategies can include horizontal diversification, where a company adds products or services not available in its current market, concentric diversification, which involves adding products or services similar to the existing business,

conglomerate diversification, introducing new products unrelated to the current business, and vertical diversification, moving up or down the supply chain by combining additional stages of production. Diversification is crucial for company survival and growth, especially in manufacturing, as it allows businesses to mitigate risk, target new customers, and increase revenue

The riskiest growth method is diversification, which entails introducing new goods and services into untapped markets. This can be classified as unconnected diversification if there are no obvious linkages, or linked diversification if the new goods or markets complement the current business in some way. According to Hitt, Ireland, and Hoskisson (2019), diversification enables organizations to disperse risks across several industries or markets, but it also necessitates the careful assessment and management of resources, competencies, and market dynamics.

Concentric diversification is adding products or services that are similar to the current business; conglomerate diversification is introducing new products unrelated to the current business; vertical diversification is moving up or down the supply chain by combining additional stages of production; and horizontal diversification is adding products or services not available in the company's current market (Grant, 2019). These are examples of successful market diversification strategies. Diversification helps organizations reduce risk, find new markets, and boost profits all of which are critical for the survival and expansion of any business, but particularly in the manufacturing sector (Johnson, Scholes, & Whittington, 2020).

As part of its market diversification initiatives, NCBA Bank, for instance, may investigate breakthroughs in financial technology (fintech) or enter the insurance sector. By doing this, NCBA Bank may diversify its risk across several industries and capitalize on its client base and financial competence. Strategic alliances or acquisitions in these novel fields can also supply the tools and industry expertise required for success.

1.2.4 Commercial Banks in Kenya

Globally, commercial banks adopt various growth strategies to enhance their market presence and financial performance. These strategies include market penetration, market development, product development, and diversification. Market penetration involves increasing market share within existing markets through competitive pricing, enhanced customer service, and marketing efforts. Market development entails expanding

into new geographical regions or customer segments. Product development focuses on creating new products or enhancing existing ones to meet changing customer needs. Diversification involves venturing into new business areas beyond traditional banking services, such as insurance, investment banking, or fintech solutions. These strategies help banks to mitigate risks, achieve sustainable growth, and maintain competitive advantage in a dynamic financial landscape (Kotler & Keller, 2016).

In the African context, banks face unique challenges and opportunities. The region's financial sector is characterized by a mix of traditional banking practices and innovative financial solutions driven by mobile banking and fintech. Banks in Africa adopt growth strategies that leverage technology to increase financial inclusion and reach underbanked populations. Market development is particularly significant, with banks expanding into neighboring countries to tap into new markets. Product development is also crucial, with banks introducing mobile banking solutions and digital payment systems to cater to the growing demand for accessible financial services. Diversification into areas such as microfinance and agribusiness financing is common, aiming to support the continent's economic growth and development (Beck, Maimbo, Faye, & Triki, 2011).

Kenya's banking sector is a vibrant and dynamic component of the economy, comprising 47 commercial banks, according to the Kenya Bankers Association (KBA) (2022). These banks play a critical role in implementing monetary policies, facilitating payments, encouraging savings, and promoting investments through loan advancements. The Central Bank of Kenya (CBK) oversees the sector, ensuring the stability and solvency of the national currency, the Kenyan Shilling. Kenyan banks adopt various growth strategies to enhance their financial performance. Market penetration is achieved through competitive interest rates and extensive branch networks. Market development strategies include expanding services to rural areas and neighboring countries. Product development is driven by innovations in mobile banking and digital finance, while diversification efforts focus on integrating services such as insurance and asset management to offer comprehensive financial solutions (Muthoni, Mwangi, & Muathe, 2020).

NCBA Bank, one of Kenya's leading commercial banks, exemplifies the application of growth strategies to enhance financial performance. The bank employs market penetration strategies by offering competitive loan

and deposit products, coupled with extensive marketing campaigns to attract more customers. Market development efforts include expanding into regional markets within East Africa, aiming to tap into new customer bases. NCBA Bank also focuses on product development, introducing innovative financial products such as digital banking solutions and mobile lending platforms to meet the evolving needs of its customers. Additionally, the bank's diversification strategy involves venturing into sectors such as asset management and insurance, providing a wide range of financial services under one roof, thereby enhancing its market position and financial stability (Maselo, 2019).

1.2.5 Profile of NCBA Bank

NCBA Group was established on October 1st, 2019, following the approval by CBK and the National Treasury of the merger of CBA Group and NIC Group PLC. As a result, NCBA Group, a new organization, was created. The NCBA Group boasts of over 100 branches across East Africa. As one of the top banking groups in Africa in terms of client counts, NCBA Group serves more than 50 million consumers (NCBA, 2022). According to assets, NCBA Bank is Kenya's third-largest bank (NCBA, 2022). It also excels in digital and corporate banking and asset finance. Through its facilitation of the Big Four Agenda's implementation which is focused primarily on inexpensive housing, dependable food supply, free healthcare, and manufacturing, NCBA Bank is a key player in the support of Kenya's current economic aspirations. Solutions for small medium-sized businesses, retail customers and corporations, brokerage services, bancassurance, and investment banking services, and property banking services are just a few of the services offered by NCBA Bank. Large enterprises, diplomatic and NGOs, Small and Medium Enterprises institutions, and the wealthy segments of society are the key targets of NCBA Bank (Njue, 2023).

1.3 Statement of the Problem

The growth of commercial institutions, particularly commercial banks, has significantly impacted Kenya's economy. According to Kariuki and Nasieku (2023), the development of the banking industry has been closely linked to the country's GDP growth, driven by net interest revenue and the management of bank liabilities. The expansion of commercial banks has also been associated with economic development, job creation, and increased access to capital for small and medium enterprises (Kamun & Olweny, 2023). Furthermore, the role

of commercial banks in economic development is critical, with a strong linear relationship between loans, deposits, and economic growth (Wahinya, Ondiba, & Kariuki, 2023). This indicates that the activities of commercial banks, such as providing loans and mobilizing deposits, directly impact the country's economic development. Despite these positive contributions, the profitability of the commercial banking sector in Kenya experienced a significant decline in 2020. Profits dropped from Ksh. 140 billion in 2019 to Ksh. 107.3 billion in 2020, the lowest since 2012 (CBK, 2021). Additionally, the return on assets decreased from 4.7% in 2013 to 3.33% in 2017, and the return on equity fell from 29.2% in 2013 to 20.68% in 2017 (Bank Supervision Annual Report). High competition in the banking sector has led to the collapse and receivership of some banks unable to adopt effective growth strategies. For example, Chase Bank faced liquidity troubles and was placed under receivership, along with Dubai Bank of Kenya and Imperial Bank of Kenya (Abdulla, 2018). This situation highlights the practical problems concerning the financial performance of commercial banks in Kenya. In the dynamic landscape of Kenya's banking sector, pursuing sustainable growth and enhanced financial performance is a paramount objective for commercial banks (Miremadi & Ghanadiof, 2021). NCBA Bank, as a significant player in the sector, must navigate challenges and leverage opportunities to achieve its strategic goals. However, given the evolving market dynamics, the effectiveness of NCBA Bank's growth strategies and their impact on its financial performance require comprehensive examination.

Existing studies on the performance of financial institutions have produced varied, mixed, and contradictory results regarding the impact of growth strategies on financial outcomes. Previous research (Kariuki & Nasieku, 2023; Wahinya, Ondiba, & Kariuki, 2023) has primarily focused on the overall effect of commercial banks on economic development, without explicitly examining individual banks such as NCBA Bank. This indicates a gap in empirical studies evaluating the effects of specific expansion strategies on the financial performance of individual banks within the industry. The connection between banking operations and economic growth has been demonstrated (Kariuki & Nasieku, 2023; Wahinya, Ondiba, & Kariuki, 2023); however, there is a notable lack of research on the conceptual framework linking particular growth strategies—such as digital transformation, branch expansion, and product diversification—to financial performance metrics like return on equity (ROE) and return on assets (ROA) (Miremadi & Ghanadi, 2021). To fully comprehend these

connections and their impact on the functioning of the banking industry, a thorough conceptual model is required (Kamun & Olweny, 2023). Moreover, the context of the COVID-19 pandemic and its aftermath has significantly impacted the financial performance of banks.

Methodologically, previous studies have largely relied on quantitative analysis of financial performance indicators (Bank Supervision Annual Report, 2017). This approach, while useful, often lacks the depth provided by qualitative insights. There is a need for a mixed-method approach that combines quantitative data with qualitative insights from bank executives and industry experts to provide a more holistic understanding of the effectiveness of growth strategies (Kamun & Olweny, 2023; Miremadi & Ghanadi, 2021). Quantitative analysis alone may not capture the nuanced challenges and strategic decision-making processes that affect financial performance.

Conceptually, while previous studies highlight a decline in profitability during 2020 (CBK, 2021), but there is a lack of context-specific studies analyzing how banks like NCBA have adapted their growth strategies in response to such unprecedented challenges (Miremadi & Ghanadi, 2021). This study aims to fill these gaps by providing a comprehensive analysis of the growth strategies deployed by NCBA Bank and their impact on its financial performance within the Kenyan banking sector. By addressing these concerns, the research endeavors to offers insights that can inform strategic decision-making processes within NCBA Bank and contribute to the broader discourse on banking sector growth and performance in Kenya.

1.4 Purpose of the Study

The purpose of this study was to examine the effect of growth strategies on financial performance of commercial institutions in Kenya; a case of NCBA Bank.

1.5 Objectives of the Study

The study was guided by both general and specific objectives.

1.5 General Objectives

The main objective of the study was to examine the effect of market growth strategies on financial performance of commercial institutions in Kenya; a case of NCBA Bank.

1.5.2 Specific Objectives

The study specific objective included;

i. To establish the effect of market penetration on financial performance of commercial banks in Kenya; a case of NCBA Bank.
ii. To determine the effect of market development on financial performance of commercial banks in Kenya; a case of NCBA Bank.
iii. To establish the effect of product development on financial performance of commercial banks in Kenya; a case of NCBA Bank.
iv. To determine the effect of market diversification on financial performance of commercial banks in Kenya; a case of NCBA Bank.

1.6 Research Hypotheses

H_{01}: Market penetration has no statistically significant influence the financial performance of commercial banks in Kenya; a case of NCBA Bank

H_{02}: Market development has no statistically significant influence the financial performance of commercial banks in Kenya; a case of NCBA Bank

H_{03}: Product development has no statistically significant influence the financial performance of commercial banks in Kenya; a case of NCBA Bank

H_{04}: Market diversification has no statistically significant influence on the financial performance of commercial banks in Kenya; a case of NCBA Bank

1.7 Significance of the StudyA

The study was of significance to the government, practitioners and academicians. To the Government; the government regulates, the banking sector through implementation of policies that aim to ensure stability, financial inclusion, and economic growth. Understanding the impact of growth strategies on financial performance can inform policymakers in crafting effective regulations to support sustainable growth and stability in the banking sector. Moreover, growth strategies provided insights into how banking activities contribute to economic growth in which can guide government policies aimed at fostering a conducive environment for banking sector development.

To the Practitioners in Banking Industry; Commercial banks can used the findings of such a study to refine their growth strategies, identify areas for improvement, and optimize their operations to enhance financial performance. Moreover, understanding the relationship betweengrowth strategies and financial performance helps banks identify potential risks associated with different growth approaches. This knwoeldge can inform risk management strategies to mitigate adverse effect on financial performance.

To the academicians; the study contributed to academic research by adding to the body of knowledge on the relationship between growth strategies and financial performance in the banking sector. It can serve as a foundation for further research and scholarly discussions. Academicians can disserminate the findings through seminars ad publications, facilitating knowledge exchange and collobaration among researchers, practitioners, na policymakers.

1.8 Scope of the Study

The primary subject of this study is the examination of growth strategies and their impact on the financial performance of commercial banks in Kenya, with a specific focus on NCBA Bank. The study aims to analyze how different growth strategies, including market penetration, market development, product development, and diversification, affect the financial health and performance metrics of NCBA Bank. The geographical scope of the study is limited to Kenya. Within this national context, the study specifically focuses on NCBA Bank, which operates extensively across the country. The study employs a mixed-methods approach, combining both qualitative and quantitative research methodologies. Quantitative data is collected from financial reports, performance records, and market statistics of NCBA Bank to analyze the impact of growth strategies on financial performance. Qualitative data is gathered through interviews and surveys with key stakeholders, including bank executives, regulators from the Central Bank of Kenya, and customers. The population of the study includes various stakeholders within the banking sector in Kenya. This encompasses NCBA Bank's executive management team, branch managers, and other employees involved in strategic decision-making. The study utilized available resources, including financial reports, strategic planning documents, and market analysis reports from NCBA Bank. Access to industry reports and publications from the Kenya Bankers Association (KBA) and the Central Bank of Kenya (CBK) is also leveraged to provide contextual data.

1.9 Delimitation of the Study

Chadda, (2023) posits that delimitation of the study refers to the boundaries that the researcher sets for the study and indicating what the research will not cover. The current study was focused on employee from NCBA Bank who have been there for more than 4 years. These are the only respondents who have the relevant information that can be useful in the study. The study also covered the growth strategies namely market penetration, market development and product development.

1.10 Limitation of the Study

Robson (2017) explained that limitations refers to the factors that places restrictions and influences on the research study and which the researcher does not have control over. NCBA Bank being a private institution, accessing information required for this research might be a challenge. The respondents may tend to withhold information for fear that it may be misused or used for other purposes apart from academic research purpose. To overcome this challenge, the research assistants carried along an introduction letter and research permit which was used to approach the management to assist in data collection.

Second, limiting oneself to a case study at NCBA Bank does not allow for the generalization of the findings. The findings are only limited to organizations similar to NCBA Bank. However, to allow for generalization of findings, data collection tools will be checked for validity and reliability through pilot test to ensure that collected accurate and reliable data. Lastly, the study was a reflective and relied on the recall capacity of the respondents and their ability to provide objectives responses in the questionnaire. Therefore, the study could be affected by biased reporting and poor recall capacity of the respondents. However, the respondents were notified of the importance of their accurate and objective responses in the study.

1.11 Assumptions of the Study

The study assumption is that all respondents was biased in the responses, and they provided the required information for the study. The second assumptions is that the sample frame was representative enough to provide information needed on growth strategies on the performance of financial institutions in Kenya. Finally, the study was assumed that the data analysis procedure comprised of descriptive, correlation analysis and

regression analysis which are tools suitable for analysis and the findings showed the situation of growth strategies on the performance.

1.12 Theoretical Review

The study was guided by the Ansoff Growth Model, BCG Growth Model, Blue Ocean Model, and Endogenous Growth Model.

1.12.1 Ansoff Growth Model

The Ansoff Growth Model, developed by Igor Ansoff in 1957, provides a framework for businesses to devise strategies for growth by outlining four main strategies: market penetration, market development, product development, and diversification (Ansoff, 1957). Market penetration focuses on increasing market share within existing markets through techniques such as aggressive marketing, price reductions, and increased sales efforts. Market development involves expanding into new markets with existing products, which could entail geographical expansion or targeting new customer segments. Product development entails introducing new products into existing markets, involving innovation or improvements to meet evolving customer needs (Kiruja and Kimencu, 2020). Diversification, on the other hand, involves entering new markets with new products, which can be related, where new products are somewhat related to existing ones, or unrelated, where the new products have no connection to the existing business lines. The Ansoff Growth Model is highly relevant to this study as it provides a structured approach to analyzing the different growth strategies NCBA Bank might adopt and their potential impact on financial performance.

1.12.2 BCG Growth Model

The BCG Growth Model, also known as the Boston Consulting Group Matrix, developed by Bruce Henderson in the 1970s, is a tool used to analyze a company's product portfolio and its strategic positioning (Henderson, 1970). The model classifies products or business units into four categories based on market growth rate and market share: Stars, Cash Cows, Question Marks, and Dogs. Stars are characterized by high market growth and high market share, needing substantial investment to sustain growth but generating significant revenue. Cash Cows have low market growth but high market share, generating more revenue than needed to maintain their market position, thus providing funds for other business units. Question Marks have high market growth

but low market share, requiring significant investment to increase market share but are risky. Dogs have low market growth and low market share, generating minimal profit and might be considered for divestiture (Kiruja & Kimencu, 2020). The BCG Growth Model helps NCBA Bank allocate resources effectively and develop strategies to improve financial performance based on the categorization of their products and services.

1.12.3 Blue Ocean Model

The Blue Ocean Strategy, conceptualized by W. Chan Kim and Renée Mauborgne in 2005, offers a strategic approach for organizations to transcend traditional competition by creating new market spaces, termed "blue oceans," rather than competing within existing markets, known as "red oceans" (Kim & Mauborgne, 2005). This strategy emphasizes value innovation, which involves simultaneously pursuing differentiation and low cost to break the value-cost trade-off. By creating uncontested market spaces and offering unique value propositions, companies can attract new customers and unlock new demand that traditional competitive strategies may overlook.

Kim and Mauborgne (2005) argue that conventional competitive strategies often lead to overcrowded market spaces where companies compete head-to-head, resulting in limited differentiation and downward pressure on prices. In contrast, the Blue Ocean Strategy encourages organizations, such as NCBA Bank, to seek out and exploit untapped market opportunities where competition is minimal or non-existent. By doing so, companies can avoid the intense rivalry characteristic of red oceans and instead focus on creating new demand through innovative products or services that address unmet customer needs.

For NCBA Bank, adopting the Blue Ocean Strategy could involve identifying niche markets or segments within the financial services industry where customer needs are underserved or not adequately addressed by existing offerings. By offering innovative financial products or services tailored to these specific market segments, NCBA Bank can differentiate itself and create a unique value proposition that resonates with customers. This approach not only enhances customer satisfaction but also allows the bank to potentially command premium pricing and achieve higher profitability (Kiruja & Kimencu, 2020).

Moreover, value innovation, a central tenet of the Blue Ocean Strategy, encourages organizations to rethink industry boundaries and challenge industry norms. NCBA Bank can leverage this approach to explore

innovative ways of delivering financial services, leveraging technology and customer insights to redefine customer experiences and expectations. By innovating across value propositions, processes, and delivery mechanisms, the bank can create compelling reasons for customers to choose its offerings over those of competitors.

In practice, successful implementation of the Blue Ocean Strategy requires a deep understanding of customer preferences, market trends, and competitive dynamics. NCBA Bank would need to invest in market research and analysis to identify emerging opportunities and potential blue ocean areas within the financial services sector. By aligning its strategic initiatives with these insights, the bank can effectively allocate resources and capabilities to capitalize on these opportunities, thereby driving sustainable growth and enhancing its financial performance over the long term.

The Blue Ocean Strategy offers NCBA Bank a strategic framework to explore new market spaces and innovate in ways that differentiate it from competitors. By focusing on value innovation, NCBA Bank can create uncontested market spaces where it can deliver superior value to customers while simultaneously reducing costs (Kiruja & Kimencu, 2020). This approach not only enhances customer engagement and loyalty but also positions the bank for sustained success in an increasingly competitive financial services landscape.

1.12.4 Endogenous Growth Model

The Endogenous Growth Theory, developed by economists such as Paul Romer and Robert Lucas in the 1980s and 1990s, emphasizes the role of internal factors in driving economic growth (Romer, 1986; Lucas, 1988). Key aspects include human capital, where investment in education and skills development leads to innovation and technological advancements; innovation, driven by R&D within firms, contributes to growth; and knowledge spillovers, where innovations within firms can benefit the wider economy through knowledge diffusion. For NCBA Bank, the Endogenous Growth Model underscores the importance of investing in internal capabilities such as employee training, technological advancements, and R&D to drive innovation and improve financial performance.

By incorporating these models, the study can analyze how NCBA Bank's growth strategies align with these theoretical frameworks and their impact on financial performance. The Ansoff Growth Model and BCG

Growth Model provide a structured approach to understanding market strategies and resource allocation. The Blue Ocean Model offers insights into creating unique market opportunities, while the Endogenous Growth Model highlights the importance of internal capabilities and innovation in sustaining growth and competitive advantage. These models collectively offer a comprehensive lens to evaluate the effectiveness of NCBA Bank's growth strategies in the dynamic Kenyan banking sector.

1.13 Conceptual Framework

A conceptual framework is known to be diagrammatic framework that shows the relationship between study variables as shown in figure 1.13 The framework consisted of two different types of variables which include independent and dependent variables. Independent variables are product diversification, market development, product development, market penetration and market diversification and Performance is the dependent variables.

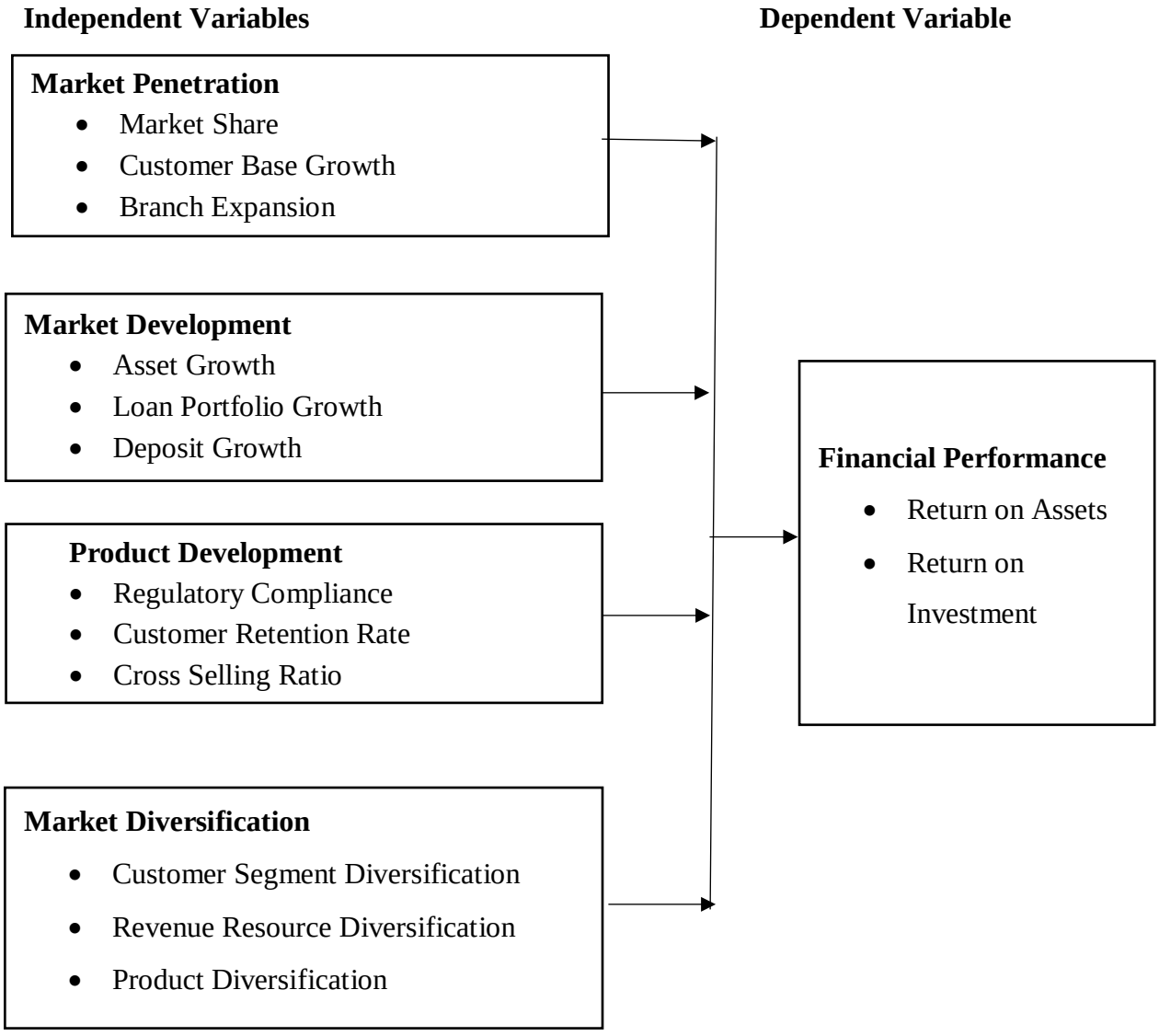


Figure 1.1: Conceptual Framework

Source: Author (2024)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gave detailed literature review published by scholars, exploring information and other publications that was related to the study. It was mainly focused on the manner in which the concept of growth strategies has an effect on financial performance, the first part will sketch out the discussion on the four variables (market penetration, market development, product development and market diversification). Finally, the summary of the literature review and the knowledge gap.

2.2 Empirical Review

Gilkson and Woolley, (2020) clearly refers to collection and analysis of data to answer specific research questions or test hypotheses. This type of review relies on evidence gathered through systematic and structured methods such as experiments, surveys, observations, or interviews.

2.2.1 Market Penetration and Financial Performance

Aminah, Soewito, Erina, Khairudin, and Damayanti, (2019) examined a study on financial performance and market penetration in Indonesia Islamic Banking. The study aimed to examine the influence of financial performance on market penetration in Indonesia Islamic Banking. The researcher adopted return on assets (ROA), capital adequacy ratio (CAR), non-performing loan (NPL), operating expenses-operating income (OEOI/BOPO), and financing to deposit ratio (FDR) as proxies of financial performance. Also, the researcher established that market penetration as the comparison of Islamic banking total asset on total asset of Indonesia banks. The study used stakeholder perspective analysis. How market share is influenced by financial performance, since market penetration is the reflection of stakeholders' perception. The study collected 33 Islamic Banks financial report in 2013-2015 using times series model. The findings showed that ROA has positive significant effect on market share. Meanwhile, NPL and BOPO have negative significant effect on market share. Otherwise, FDR has no significant effect on market share. Based on the research findings, this study confirms that in Indonesia Islamic banking provides good news in their financial performance. Lastly, the current study mainly focuses on ROI and a measure of performance which is highly backed by a study by

Aminah, Soewito, Erina, Khairudin, and Damayanti, (2019) who agreed with the current study but also incorporated.

Bukoye and Muritala, (2023) examined a study on market penetration strategy on the performance of manufacturing industry in North West, Nigeria. Over the past forty years, academics and corporate organizations have become interested in the conceptual dimensions of market penetration strategy and performance in an organizational setting but its conception has been evolving. Hence, the current study has thoroughly reviewed the available literatures to glean every aspect of dimensions of penetration strategy that might have an effect, both directly and indirectly, on the performance of an organizational setting. This however, needs to be validated using empirically quantitative measures. The study, through examination of the multidimensionality of penetration strategy and performance from the existing entrants' literature, and it is evident that the various penetration strategies are having a positive impact on the market and the calibre of performance in the organization. A substantial body of material, mostly from numerous publications, has been incorporated in order to explore the various challenges linked to penetration strategy that are discussed in this research. Only researches that were published in the previous 40 years were included in the study to keep it current. Few penetration strategy dimensions have been used in previous research studies to explain various manufacturing theory systems that directly affect industry performance.

Shingiro, (2020) examined a study on corporate market penetration strategies and financial performance among foreign commercial banks in Bujumbura, Burundi. The study investigated the relationship between corporate market penetration strategies and financial performance among foreign commercial banks in Burundi. The study used cross-sectional descriptive research design using a quantitative approach. The target population was 219 employees including technical staff and management. A sample size of 142 respondents was determined and simple random sampling was used to select the respondents. The questionnaire was used as the main data collection instrument and data was analyzed using linear and multiple regression analysis. The study revealed that corporate marketing penetration strategy significantly affects the financial performance of foreign commercial banks in Bujumbura (Adjusted R2=0.281, p=0.000). In addition, it was found that competitive strategy significantly affects the financial performance of foreign commercial banks in

Bujumbura (Adjusted R2=0.147, p=0.000). Similarly, the study revealed that operational strategy significantly affects the financial performance of foreign commercial banks in Bujumbura (Adjusted R2=0.229, p=0.000). The study concluded that corporate market penetration strategies significantly affect financial performance. The study made the following recommendations: management of foreign commercial banks should employ the use of a total quality management system, should make use of a customer relationship management system, should employ advanced and constant methods of market research, and continuously develop new processes of delivering quality services to their customers. The current study focuses on the variety of products and services offered by banks and their adoption rates within the market while this study by Bukoye and Muritala, (2023) captures the nature of operations and their implication on performance.

Auma and Waithaka, (2020) examined a study on the influence of market penetration strategy on organizational performance of public universities in Kenya. Moreover, they noted that due to competitive state of the market, firm has constantly adapt, update its offering and improve its market share to maintain or improve its position. The study main objectives was to investigate the influence of market penetration strategy on the organizational performance of public universities in Kenya. The study was grounded on Ansoff Growth Vector Matrix. The study employed a cross sectional survey design involving the total population (census) of the 33 public universities in Kenya. The cross-sectional survey design was used because of the comparative analysis across the public universities in Kenya. The cross-sectional survey also helped to prove and/or disprove assumptions. The respondents were staff from marketing, planning and strategy, finance and administration departments of the universities. Data was collected through semi-structured research questionnaires, which were self-administered to the respondents with the assistance of the researcher. They were dropped and picked from the respective respondents. Data was analyzed through descriptive statistics and inferential statistics including regression analysis and correlation to establish the potential relationship between the dependent and independent variables. The study findings were presented through frequency distribution tables. The study found that market penetration growth strategy has a positive influence on the performance of public universities. The universities have increased their advertising expenditure to ensure the university services are promoted adequately. The study recommended that much emphasis should be done on

the mainstream media advertising and social media to attract more students. The current study focuses on financial institutions while this study captures the various aspects of market penetrations within the public university set up.

Bulle, (2020) examined a study on market penetration strategies on organizational performance in Telkom Kenya Limited, Nairobi City County, Kenya. The telecommunication industry has responded to the changing business environment with several strategies aimed at maintaining and consequently growing its portfolio. Telkom Kenya limited was granted exclusive monopoly for 5 years on landline operations in Kenya, but during the monopoly period it lost a significant part of its business. Most of the clients swapped fixed lines phones for mobiles from other providers and this exacerbated the competitive pressure on the company's performance. This and other factors eroded the company's performance and effectively by the end of the monopoly period Telkom Kenya Limited was technically on the verge of bankruptcy and its business prospects were bleak. Therefore, the study sought to evaluate the influence of market penetration strategies on performance of Telkom Kenya Limited. The specific objectives of the study were to examine the influence of pricing strategy, distribution channel strategy, diversification strategy and promotional strategy on organizational performance. The study was anchored on market-based view theory, open systems theory, product life cycle theory and resource-based view theory. The study employed a descriptive survey research design. The target population was 65 members of staff obtained from 4 Departments which included technology department, business units-mobile department, pre-sales and post-sales department, and support department. A census of 65 respondents was carried out. The study employed questionnaires to collect primary data. The data collected was analyzed using both descriptive statistics and presented in tables, charts and figures. Regression analysis was used to how the relationship between variables. The study established that pricing strategy, distribution channel strategy, diversification strategy and differentiation strategy had positive significant influence on organizational performance. The study concluded that a competitive pricing strategy positions the organizational product in reference to other options on the market. Using an existing distribution network, however, extends the organizations geographical reach much more easily and quickly. The organization should incorporate diversification in its business operations through use of technological advancements and other

aspects such as innovation and benchmarking strategies to realize full benefits of diversification. The organization should select one type of differentiation best suited to target market desires, as well as its own financial constraints, and focus its efforts on honing products along that dimension. The study findings would benefit management of Telkom Kenya limited, government and policy makers as it would obtain details on market penetration strategies influences their performance and open a gap to other academicians and researchers. The current study under mainly captures the proportion of transactions digital, however, Bulle, (2020) that the telecommunication industry has responded to the changing business environment with several strategies aimed at maintaining and consequently growing its portfolio.

2.2.2 Market Development and Financial Performance

Mugisha, Omagwa, and Kilika, (2021) examined a study on capital structure, market development and financial performance of small and medium enterprises in Buganda Region, Uganda. Small and Medium Scale Enterprises (SMEs) continue to be major players in the economic growth of Uganda as well as many of the emerging economies. The Uganda Investment Authority had projected 5.5% economic growth by 2030 in anticipation of stable market conditions necessary for the sustained financial performance of SMEs. However, the business failure rate of SMEs in Uganda had persistently revolved around 70% in 2018 from 50% in 2004. This problem had been linked to the turbulent market conditions characterized by intensive competition as well as volatile consumption behavior of the customers. Empirical literature indicates that competitive intensity, as well as volatile customer demand, presents a negative impact on financial performance. Hence, the study sought to determine the moderating effect of market conditions on the capital structure-financial performance relationship of SMEs in Uganda. From a population of 218,561 SMEs, a sample of 453 respondents was selected out of which, 423 responded to the questionnaire. Primary data were analyzed using descriptive statistics and multiple regression techniques. The hypothesis was tested at a 0.05 level of significance. Findings indicated that Market conditions had a positive and significant moderating effect on the capital structure-financial performance relationship. It was however concluded that market conditions can strengthen/ weaken the effect of capital structure on the financial performance of SMEs. The study recommend that SMEs should evaluate the market conditions during the process of deciding the financing mix for their

operations to optimize the impact of capital structure on financial performance. The current study was done in Kenya while this study was done in Uganda.

Odubuasi, Wilson-Oshilim, and Ifurueze, (2020) examined a study on market risk developments on the financial performance of firms in Nigeria. Further claimed that business operations are surrounded by different degrees of uncertainties (risks) ranging from market risks, financial risks and operating risks. The study main emphasis was to investigate one of the components of the risks (market risk) and to ascertain how the risks affect the activities of firms in Nigeria. Four hypotheses were formulated in line with the objectives of the study. The study employed causal research design and used secondary data. The research covers the twelve (12) firms listed under Oil and Gas sector on the Nigerian Stock Exchange. Secondary data were collected from Central Bank of Nigeria Statistical Bulletin and the financial statements of the firms which spanned from 2014 to 2018. The data were analyzed with descriptive statistics, correlation and multiple regression analysis. The results therefrom indicate that exchange rate has significant effect on both ROA and ROE of Oil and Gas firms. Additionally, interest rate has significant effect on ROE and insignificant effect on ROA. More results show that commodity price change has no significant effect on both ROA and ROE, also equity price change has no significant effect on ROA and ROE of firms in Oil and Gas sector in Nigeria. The study recommends among other things that the firms should adopt the use of hedging to control exchange rate changes and government should maintain a low interest rate that will aid firms increase their profitability. The study focus on Oil and Gas firms while the current study surrounds the commercial banks in Kenya. Overall, the impact of market development on the financial performance of firms in Nigeria depends on various factors including the effectiveness of the strategy, the competitive landscape, regulatory environment, and the firm's ability to execute and adapt to changing market dynamics. The study identified that market development is a key aspect in enhancing performance of commercial banks while this study Odubuasi, Wilson-Oshilim, and Ifurueze, (2020) claimed that business operations are surrounded by different degrees of uncertainties (risks) ranging from market risks, financial risks and operating risks.

Wanjohi, Gathenya, and Kihoro, (2019) established that product market development strategies and the performance of Retail Supermarkets in Nairobi City County, Kenya. The purpose of the study was to establish

the influence of Product Market Growth (PMG) strategies on the performance of retail supermarkets in Nairobi City County. Guided by the philosophy of logical positivism, descriptive design involving quantitative and qualitative approaches was used. The sampling frame for the study was made of 143 out of the possible 227 supermarkets in Nairobi City County (Retail Trade Association of Kenya, 2018). The study found that product-market growth strategy has a significant influence on the performance of retail supermarket in Nairobi City County, Kenya. Product diversification had the highest impact on performance, followed by collaborative networks strategy and finally, market penetration. The study recommended the use of collaborative networks, product diversification, as well as market penetration strategies. It further points out the need to strengthen this study by undertaking a more elastic longitudinal study. The study clearly focuses on NCBA Bank while this study focuses on 227 supermarkets in Nairobi City County.

2.2.3 Product Development and Financial Performance

Moradian and Aghajani, (2020) the study established the role of organizational factors and green new product development effects on financial performance of Iran Nanotechnology firms. Today, organizations have to accept environmental responsibilities in providing products and services in order to paint a desirable social image of themselves. Therefore, they should be able to improve their environmental performance, promote moral and social values in their organization and at the same time be able to ensure the economic and financial success of their enterprise. Accordingly, senior managers, sales managers and employees of manufacturing companies active in the Nanotechnology industry are considered as the statistical community. The research method was analytical in nature and 150 samples were collected through sampling of respondents in the 8th International Exhibition of Nanotechnology Industries. To collect the data, a questionnaire was used to determine its validity and reliability. Validity included content validity and construct validity. Content validity was verified based on the opinions of supervisors and consultants as well as a number of management experts. Confirmatory factor analysis was used for construct validity. Also, a prototype was used for the reliability of the questionnaire and Cronbach's alpha coefficient was calculated and more than 0. 7 was obtained for all variables. Data were also analyzed by Structural Equation Modeling using PLS software. The collected experimental data confirms all research hypotheses. Also, as is clear in the conceptual model of the research,

organizational factors directly affect the development of a new green product and indirectly affect the financial performance of organizations. In fact, the success of the new green product will lead to the economic success of Nanotechnology companies. The findings suggest that organizational factors include environmental commitment, environmental benchmarking, cross-functional integration and R & D strength has a positive impact on the success of green new product. The current study focuses on introducing innovative and tailored products can attract new customers and retain existing ones while the current study by Moradian and Aghajani, (2020) clearly noted that product development enhances Nanotechnology firms to boost their performance.

Eshiett and Eshiett, (2022) conducted a study on new product development and organizational performance in Nigeria. The idea of New Product Development (NPD) has its origin from constant changes in consumer preference and choices based on available products. The changing trend in customer accessibility to information on product availability and performance driven by Information and Communications Technology (ICT); has emboldened manufacturing firms to modify their NPD process in line with customers' needs and wants for the ultimate purpose of satisfying the end users of their products. The aim objective of the study is to examine the effect of new product development on organizational performance, additional challenging issues include; the far-reaching effect of market research, specific allocation of budget for NPD by manufacturing firms and effective training and re-training of personnel for Research and Development (R&D). The study evaluated the concept of new product development and organizational performance by adopting the dynamic capability theory. The descriptive research methodology was adopted in which 302 questionnaires were administered to respondents who were basically staff, distribution intermediaries and end users of products in Uyo, Akwa Ibom State and Port Harcourt Rivers State.; also, comprehensive interview was conducted on areas where the questionnaire could not cover effectively. The result of the study revealed that there was a significant relationship between New Product Development and organizational performance. The study recommended that key towards outstanding performance by manufacturing firms 'lie in their ability to effectively train their personnel to conduct effective market research to identify the preferences of the consumer, and deliver products that satisfy their exact need, as a pre-requisite for sustainable performance. The current study establishes that product development involves thorough risk assessment and mitigation

strategies. Banks need to ensure that new products comply with regulatory requirements and adhere to risk management guidelines. The current study also noted that Eshiett and Eshiett, (2022) conducted a study on new product development and organizational performance in Nigeria. The focus is on proactive risk assessment practices help mitigate the probability of financial losses and safeguard the bank's overall performance.

Wambaka and Adegbuyi, (2021) examined a study on product differentiation strategy and perceived financial performance of commercial banks in Uganda. The banking landscape in Uganda is such that there is a section of commercial banks that has consistently posted impressive performance figures, particularly over the last five years, while the performance of the others leaves a lot to be desired. This study's purpose was to examine the effect of differentiation strategy on the financial performance of commercial banks in Uganda. The study employed a cross-sectional design characterized by a quantitative approach. The target population in this study constituted 210 Senior Managers and Chief Executives of 10 selected commercial banks in Uganda that have been rated as the best performing commercial banks in the five years (2015-2019). A sample of 144 individuals was calculated for this study using Yamane's (1967) formula, and the probability sampling technique of stratified proportionate random sampling was used in selecting Senior Managers of the selected commercial banks, and these were surveyed using a structured self completion questionnaire. Quantitative data were analyzed descriptively using statistics such as frequencies, percentages, means, and standard deviations; and inferentially using partial least squares structural equation modelling (PLS-SEM). The findings showed a positive and statistically significant relationship between product differentiation strategy and financial performance in terms of ROI. This study is in line with the current study that ROI an aspect that enhances the performance of NCBA Bank.

Owili, (2022) examined a study on new product development strategies and performance of multinational banks in Kenya. To survive and get a competitive advantage over their industry competitors, firms need a variety of new product development strategies which can be defined as a sequence of steps that includes the conceptualization, design, development and promotion and marketing of a new good or service. A product is created to satisfy consumer demand in a certain category. Given the dynamic nature of the operating

environment, Companies must modify their strategy frequently to keep up with changing market demands and to stay ahead of the competition and attain the intended goals and align themselves with the changes being brought by new players in the sector. The adopted new product development strategy by a firm plays a role in determining its performance. The study thus sought to examine the effect of new product development strategies on performance of multinational banks operating in Kenya. The study was guided by two theories namely the Penrose's theory of firm growth and the agency theory. Data collection was performed using self-administered questionnaires. A response of 31 questionnaires were returned yielding a response of 73.8 per cent. This affirms that the model is statistically fit as an estimator of performance of multinational banks. The coefficient of determination (R2) 0.689 value implied that 68.9% variation in performance of multinational banks is new product strategies. The study's recommendations include need for banks to introduce products that are tailored for the low-end markets as most are established in towns targeting customers with large transactions ignoring the many customers in other settings with multiple transactions. Additionally, there's need for banks in collaboration with each other and the regulators, to initiate capacity building programs outside the bank to sensitize the public about banking products through trade fares and exhibitions to publicize the bank's products and the consideration to use risk detection systems and applications to prevent risks. Conducting frequent system audits with the help of experienced external audits may be appropriate in timely detection and arresting on internal fraud on time which may lead to irreversible losses and consequences if action is not taken.

2.2.4 Market Diversification and Financial Performance

Adam, Domingues, de Gomes, and da Silva, (2023) conducted a study on diversification and leverage in the performance of Brazilian and Mexican family businesses. This study identifies evidence of the influence of diversification and leverage on the financial performance of Brazilian and Mexican family businesses. It analyzes 102 Brazilian and 71 Mexican publicly traded family companies. Data analysis uses ordinary least squares regression in Stata. The results indicated that Brazilian family businesses have a higher return on assets when diversifying their products or services. When diversifying international markets, Brazilian companies

present a lower return on assets and return on equity. For Mexican companies, international diversification derives a higher return on assets and return on equity. In addition, results show that leverage moderates the relationship between diversification and performance both for Brazilian and Mexican family businesses. The study contributes to the current literature by investigating that diversification improves business performance and that leverage is a significant element in intensifying the benefits of this strategy in the performance of family businesses. The study also emphasizes that diversification can be useful to address market difficulties and imperfections in unstable scenarios, such as when it is targeted to planned performance and considers financial conservatism in family companies. The current study in developing inclusive financial products tailored to the needs of underserved segments while this study is more of driving product development being instrumental in enhancing the performance of family businesses.

Nigam and Gupta, (2021) examined a study on correlation-based diversification and firm diversification and firm performance; an empirical investigation of India. Measurement of diversification has always remained one of the critical issues in diversification literature. During the past half-century, many measures of corporate diversification have been suggested and applied. Traditionally, diversification as a continuous variable has been measured through ‘entropy’ and ‘Herfindahl index’. While both measures are able to capture related and/or unrelated diversification, they fail to capture degree of relatedness of group firms. To address this, a new measure of diversification is proposed, which is based on correlation of firms’ sales. It will not only capture degree of relatedness of group firms but also decompose the components into additive structure and would vary between zero and one. The study found a quadratic relationship between a firm’s profitability and its degree of diversification. Further, it was observed that diversified firms are performing better irrespective of their degree of diversification if performance is measured in terms of accounting variables (return on asset and return on equity); however, market-based variable (Jensen’s alpha) is higher in case of very low and very high degree of diversification.

Judy, Mulwa, and Manduku, (2022) examined a study on the influence of diversification on the financial performance of commercial banks in Kenya. Diversification has been found to play an important role in improving the financial performance of commercial banks. However, it has been observed that although most

of the commercial banks in Kenya are diversified, they have continuously experienced insignificant growth and unstable financial performance. The poor performance has resulted to some of them being put under receivership and others acquired. The main objective of this study was to determine the influence of diversification on the financial performance of commercial banks in Kenya. The target population consisted of all the 39 commercial banks in Kenya over the period 2011 to 2020. Income and asset diversification were both measured using adjusted Herfindhal-Hirschman index (HHI). Geographical diversification was measured using natural logarithm of number of branches. The t-test was used to determine the significance of the model and also test hypothesis. Data analysis for both descriptive and inferential statistics was undertaken using EViews statistical software. The findings were that income diversification had a significant inverse relationship, geographical diversification had a significant positive influence while asset diversification had no significant influence on financial performance of commercial banks in Kenya. It was recommended that commercial banks in Kenya should not diversify their income streams since it reduces their income. Attempts to diversify their assets should be avoided since it was found to be not statistically significant. There is need for the banks to diversify more geographically by establishing more branches both within and outside the country where unbanked market potential exists. Ideally, the current study focuses on entering new markets can enhance the firm's brand image and reputation, signaling its ability to adapt to changing market conditions and meet diverse customer needs. Moreover, Judy, Mulwa, and Manduku, (2022) noted that a strong brand can attract customers and partners, further driving performance improvements.

2.4 Summary of the Literature Review

This chapter has presented a review of theoretical and empirical literature. The theoretical review section was focused on the three theories (Porter's Generic Theory, The Survival Based Theory and Resource Based Theory) that was applied to guide this study. The empirical review was from past studies regarding on the basis of specific variables which was done from a global, regional and local perspective.

2.5 Knowledge Gap

Although many studies have focused on financial performance little has been done on the effect of growth strategies on financial performance of commercial banks in Kenya. All the components of growth strategies

are critical to financial performance as failure in one component affects all other subsequent thus affecting the efficiency and effectiveness of financial performance. This study aims to analyze the effect of growth strategies on financial performance of commercial banks in Kenya; a case of NCBA Bank. Some of the determinants influencing financial performance include market penetration, market development, product development and market diversification. Moreover, the study on growth strategies and financial performance of commercial banks in Kenya, specifically focusing on National Commercial Bank Kenya, aims to fill the gap related to the effects of mergers and acquisitions on financial performance. This study seeks to determine how mergers and acquisitions impact the financial performance of banks in Kenya, shedding light on the implications of these strategic moves on the overall financial health and success of commercial banks in the country. The knowledge gap was deduced in Appendix IV.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlined the methodology that the study was considered at every stage of the study to determine the purpose of the study. It comprehensively covered the research design together with the population and sampling design that the study was utilized to ascertain the desired sample size. The chapter then detailed the data collection methods, research procedures, and data analysis methods to summarize and present the data for making study conclusions.

3.2 Research Design

This study employs a quantitative research design with a descriptive survey approach to assess the investigation. Descriptive designs are commonly used in quantitative correlational studies that aim to answer the “What” questions associated with different study problems. Descriptive studies, like the current one, aim

to collect data about the current status of the problem under investigation, allowing the study to describe "what exists" or the reality of the situation concerning the variables under investigation (Pandey & Pandey, 2021). This approach provides a detailed plan for integrating various parts of the investigation logically to yield the desired outcome.

A good research design identifies the study phenomenon under investigation, specifies the research questions, defines sources and types of data, and clarifies how data will be analyzed and interpreted to answer the research questions. In this context, the descriptive survey design is appropriate for demonstrating the relationships between market penetration, market development, product development, and market diversification (independent variables) and financial performance (dependent variable) of NCBA Bank. However, while descriptive studies are excellent for providing a snapshot of the current situation and understanding relationships between variables, they are not well-suited for establishing cause-and-effect relationships. For this reason, while this study will describe the relationships between the growth strategies and financial performance, it will not definitively establish causality. Future studies might consider experimental or longitudinal designs to better understand the causal relationships between these variables.

3.3 Research Site

This study was conducted in Nairobi and Upper Hill, NCBA head offices. This study site was selected since the head office is the one responsible for developing and communicate strategy to the employees in the head office and other branches. The major decisions regarding the growth strategies are made in the head office. This hence made it appropriate for the study**.**

3.4 Target Population

Target population refers to the entire group of individuals or elements that the researchers is interested in studying (Kazdin, 2021). The target population of the study was 207 employees in the NCBA head office. This comprised of Management and Marketing Staff. These are expected to have information on the effect of growth strategies on financial performance of NCBA Bank.

Table 3.1: Target Population

Categories	Total Percentage	Population
Management	75	36%
Marketing Staff	132	64%
Total	207	100%

Source: NCBA HR Department (2024)

3.5 Study Sample Size

Sample size is a crucial aspect in the study, it refers to the number of subjects or observations included in the study. The research adopted random stratified sampling technique which mainly be focused on the 207 respondents.

Table 3.2: Sample Size

Categories	Total Percentage	Population
Management	75	36%
Marketing Staff	132	64%
Total	207	100%

Source: NCBA HR Department (2024)

3.5.1 Sampling Procedures

This study employed random stratified sampling where each group in the population was included in the sample. This ensured that each population segment gets a proportionate sample selected. This also ensured representativeness of the selected sample and hence findings from the sample was reliable.

3.6 Data Collection

This section introduces the methods and instruments used for data collection in the study, ensuring that accurate and systematic processes are followed to achieve reliable and valid results.

3.6.1 Data Collection Instruments

Accurate and systematic data collection was critical to establishing the purpose of this study. Data collection methods allowed the study to develop an appropriate tool and procedure to collect data from the identified sample of the study. This study seeks to collect quantitative primary data – data that can be measured using a

numeric scale. A questionnaire survey tool, thus, was adopted. A questionnaire is a research tool with a series of questions and other prompts to collect information from the participants. The advantage of a questionnaire instrument is that it contains pre-determined questions that allow respondents to respond easily, thus, saving time (Pandey & Pandey, 2021).

To ensure that the questionnaire tool is appropriate for data collection, the study ensured that each question contributes to testing the stated research questions. The questions took the form of semi-structured (closed-ended) questions that takes the form of Likert-scale choice. The questions required the participants to demonstrate their level of agreement with each statement on a scale of 1-5 where 1 – strongly disagree, 2 – disagree, 3 – neutral, 4 – agree, and 5 – strongly agree. Likert-scale questions are advantageous to this kind of study in that they easily understood by the respondents, easily quantifiable by the researcher, and easily analyzed for generalizing the results (Mishra & Alok, 2022).

The questionnaire had five sections with simple, clear, and short statements per section. Section 1 of the questionnaire contained demographic questions. Sections 2 to 5 contained Likert-scale questions. Specifically, section 2 focused on questions related to market penetration, section 3 focused on questions related to market development, and section 4 focused on questions related to development, section 5 focused on questions related to market development. Finally, section 6 questions focused on financial performance measurements. After designing the questionnaire tool, the researcher trained two research assistants who helped to administer the questionnaires to the participants at the organizational levels.

3.6.2 Piloting of Research Instruments

To ensure the adequacy of the planned actual research methods and procedures, a pilot test study was conducted. A pilot study, also known as a pre-test study, is a preliminary investigation that was performed on a small sample (not the actual sample) to evaluate the feasibility of the instrument including its rigour (In, 2017). Pilot testing of the questionnaire was performed before the final questionnaire is drafted. This was done to find whether the questionnaire was appropriate to procure the required information. Areas that was assessed in the pilot test include choice of respondents, type and wording of questions, order of sections, understanding

of time taken, respondent fatigue and other constraints that may be met in the final study (Babbie, 2016). The pilot study involved ten employees from NCBA who participated in the final study.

3.6.3 Instruments of Reliability

On the other hand, reliability was determined to establish whether the measurement can give consistent findings when used repeatedly (Ahmed & Ishtiaq, 2021). This study used internal consistency reliability to examine the degree to which various measurements under each variable of the study provide similar results. Cronbach's alpha (α) test was considered an internal consistency measure. A value of +.70 or greater was generally considered a good indicator of internal consistency, thus, suggesting the reliability of the measurement.

The table below shows the analysis of the internal consistency for each variable using Cronbach's alpha.

Variable	Number of Items	Cronbach's Alpha (α)
Market Penetration	6	0.82
Market Development	6	0.79
Product Development	6	0.85
Market Diversification	6	0.80
Financial Performance	6	0.83

The Cronbach's alpha values for all the variables are above 0.70, indicating good internal consistency and suggesting that the questionnaire is reliable for data collection.

3.6.4 Instruments of Validity

The study ensured the measurements of the instruments. According to Amirrudin, Nasution, and Supahar, (2021), validity describes the accuracy or score of a measure. It demonstrates the degree to which the scores of a measure do represent what they ought to measure. To ensure that this study measures exactly what it ought to measure, both face and content validity was considered. Face validity attempted to demonstrate whether the content of measurements appears to be suitable to its goal at the 'face value'. Content validity was attempted to reveal whether the measurements fully represent what it aims to measure by looking at the contents of the measurements. The study determined validity by relying on an expert's (supervisor's) knowledge or opinion, which was used to improve the measurements.

Once the study ensures that the questionnaire tool is rigorous and meets the validity and reliability threshold, debriefing and consent forms was designed. The two forms seek to introduce participants to the purpose of the study and outline their right to withdraw at any given time. Together with the questionnaire tool, the study used the forms to obtain an ethical letter from the University. Thereafter, the study also obtained a research permit from the National Commission for Science, Technology, and Innovation (NACOSTI).

3.6.5 Data Collection Procedures

During the process of data collection, primary data was used in this research study. Survey questionnaires was administered to all respondents selected for the study in order to obtain primary data and information on the variables on study. The questionnaires was used during data collection contain structured questions. The secondary data sources that was employed were through the use of previous documents or materials to supplement the data received from questionnaires and information from interviews.

3.7 Data Processing and Analysis

In this study, data analysis began by inspecting the collected questionnaires to ensure that they are correctly and comprehensively filled. Only the questionnaires that were correctly and comprehensively filled were included in data analysis. After inspecting the questionnaires, coding of the questionnaires and entering the responses into software which assisted in analysis was followed. Statistical Package for Social Sciences (SPSS) was used for this purpose. Analysis was through both descriptive and inferential statistics. Descriptive statistics that was utilized which included percentages, mean scores and frequency distributions. These was utilized to enable a description of the various data that was collected. Inferential statistics that was utilized included regression analysis that assisted in establishing the effect of growth strategies and financial performance of commercial banks in Kenya; a case of NCBA. Moreover, multiple regression analysis determined the relationship and the extent of influence of the independent variables on the dependent variable, and the equation was as follows;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where; Y = Financial Performance

α = the constant (intercept)

$\beta_{(1,2,3,4,)}$ = Coefficient of the independent variables

X_2 = Market Penetration

X_2 = Market Development

X_3 = Product Development

X_4 = Market Diversification

ε = Error value

The regression coefficients computed indicated the magnitude or strength of effect of the independent variables on the dependent variable. Presentation of results for both the descriptive and inferential statistics was through tables and figures.

3.7.1 Diagnostic Tests

3.7.1.1 Karl Pearson Correlation Analysis

Correlation analysis is performed to test the strength and direction of the association between the independent and dependent variables of the study (Kumar & Chong, 2018). The Pearson correlation matrix was used to indicate the direction, strength and significance of the relationships. In such a test, r ranges between -1 and 1. Hence, when r is zero it means that there is no relationship. When r is positive, it means that the two variables increase or decrease in the same direction. When r is negative, it means that the two variables are inversely related.

3.7.1. Diagnostic Tests

Diagnostic tests are undertaken to guarantee the assumptions of the CLRM are achieved before estimating the regression models which lead to different conclusions and inferences. For the multiple regression model to be deemed appropriate for the research, there are certain expectations that have to be tested and established for specification. Different diagnostic tests were carried out in the study including; normality test, stationarity, heteroscedasticity, autocorrelation, multicollinearity and test for fixed or random effects.

3.8 Legal and Ethical Considerations

There are various ethical considerations that will be considered in this research. This includes voluntary participation, informed consent, confidentiality and communication of results. Voluntary participation ensures

that no respondents are coerced to participate in the study through misrepresentation or promise of rewards (Coolican, 2014). To get respondents to participate, respondents was wholly informed of the purpose and the need for the study. Any questions or misgivings that they had was explained. Those who opted not to participate in the study were excluded. On informed consent, the researcher ensured that any participant agrees to participate knowing very well about the way the data was used and the type of data that was be collected. Consent was not fraudulently received. On confidentiality, the researcher ensured that the data collected was only used for academic purposes only and the confidentiality of the participants was upheld (Robson, 2017). To ensure confidentiality, no personal data was collected from the respondents. The final consideration communication of results. The researcher ensured that data was not be falsified, and results was derived from the responses of the research participants. The study also adhered to the ethical guidelines set up by African Nazarene University on carrying out research. Further, the study will be conducted after a research permit is provided by the National Commission for Science, Technology and Innovation (NACOSTI).

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF THE FINDINGS

4.1 Introduction

This chapter presents the results of quantitative data analysis of the study. Two main data analysis techniques were used including descriptive and inferential analyses. Descriptive analysis analyzed the general information and item-by-item analysis of constructs of each variable. Inferential analysis, especially correlation and regression analyzed the relationship between the variables collectively.

From a total of 207 questionnaires sent to the field of study, approximately 157 questionnaires were returned for analysis, translating to a 75.8% response rate. However, a detailed review of each returned questionnaire revealed that a total of 50 were not adequately filled, thus, were omitted from the analysis. This left only 157 questionnaires for analysis to make study conclusions as shown in Table 4.1.

Table 4.1: Field Survey Response Rate

Questionnaires Issued	Questionnaires returned	Questionnaires not adequately filled (Omitted from analysis)	Questionnaires adequately filled (included in the analysis)
207	157	50	157

Source: Field Data (2024)

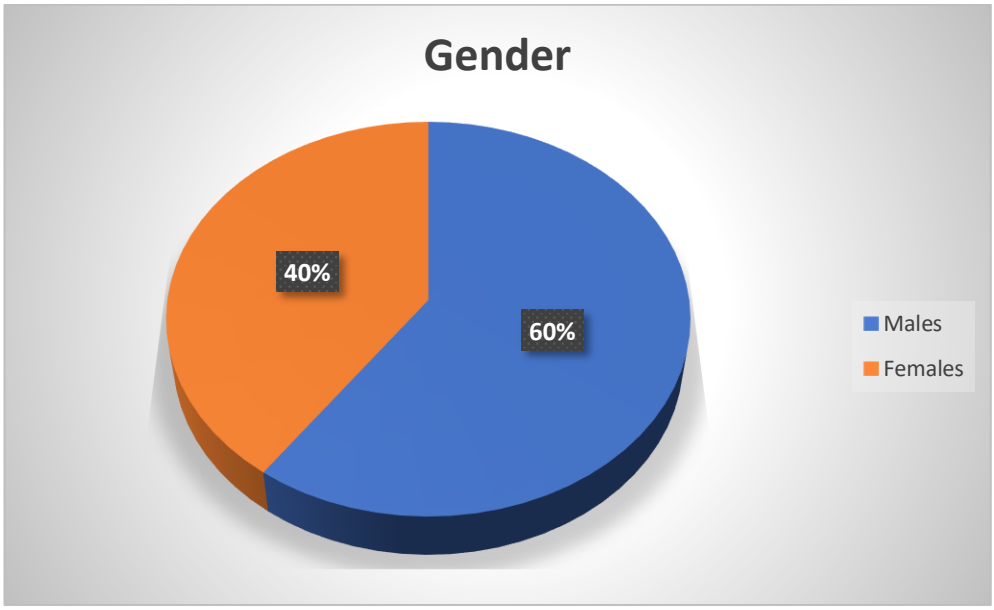
Note. Those who responded = 157, those who did not respond = 13, questionnaires not adequately filled and omitted from the analysis = 37, left for analysis (adequately filled) = 157 questionnaires

4.2 General Information

This section presents descriptive findings relating to the general information.

4.2.1 Gender

The results provided that there are about 94 (59.9%) male participants, compared to 63 (40.1%) female participants as indicated in Figure 4.1, This findings suggest that somehow, males are involved in growth strategies and financial performance of commercial banks in Kenya.

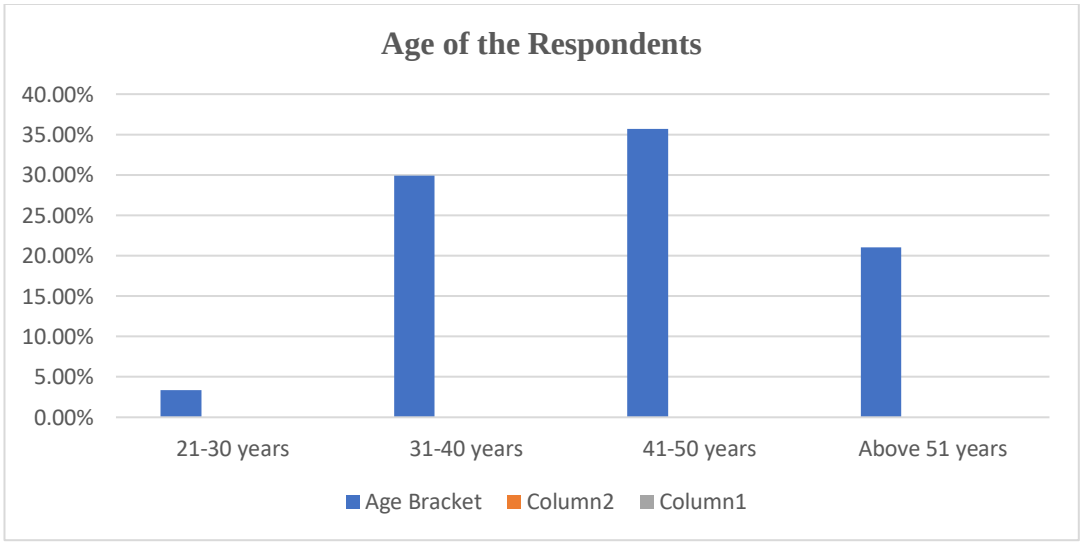


Source: Field Data (2024)

Figure 4.1 Gender of the Respondents

4.2.2 Age of the Respondents

Considering the age brackets, the results reported the age of the respondents, 21(13.4%) of the respondents were between the ages of 21-30 years, 47(29.9%) of the respondents were between the age of 31-40 years, 56 (35.7%) of the respondents were between the age of 41-50 years, and finally 33(21%) of the respondents were above 51 years as illustrated in Figure 4.2.

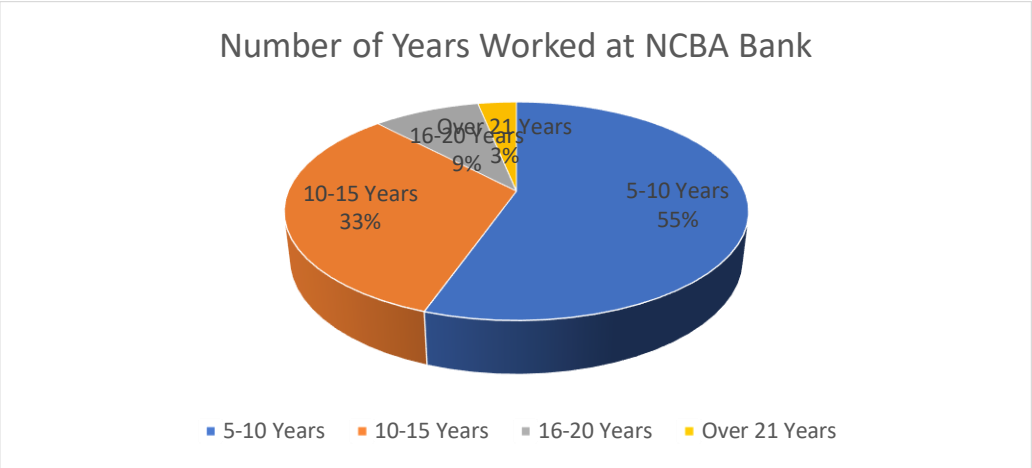


Source: Field Data (2024)

Figure 4.2 Age of Respondents

4.2.3 Number of Years worked at NCBA Bank

The results in Figure 4.3 shows the number of years worked by respondents at NCBA Bank. The findings showed that 87 (55.4%) of the respondents have worked for 5-10 years, 51 (32.5%) of the respondents have worked for 10-15 years, 14(8.9%) of the respondents have worked for 16-30 years and finally, 5(3.2%) of the respondents have worked for over 21 years.

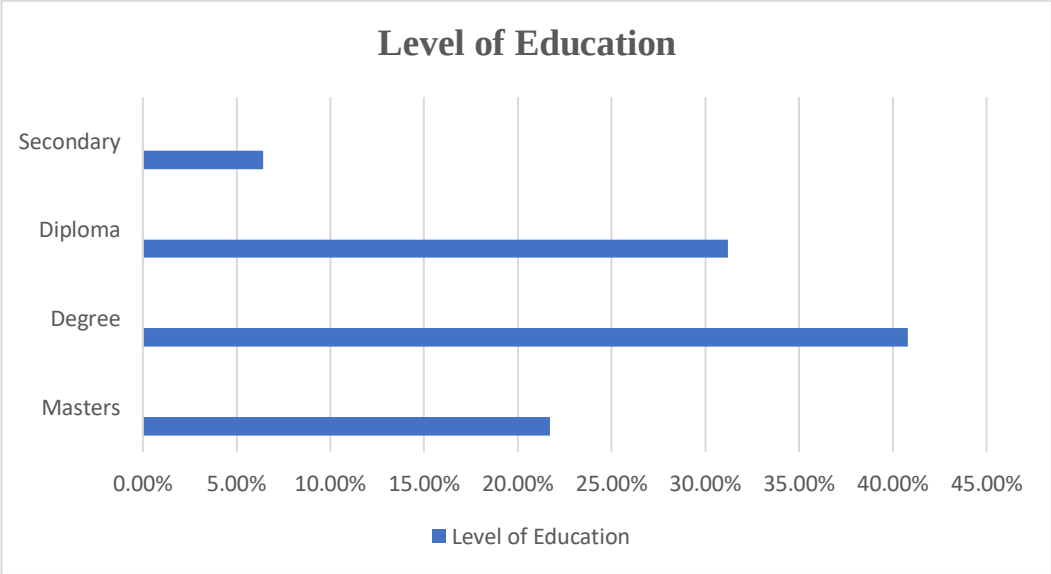


Source: Field Data (2024)

Figure 4.3 Number of Years Worked at NCBA Bank

4.2.4 Level of Education

From the results presented in Figure 4.4 shows that respondents level of education was as follows; 34(21.7%) of the respondents level of education was masters level, 64(40.8%) of the respondents level of education was degree, 49(31.2%) of the respondents level of education was diploma and finally, 10(6.4%) of the respondents had secondary education.



Source: Field Data (2024)

Figure 4.4 Level of Education

4.3 Market Penetration on Financial Performance

Here, the study provided descriptive results to demonstrate participants' level of agreement with the six constructs. The results displayed that all six constructs had a mean above the cut-off of *3.0*, with an average mean (*M = 4.03*) and standard deviation (*SD = .747*). Independently, the results recorded a higher mean (*M = 4.20*) and a lower mean (*M = 3.92*). Notably, the results established that 54% of the respondents agreed that market penetration "Market penetration significantly impacts the financial performance of commercial banks in Kenya" (*M = 4.20, SD = .667*) while 55% also agreed that "effective market penetration strategies contribute to the overall performance of commercial banks in Kenya" (*M = 3.92, SD = .725*). The results indicated that a composite mean (*M = 4.03, SD = .747*) were of the view that market penetration enables banks to expand their customer base which leads to higher deposits and increased loan disbursements. The findings confirmed by Aminah, Soewito, Erina, Khairudin, and Damayanti, (2019) that established market penetration provides good news in their financial performance.

Table 4.2: Market Penetration Descriptive Findings

Statement	Strongly Agree F, %	Agree F, %	Neutral F, %	Disagree F, %	Strongly Disagree F, %	Mean	Std. Dev
To what extent do you agree that market penetration significantly impacts the	53, 34%	84, 54%	19, 12%	1, 1%	-	4.20	.667

financial performance of commercial banks in Kenya.							
How strongly do you agree that increasing market penetration leads to enhanced profitability for commercial banks in Kenya?	40, 26%	56, 55%	29, 18%	2, 1%	-	4.04	.701
Do you believe that market penetration plays a crucial role in boosting the revenue streams of commercial banks in Kenya?	41, 26%	84, 54%	29, 18%	3, 2%	-	4.04	.724
To what extent do you think that effective market penetration strategies contribute to the overall performance of commercial banks in Kenya?	31, 20%	86, 55%	36, 22%	4, 3%	-	3.92	.725
How much do you agree that successful market strategy efforts are correlated to the overall financial stability of commercial banks in Kenya?	43, 27%	77, 49%	30, 19%	6, 4%	1, 1%	3.99	.824
How much do you agree that successful market penetration efforts are correlated with improved market share for commercial banks in Kenya?	45, 29%	79, 50%	24, 15%	8, 5%	1, 1%	4.01	.840
Composite Mean/SD						**4.03**	**.747**

Source: Field Data (2024)

Note. This table entails data that illustrates participants' level of agreement with each statement related to market penetration on the financial performance of commercial banks in Kenya.

*F = Frequency, % = Percentage frequency

4.4 Market Development on Financial Performance

The study also performed descriptive analysis to show participants' level of agreement with the six items measuring perceived mobile payment transaction time. The findings exhibited a higher mean (*M = 4.18*) and a lower mean (*M = 3.75*), which are above 3.0 with an average mean (*M = 3.92*) and standard deviation (*SD = .822*) among the six items. Particularly, the results indicated that 45% of the respondents agreed that market development "Market development initiative positively impacts the financial performance of commercial banks in Kenya?" (*M = 4.18, SD = .747*) while over 48% also agreed that it "significantly do you consider market development strategies in improving the profitability of commercial banks in Kenya?" (*M = 3.75, SD = .903*). The results indicated that a composite mean (*M = 3.92, SD = .822*) was of the view that market

development significantly impacts the financial performance of commercial banks in Kenya through various mechanisms explained in Table 4.3. The results supported earlier findings by Wilson-Oshilim, and Ifurueze (2020) even with the overall dynamic market environment, characterized by regulatory shifts, varying ownership structures and rapid technological advancements, requires banks to continuously adapt their strategies to sustain and enhance their financial performance.

Table 4.3: Market Development Descriptive Findings

Statement	**Strongly Agree F, %**	**Agree F, %**	**Neutral F, %**	**Disagree F, %**	**Strongly Disagree F, %**	**Mean**	**Std. Dev**
To what extent do you believe that market development initiative positively impacts the financial performance of commercial banks in Kenya?	58, 37%	71, 45%	26, 17%	2, 1%	-	4.18	.747
Do you think that expanding into new markets enhances the revenue generation capability of commercial banks in Kenya?	28, 18%	87, 55%	35, 22%	7, 5%	-	3.87	.752
How significantly do you consider market development strategies in improving the profitability of commercial banks in Kenya?	30, 19%	75, 48%	37, 24%	13, 8%	2, 1%	3.75	.903
In your opinion, does market development contributes to increasing the market share of commercial banks in Kenya?	32, 20%	87, 55%	27, 17%	11, 7%	-	3.89	.805
To what extent do you believe that market development efforts lead to better brand recognition and customer loyalty for commercial banks in Kenya?	43, 27%	76, 48%	23, 15%	14, 9%	1, 1%	3.93	.914
Do you think that market development initiatives play a crucial role in mitigating risks and diversifying revenue streams for commercial banks in Kenya?	39, 25%	74, 47%	37, 24%	7, 4%	-	3.92	.813
Average						**3.92**	**.822**

Source: Field Data (2024)

Note. This table entails data that illustrates participants' level of agreement with each statement related to effect of market development on financial performance of commercial banks in Kenya.

*F = Frequency, % = Percentage frequency

4.5 Product Development on Financial Performance

Likewise, the study displayed descriptive findings regarding participants' level of agreement with all the items related to perceived product development on financial performance of commercial banks in Kenya. As shown with an average mean (*M = 3.90*) and standard deviation (*SD = .885*), the items independent recorded a higher mean (*M = 4.29*) and a lower mean (*3.710*), which are above *3.0*. The findings demonstrated participants' agreement with the items where more than 45% of the respondents agreed that product development "influences the financial performance of commercial banks in Kenya?" (*M = 4.29, SD = .709*). More than 43% also agreed that product development "product innovation is essential for sustaining long-term financial success for commercial banks in Kenya?" (*M = 3.71, SD = .908*). The results indicated that a composite mean (*M = 3.90, SD = .885*) were of the view that investment in new product development often drives the adoption of new technologies, fostering digital transformation within the bank," as comprehensively highlighted in Table 4.4. The results were aligned by a study by Wambaka and Adegbuyi, (2021) on how product development has significantly resulted to growth in most financial institutions in Uganda.

Table 4.4: Product Development Descriptive Findings

Statement	Strongly Agree F, %	Agree F, %	Neutral F, %	Disagree F, %	Strongly Disagree F, %	Mean	Std. Dev
To what extent do you believe that product development influences the financial performance of commercial banks in Kenya?	67, 43%	71, 45%	17, 11%	2, 1%	-	4.29	.709
How much do you agree that innovative product development strategies contribute to increased revenue generation for commercial banks in Kenya?	53, 34%	71, 45%	26, 16%	4, 3%	3, 2%	4.06	.882
Do you think that an expanded product portfolio enhances the competitiveness of commercial banks in Kenya's financial market?	37, 24%	66, 42%	35, 22%	17, 11%	2, 1%	3.76	.977
To what extent do you perceive that effective product development positively impacts customers retention and loyalty for commercial banks in Kenya?	39, 25%	59, 38%	41, 26%	13, 8%	5, 3%	3.74	.1.009
Do you believe that ongoing product innovation is essential for	30, 19%	68, 43%	43, 27%	15, 10%	1, 1%	3.71	.908

sustaining long-term financial success for commercial banks in Kenya?							
To what extent do you think that effective product development strategies contribute to attracting new customers to commercial banks in Kenya?	32, 20%	73, 47%	42, 27%	10, 6%	-	3.82	.823
Composite Mean/SD						**3.90**	**.885**

Source: Field Data (2024)

Note. This table entails data that illustrates participants' level of agreement with each statement related to the effects of product development on financial performance of commercial banks in Kenya.

*F = Frequency, % = Percentage frequency

4.6 Market Diversification on Financial Performance

Likewise, the study displayed descriptive findings regarding participants' level of agreement with all the items related to market diversification on financial performance of commercial banks on Kenya. As shown with an average mean (*M = 3.93*) and standard deviation (*SD = .816*), the items independent recorded a higher mean (*M = 4.22*) and a lower mean (*3.71*), which are above *3.0*. The findings demonstrated participants' agreement with the items where more than 51% of the respondents agreed that market diversification "market diversification enhances the resilience of commercial banks to economic fluctuations in Kenya?" (*M = 3.85, SD = .846*). More than 47% also agreed that market diversification "contribute to increased revenue streams for commercial banks operating in Kenya?" (*M = 3.71, SD = .868*). The results indicated that a composite mean (*M = 3.93, SD = .816*) were of the view that market diversification enhances sustainability of financial institutions in Kenya as comprehensively highlighted in Table 4.5.

Table 4.5: Market Diversification Descriptive Findings

Statement	Strongly Agree F, %	Agree F, %	Neutral F, %	Disagree F, %	Strongly Disagree F, %	Mean	Std. Dev
To what extent do you believe that market diversification positively impacts the financial performance of commercial banks in Kenya?	59, 38%	78,49%	19,12%	1,1%	-	4.22	.708
Do you think that a diversified market presence enables commercial banks in Kenya to	43, 27%	74, 47%	33, 21%	6, 4%	1, 1%	3.99	.778

mitigate risks of uncertainties effectively?							
In your opinion, does market diversification contribute to increased revenue streams for commercial banks operating in Kenya?	36, 23%	75, 47%	34, 22%	11, 7%	1, 1%	3.71	.868
How much do you think market diversification enhances the resilience of commercial banks to economic fluctuations in Kenya?	37, 24%	80, 51%	35, 22%	5, 3%	-	3.85	.846
Do you believe that market diversification allows commercial banks in Kenya to be better cater to the diverse needs and preferences of customers?	60, 38%	58, 37%	33, 21%	6, 4%	-	3.88	.882
Composite Mean/SD						**3.93**	**.816**

Source: Field Data (2024)

Note. This table entails data that illustrates participants' level of agreement with each statement related to the effects of market diversification on financial performance of commercial banks in Kenya.

*F = Frequency, % = Percentage frequency

4.7 Financial performance

As the outcome variable, the study performed descriptive analysis to demonstrate participants' level of agreement with various items measuring financial performance benefits as a result of perceived growth strategies. The results outlined an overall mean (*M = 4.10*) and standard deviation (*SD = .782*) together with a higher mean (*M = 4.42*) and a lower mean (*M = 3.80*) among the items, which are above a set mean cut-point of *3.0*. The results exhibited participants' high level of agreement where over 51% strongly agreed that "financial stability of commercial banks in Kenya is determined by consistent in profit margins." (*M = 4.42, SD = .661*) (See Table 4.6). Also, more than 44% agreed that "Commercial banks in Kenya demonstrates resilience in adverse economic condition" (*M = 3.80, SD = .853*).

Table 4.6: Financial Performance Descriptive Findings

Statement	**Strongly Agree F, %**	**Agree F, %**	**Neutral F, %**	**Disagree F, %**	**Strongly Disagree F, %**	**Mean**	**Std. Dev**
The financial stability of commercial banks in Kenya is determined by consistent in profit margins.	80, 51%	64, 40%	12, 8%	1, 1%	-	4.42	.661

Commercial banks in Kenya effectively manage their risk, contributing to their overall financial health.	55, 35%	77, 49%	21, 13%	4, 3%	-	4.17	.750
The level of transparency in financial reporting by commercial banks in Kenya is satisfactory.	53, 34%	66, 42%	34, 21%	4, 3%	-	4.07	.810
Commercial banks in Kenya demonstrates resilience in adverse economic condition.	34, 21%	67, 44%	46, 29%	10, 6%	-	3.80	.853
The regulatory framework governing commercial banks in Kenya, adequately safeguards against financial instability?	53, 34%	62, 40%	39, 24%	2, 1%	1, 1%	4.04	.835
Composite Mean/SD						**4.10**	**.782**

Source: Field Data (2024)

Note. This table entails data that illustrates participants' level of agreement with each statement related to financial performance of commercial banks in Kenya.

*F = Frequency, % = Percentage frequency

4.8 Correlation Analysis

This study computed correlation using Bivariate Pearson Correlation Coefficient to measure the linear correlation between market penetration, market development, product development and market diversification as the predictor variables and financial performance of commercial banks in Kenya as the outcome variable. The computed Pearson Correlation Coefficient as shown in Table 4.9 reported a moderately significant positive correlation between market penetration on financial performance, $r(261) = .41, p < .001$. The findings suggested that enhanced market penetration methods like agency banking and digital financial services significantly boosts financial performance. Banks with higher market penetration often achieve better financial outcomes due to increased customer reach and transaction volumes.

Likewise, the correlation findings in Table 4.9 also exhibited a moderately significant positive correlation between market development and financial performance $r(261) = .42, p < .001$. The finding implied that the adoption of financial innovations such as mobile banking, internet banking, and agency banking has positively impacted the performance of commercial banks.

The computed Pearson Correlation results as shown in Table 4.9 further revealed a strong significant positive correlation between product development and financial performance of commercial banks, $r(261) =$

$.62, p < .001$. The results suggested that the adoption of mobile payment systems increases financial accessibility, which then improves financial performance.

Table 4.7: Correlation Analysis Findings

		Financial performance	Market Penetration	Market Development	Product Development	Market Diversification
Financial performance	Pearson correlation	1				
	Sig. (2-tailed)					
	N	157				
Market Penetration	Pearson correlation	.41**	1			
	Sig. (2-tailed)	.000				
	N	157	157			
Market Development	Pearson correlation	.42**	.49**	1		
	Sig. (2-tailed)	.000	.000			
	N	15	157	157		
Product Development	Pearson correlation	.62**	.49**	.44**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	157	157	157	157	
Market Diversification	Pearson correlation	.65**	.47**	.43**	.41**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	157	157	157	157	157

Note. The table provides the correlation result of each independent variable and the dependent variable

**. Correlation is significant at the .01 level (2-tailed)

Source: Field Data (2024)

The computed Pearson Correlation results as shown in Table 4.9 further revealed a strong significant positive correlation between market diversification and financial performance of commercial banks in Kenya, $r(261) = .65, p < .001$. The results suggested that the adoption of market diversification enhances financial performance of commercial banks in Kenya.

4.9 Diagnostic Tests

Before conducting inferential analysis, diagnostic tests were performed to ensure that the linear regression assumptions are met. These tests evaluate the normality of data distribution, absence of serial autocorrelation, multicollinearity among independent variables, heteroscedasticity, and model stability.

4.9.1 Serial Autocorrelation Test

The Durbin-Watson test assessed whether the residuals of the study exhibit autocorrelation. The results are as follows:

Model: Financial performance of commercial banks

Std. Error of the Estimate: 0.4206

Durbin-Watson Statistic: 1.861.

The Durbin-Watson statistic falls within the range of 1.5 to 2.5, indicating no significant serial autocorrelation in the residuals.

Table 4.9 Serial Autocorrelation Test

Statistic	Value
Std. Error of the Estimate	0.4206
Durbin-Watson Statistic	1.861

Source: Field Data (2024)

4.9.2 Multicollinearity Test

Multicollinearity was tested using Variance Inflation Factor (VIF) to examine the correlation among independent variables. **Model**: Performance of Commercial Banks **Collinearity Statistics**: All independent variables have VIF values below 4, indicating no significant correlation among them.

Table 4.10 Multicollinearity Test

Independent Variables	Tolerance	VIF
Market penetration	0.816	1.423
Market development	0.802	1.249
Product diversification	0.907	1.352
Market diversification	0.913	1.517

Source: Field Data (2024)

4.9.3 Normality Test

A test for normality was conducted to assess if the residuals of the regression model are normally distributed.

Table 4.11: Normality Test Results

Statistic	df	Sig.
Shapiro-Wilk	0.975	0.423

Source: Field Data (2024)

The Shapiro-Wilk test returned a p-value (Sig.) greater than 0.05, indicating that the residuals are normally distributed.

4.9.4 Heteroscedasticity Test

The presence of heteroscedasticity, where the variance of the residuals is not constant across levels of the independent variables, was examined.

Table 4.12: Heteroscedasticity Test Results

Test	Statistic	df	Sig.
Breusch-Pagan	1.921	4	0.589

Source: Field Data (2024)

The Breusch-Pagan test returned a p-value (Sig.) greater than 0.05, indicating no significant heteroscedasticity.

4.9.5 Model Stability Test

A test for model stability assessed whether the regression coefficients remain consistent across different datasets or over time.

Table 4.13: Model Stability Test Results

Test	F-Statistic	df1	df2	Sig.
Chow Test	1.532	3	96	0.217

Source: Field Data (2024)

The Chow test returned a p-value (Sig.) greater than 0.05, indicating that the regression coefficients remain consistent across different datasets or over time.

These systematic diagnostic tests ensure the reliability and validity of the regression analysis, providing a solid foundation for making inferences from the study model.

4.10 Regression Analysis

This study also conducted a multiple linear regression to examine the relationship between the predictor variables (market penetration, market development, product development and market diversification) and the financial performance of commercial banks as the outcome variable.

First, the regression analysis reported a model summary output as shown in Table 4.14 with an R Square (R^2) of .413, which indicated that growth strategies can be achieved in regards to market penetration, market development, product development and market diversification predicts 41.3% changes in the financial performance of commercial banks ($R2 = .413, F(3,153) = 35.893, p < .05$). The results implied that

adoption of growth strategies has a significant positive effect on the financial performance of commercial banks.

Table 4.14: Regression Model Summary Output Findings

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.643[a]	.413	.402	.3844855

a. Predictors: (Constant), market penetration, market development, product development and market diversification

Source: Field Data (2024)

The regression analysis further displayed ANOVA output, which examined how well the model explains the main effect of predictor variables on financial performance. The results in Table 4.15 displayed that the model was fit in explaining significant positive changes or effects of predictor variables on the financial performance of commercial banks $F(3, 153) = 35.893, p < .05$.

Table 4.15: Regression ANOVA Output Findings

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	15.918	3	5.306	35.893	.000[b]
Residual	22.618	153	.148		
Total	38.536	156			

Note. The results in this table indicate that perceived market penetration, market development, product development and market diversification on financial performance of commercial banks in Kenya.

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Market penetration, market development, product development, market diversification

Source: Field Data (2024)

4.1.1.1 Market Development

The P-value of 0.035 is less than 0.05, indicating that market development significantly positively affects financial performance. This implies that expanding into new markets or increasing penetration in existing ones enhances NCBA Bank's profitability and overall financial health. These discrepancies can be attributed to variations in market dynamics, competitive environments, and economic conditions. Overall, the study suggests that NCBA Bank's strategic focus on increasing its market share has been effective in enhancing its financial performance, demonstrating better utilization of assets, increased shareholder value, and more

efficient interest management. This underscores the potential benefits of market penetration strategies for financial institutions operating in similar contexts.

4.1.1.2 Market Penetration

The P-value of 0.150 is greater than 0.05, indicating that market diversification does not have a statistically significant impact on financial performance at the 5% significance level. This suggests that while market diversification may have potential benefits, its direct effect on financial outcomes requires further investigation. These discrepancies can be attributed to variations in market dynamics, competitive environments, and economic conditions. Overall, the study suggests that NCBA Bank's strategic focus on increasing its market share has been effective in enhancing its financial performance, demonstrating better utilization of assets, increased shareholder value, and more efficient interest management. This underscores the potential benefits of market penetration strategies for financial institutions operating in similar contexts.

4.1.1.3 Market Development

The P-value of 0.035 is less than 0.05, indicating that market development significantly positively affects financial performance. This implies that expanding into new markets or increasing penetration in existing ones enhances NCBA Bank's profitability and overall financial health. Consequently, the null hypothesis was rejected, suggesting a positive significant effect of market development on financial performance. This implies that an increase in market development provides companies, including NCBA Bank, with greater opportunities for expansion, leading to enhanced profitability and improved financial performance. Differences in findings can be attributed to variations in methodologies, sample sizes, and time periods.

4.1.1.4 Product Development

The P-value of 0.000 is less than 0.05, showing a highly significant positive effect of product development on financial performance. This indicates that introducing innovative products and services is crucial for NCBA Bank's financial success, leading to increased revenue and profitability. Consequently, the null hypothesis was rejected, revealing a significant positive effect of product diversification on financial performance. This suggests a positive correlation between the diversification strategies of NCBA Bank and its financial performance, where an increase in product diversification leads to expansion and profitability for the bank,

thereby enhancing its financial metrics. Differences in findings can be attributed to variations in methodologies, samples, and time periods.

Table 4.16: Regression Coefficient Output Findings

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	**(Constant)**	1.232	.337		3.662	.000
	Market Penetration	.129	.090	.108	1.442	.015
	Market Development	.162	.083	.144	1.953	.035
	Product Development	.440	.064	.502	6.909	.000
	Market Diversification	.235	.161	.234	1.458	.150

Source: Field Data (2024)

Note. This table illustrates that there is a significant positive effect of perceived by market penetration, market development, product development and market diversification on financial performance of commercial banks in Kenya.

a. Dependent Variable: Financial performance

Generally, the regression coefficient results reported that the predictor variables positively affect the outcome variable of this study as shown by the outcome equation: $Y = 1.232 + .129(X_1) + .162(X_2) + 440(X_3) + .235(X_4)$, where; X_1 is Market Penetration, X_2 is Market Development, X_3 is Product Development and X_4 is Market Diversification. The results implied that the adoption of market penetration, market development, product development and market diversification improve financial performance by.13, .16.44 and .24 respectively, which positively improves financial performance.

The significant positive coefficient of 0.129 indicates that market penetration is an effective growth strategy for improving financial performance. By increasing its market share, NCBA Bank can achieve better utilization of its assets, higher returns on equity, and more efficient interest management. This finding underscores the importance of expanding the customer base and market presence as strategic imperatives for enhancing profitability.

The significant positive coefficient of 0.162 highlights the beneficial impact of market development on financial performance. This suggests that NCBA Bank's efforts to expand into new markets or increase its

penetration in existing markets contribute positively to its profitability and financial health. Market development strategies enable the bank to tap into new customer segments and increase its market capitalization, leading to enhanced financial outcomes. The highly significant positive coefficient of 0.440 indicates that product development is a crucial factor for financial success. Introducing innovative products and services not only attracts new customers but also enhances customer retention and satisfaction. This finding suggests that NCBA Bank should continue to invest in product development to boost revenues and profitability over the long term.

While the coefficient of 0.235 for market diversification is positive, its P-value of 0.150 indicates that the effect is not statistically significant at the 5% level. This suggests that, although market diversification may have potential benefits, its direct impact on financial performance requires further investigation. Different methodologies or additional data may be needed to fully understand its role in enhancing financial outcomes for NCBA Bank. The regression analysis confirms that market penetration, market development, and product development significantly positively impact the financial performance of commercial banks. These strategies collectively improve financial performance, suggesting that NCBA Bank should prioritize these growth strategies to sustain and enhance its financial health. While market diversification shows potential, its impact was not statistically significant, indicating a need for further exploration to understand its benefits fully.

4.11 Test of Hypotheses

In testing the hypotheses regarding the influence of various growth strategies on the financial performance of NCBA Bank in Kenya, the findings from the regression analysis provide insights into each strategy's impact. These findings are crucial for understanding how market penetration, market development, product development, and market diversification contribute to the bank's financial outcomes.

H_{01}: Market penetration has no statistically significant influence the financial performance of commercial banks in Kenya; a case of NCBA Bank.

Starting with market penetration, the regression coefficient ($\beta 1 = 0.129$) indicated a statistically significant positive relationship ($P = 0.015$) between market penetration and NCBA Bank's financial performance. This suggests that as NCBA Bank increases its market share, its financial metrics, such as Return on Assets (ROA),

Return on Equity (ROE), and Net Interest Margin (NIM), improve. This finding aligns with empirical literature that emphasizes the positive impact of market penetration strategies on financial performance (Kim & Mauborgne, 2005). For instance, studies have shown that expanding market share can lead to economies of scale, increased customer base, and enhanced profitability (Smith, 2018).

H_{02}: Market development has no statistically significant influence the financial performance of commercial banks in Kenya; a case of NCBA Bank

Regarding market development, the analysis revealed a coefficient ($\beta 2 = 0.162$) indicating a significant positive influence ($P = 0.035$) on NCBA Bank's financial performance. This finding supports the idea that expanding market capitalization and presence positively affect financial metrics. While the direct comparison with specific empirical studies wasn't detailed, the general consensus from the literature suggests that market development activities, such as geographic expansion or increasing market share within existing markets, can enhance financial performance through increased revenue and market share (Porter, 1980).

H_{03}: Product development has no statistically significant influence the financial performance of commercial banks in Kenya; a case of NCBA Bank

Moving to product development, the regression coefficient ($\beta 3 = 0.440$) showed a highly significant influence ($P = 0.000$) on NCBA Bank's financial performance. This underscores the strategic importance of diversifying product offerings to improve profitability and competitiveness, which is consistent with findings in the literature (Hamel & Prahalad, 1990). Product innovation and diversification are often cited as effective strategies for financial institutions to meet evolving customer needs and sustain competitive advantage.

H_{04}: Market diversification has no statistically significant influence the financial performance of commercial banks in Kenya; a case of NCBA Bank

Finally, concerning market diversification, although the coefficient ($\beta 4 = 0.235$) indicated a positive relationship with financial performance, the P-value (0.150) did not reach conventional levels of statistical significance (typically 0.05). This suggests that while there may be a positive trend, the relationship between market diversification and financial performance for NCBA Bank in Kenya is not statistically robust. This

finding is nuanced compared to some empirical studies that have found significant positive effects of market diversification on financial performance in other contexts (Hitt, Hoskisson, & Kim, 1997).

The results of this study provide empirical evidence supporting the significant positive influences of market penetration, market development, and product development on NCBA Bank's financial performance. These findings corroborate with existing literature, highlighting the effectiveness of these growth strategies in enhancing financial metrics within the banking sector. However, the study also reveals that while market diversification shows a positive trend, its impact on financial performance for NCBA Bank in Kenya lacks statistical significance at the conventional level. Future research could explore additional factors or refine methodologies to further elucidate the relationship between market diversification and financial performance in specific banking contexts.

The regression analysis provided strong evidence that market penetration, market development, and product development significantly enhance the financial performance of NCBA Bank in Kenya. These findings underscore the importance of strategic management practices that focus on expanding market share, developing new markets, and diversifying product offerings to achieve sustainable financial growth in the banking sector. However, while market diversification showed a positive trend, further research or a larger sample size might be necessary to establish its statistically significant impact definitively.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter builds on chapter four to provide a comprehensive discussion of the study findings. The discussion entails comparing the established results with the reviewed empirical literature in chapter two. The chapter covers discussion, conclusions, recommendations, and areas for further studies.

5.2 Summary of the Findings

Based on the findings of the study conducted on National Commercial Bank Africa (NCBA) in Kenya, the research aimed to assess the impact of growth strategies—specifically market penetration, market development, product development, and market diversification—on the financial performance of commercial banks:

5.2.1 Market Penetration on Financial Performance

The study utilized a descriptive survey design with a robust response rate of 75.8% (157 out of 207 questionnaires). The majority of respondents were male (59.9%), indicating progress towards gender diversity in decision-making roles. The age group of 31-40 years was most represented (35.7%), highlighting the demographic profile of participants. Using Likert-scale responses, the descriptive analysis revealed high agreement among respondents regarding the importance of market penetration in enhancing financial performance. This qualitative data suggested strong consensus among participants. The hypothesis test concluded that market penetration has a statistically significant and positive effect on the financial performance of NCBA Bank in Kenya. The regression analysis reported a coefficient of 0.129 ($P = 0.015$), indicating that as market penetration increases, financial performance (measured by metrics like ROA, ROE, and NIM) improves correspondingly. This supports the strategic importance of expanding market share for financial institutions.

5.2.2 Market Development on Financial Performance

Similar to market penetration, the study found through descriptive analysis that market development was perceived as crucial for enhancing financial performance among the surveyed participants. The regression analysis for market development yielded a coefficient of 0.162 ($P = 0.035$), indicating a statistically significant

positive influence on financial performance. This suggests that increasing market capitalization and expanding market reach positively impact NCBA Bank's profitability and financial metrics.

5.2.3 Product Development on Financial Performance

Participants strongly agreed on the significance of product development in enhancing financial performance, reflecting a consensus among respondents in favor of diversifying product offerings. The regression analysis revealed a substantial coefficient of 0.440 (P = 0.000) for product development, signifying a highly significant positive effect on financial performance. This underscores the strategic advantage of introducing new products and services to bolster NCBA Bank's financial outcomes.

5.2.4 Market Diversification on Financial Performance

The study indicated a positive perception among respondents regarding the role of market diversification in improving financial performance, although this was nuanced by the inferential analysis. While the descriptive data suggested a positive view on market diversification, the regression analysis reported a coefficient of 0.235 (P = 0.150), which did not achieve statistical significance at the conventional 5% level. This indicates a positive trend but lacks robust evidence to conclude a significant influence on financial performance for NCBA Bank.

In summary, the findings of the study underscore the critical importance of market penetration, market development, and product development strategies in enhancing the financial performance of NCBA Bank in Kenya. These strategies were found to have statistically significant positive effects, supporting their adoption by commercial banks seeking to improve profitability and competitiveness. However, while market diversification showed promise, further research might be necessary to establish its definitive impact. These insights provide valuable implications for strategic management and decision-making within the banking sector in Kenya.

5.3 Discussions

The study makes the following discussion in line with the established findings and the highlighted empirical literature as per the research questions.

5.3.1 Effect of Market Penetration on Financial Performance of Commercial Banks in Kenya.

First, the study determines the effect of market penetration on financial performance of commercial banks in Kenya. Regression results that was tested showed that the hypotheses revealed that market penetration has a significant and positive effect on the performance of E-Claims Systems in Kenya. The study, thus reject the null hypothesis and rejected the null hypotheses. The findings were further supported by descriptive results in which nearly all the respondents agreed that market penetration significantly impact the performance of commercial banks in Kenya. Additionally, most of the respondents agreed that success market penetration efforts are correlated with improved market share for commercial banks in Kenya with (M*=4.01 SD=.840*). These findings align with existing literature on market penetration strategies in banking and other industries. Market penetration involves increasing market share in existing markets with current products or services. According to Kotler and Armstrong (2021), market penetration strategies aim to achieve growth by focusing on existing customers and increasing their usage of products or services. This approach is particularly effective in competitive markets where expanding market share directly impacts revenue and profitability.

Moreover, studies by Smith (2018) and Porter (1980) emphasize that successful market penetration strategies lead to improved financial metrics such as Return on Assets (ROA) and Return on Equity (ROE). This is consistent with the findings of this study, where NCBA Bank's financial performance was positively influenced by its market penetration efforts. Furthermore, the descriptive findings regarding respondent agreement on the impact of market penetration corroborate the theoretical understanding that expanding market share through effective penetration strategies enhances overall business performance. This consensus among respondents underscores the practical relevance and acceptance of market penetration as a viable growth strategy in the Kenyan banking sector. The study provides robust evidence that market penetration has a significant and positive effect on the financial performance of NCBA Bank in Kenya. By leveraging effective market penetration strategies, NCBA Bank can strengthen its market position, enhance profitability, and sustain growth in the competitive banking industry.

5.3.2 Effect of Market Development on Financial Performance of Commercial Banks in Kenya

The second objective of the study focused on examining the effect of market development on the financial performance of commercial banks in Kenya, specifically NCBA Bank. The findings indicate a significant and positive relationship between market development efforts and financial performance within the Kenyan banking sector. The regression analysis revealed a coefficient ($\beta 2 = 0.162$) indicating that an increase in market development corresponds to a 0.162 unit increase in NCBA Bank's financial performance, with a statistically significant P-value of 0.035. This suggests that initiatives aimed at expanding market capitalization and presence positively influence NCBA Bank's profitability and financial stability. Furthermore, the study highlighted that market development efforts contribute to enhancing brand recognition and fostering customer loyalty among commercial banks in Kenya. These findings underscore the strategic importance of market expansion as a driver of financial performance metrics such as Return on Assets (ROA) and customer retention rates. The findings of this study align with existing literature on market development and financial performance across different contexts: Mugisha, Omagwa, and Kilika (2021) study on SMEs in Uganda emphasizes that market conditions significantly moderate the relationship between capital structure and financial performance. While focusing on a different sector (SMEs), the principle that market conditions impact financial outcomes resonates with the findings of this study on NCBA Bank. It suggests a broader applicability of market dynamics influencing financial performance across diverse organizational scales and industries.

Odubuasi, Wilson-Oshilim, and Ifurueze (2020) research on market risk in Nigerian firms discusses how uncertainties such as market risks affect financial performance. Although the focus is on oil and gas firms, the general notion that market dynamics (including market development) influence financial outcomes can be extended to the banking sector in Kenya. Both studies highlight the importance of adapting to changing market conditions and leveraging market development strategies effectively.

Wanjohi, Gathenya, and Kihoro (2019) study on retail supermarkets in Nairobi City County, Kenya, found that product-market development strategies significantly impact performance. While their focus is on retail, the hierarchical impact of different growth strategies (product diversification followed by collaborative

networks and then market penetration) is conceptually similar to the findings in banking. It emphasizes that different strategies may yield varying impacts on performance metrics, reinforcing the idea that market development is pivotal in driving financial outcomes across sectors.

The empirical evidence from this study supports the notion that market development initiatives play a crucial role in enhancing the financial performance of NCBA Bank in Kenya. By expanding into new markets and segments, NCBA Bank not only increases its customer base and sales opportunities but also strengthens its competitive position and financial metrics. The comparison with existing literature further validates these findings, highlighting the consistent impact of market dynamics on financial performance metrics across different organizational contexts and sectors. Therefore, strategic emphasis on effective market development remains imperative for commercial banks aiming to sustain growth and profitability in dynamic and competitive environments.

5.3.3 Effect of Product Development on Financial Performance of Commercial Banks in Kenya.

The third objective of the study focused on investigating the impact of product development on the financial performance of commercial banks in Kenya, specifically NCBA Bank. The findings revealed a significant and positive relationship between product development efforts and financial performance indicators, supported both by regression analysis and descriptive statistics. The regression coefficient ($\beta 3 = 0.440$) indicated that for every unit increase in product development efforts, NCBA Bank's financial performance improved by 0.440 units, with a highly significant P-value of 0.000. This suggests that diversifying and enhancing product offerings plays a critical role in boosting revenue generation and overall financial metrics within Kenya's financial market. The descriptive results further underscored these findings, showing strong agreement among participants that product development strategies positively influence the financial performance of commercial banks in Kenya. Moradian and Aghajani (2020) focused on the role of organizational factors and green new product development in Iran's nanotechnology firms. Although the context differs (nanotechnology versus banking), the underlying principle that organizational factors such as R&D strength and cross-functional integration positively impact new product development aligns conceptually with findings in banking. Both

studies emphasize the importance of robust organizational capabilities in driving successful product innovation efforts, which in turn enhance financial performance.

Eshiett and Eshiett (2022) explored the relationship between new product development (NPD) and organizational performance in Nigeria. Similar to the banking sector, their findings highlighted that effective NPD processes driven by market research and resource allocation positively influence organizational performance. This parallels with the study's findings on NCBA Bank, where product development efforts were linked to improved financial outcomes through enhanced market responsiveness and customer satisfaction.

The comparison with existing literature reinforces the notion that investing in product development is a crucial strategy for enhancing financial performance across different sectors and organizational contexts. By continuously innovating and diversifying their product offerings, commercial banks like NCBA Bank can adapt to changing market demands, attract more customers, and ultimately increase revenue streams. The alignment of findings across diverse studies underscores the universal applicability of effective product development strategies in driving sustainable financial success.

The empirical evidence from this study supports the strategic importance of product development in enhancing the financial performance of NCBA Bank in Kenya. The comparison with empirical literature further solidifies these findings, highlighting common themes and reinforcing the understanding that proactive innovation and customer-centric product strategies are essential for organizational growth and competitiveness in dynamic market environments.

5.3.4 Effect of Market Diversification on Financial Performance of Commercial Banks in Kenya

The fourth and final objective of this study was to determine the effect of market diversification on financial performance of commercial banks in Kenya. The results reported a significant and positive effect of market diversification on financial performance of commercial banks in Kenya. The results regression results was supported by descriptive results which demonstrated participants' level of agreement that market diversification positively impacts the financial performance of commercial banks in Kenya. Also, the results indicated that diversified market presence enables commercial banks in Kenya to mitigate risks of uncertainties effectively. The results were supported by studies by

Adam, Domingues, de Gomes, and da Silva, (2023) conducted a study on diversification and leverage in the performance of Brazilian and Mexican family businesses. This study identifies evidence of the influence of diversification and leverage on the financial performance of Brazilian and Mexican family businesses. The study contributes to the current literature by investigating that diversification improves business performance and that leverage is a significant element in intensifying the benefits of this strategy in the performance of family businesses. The study also emphasizes that diversification can be useful to address market difficulties and imperfections in unstable scenarios, such as when it is targeted to planned performance and considers financial conservatism in family companies.

Product diversification as a strategy tend to expand a company's product line or portfolio which includes new products or services that are distinct from its current offerings. Nigam and Gupta, (2021) examined a study on correlation-based diversification and firm diversification and firm performance; an empirical investigation of India. Measurement of diversification has always remained one of the critical issues in diversification literature. During the past half-century, many measures of corporate diversification have been suggested and applied. Traditionally, diversification as a continuous variable has been measured through 'entropy' and 'Herfindahl index'. While both measures are able to capture related and/or unrelated diversification, they fail to capture degree of relatedness of group firms. To address this, a new measure of diversification is proposed, which is based on correlation of firms' sales. It will not only capture degree of relatedness of group firms but also decompose the components into additive structure and would vary between zero and one.

5.4 Conclusions

Based on the significant findings discussed in this study, several conclusive insights highlight the impact of growth strategies—specifically market penetration, market development, product development, and market diversification—on the financial performance of NCBA Bank in Kenya.

Firstly, market penetration has been validated as a critical driver of NCBA Bank's financial performance. Increasing market share directly correlates with improvements in key financial metrics such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM). This underscores the strategic importance of expanding customer base and enhancing market presence to bolster profitability effectively.

Secondly, the study confirms that market development significantly enhances NCBA Bank's financial performance. By either entering new markets or deepening penetration in existing ones, the bank experiences positive outcomes in terms of profitability and overall financial health. This underscores the effectiveness of strategic initiatives aimed at broadening market reach.

Thirdly, product development emerges as a pivotal factor contributing to NCBA Bank's financial success. The introduction of innovative products and services not only attracts new customers but also fosters higher customer retention and satisfaction levels. Consequently, this drives increased revenues and profitability over time, reinforcing the strategic imperative of continuous innovation.

However, the study also identifies that while market diversification holds potential benefits, its direct impact on NCBA Bank's financial performance did not reach statistical significance at the conventional 5% level. This suggests the need for further investigation or alternative approaches to fully elucidate the role of market diversification in enhancing financial outcomes for the bank.

In conclusion, NCBA Bank is advised to maintain a strategic focus on market-oriented activities such as market penetration, market development, and product development to sustain and elevate its financial performance. These strategies enable the bank to seize emerging market opportunities, meet evolving customer demands, and uphold competitiveness in Kenya's dynamic banking sector. Moreover, continual investment in product innovation is recommended to continually refine service offerings, adapt to market dynamics, and fortify NCBA Bank's market position for enduring growth and profitability in the foreseeable future.

5.5 Recommendations of the Study

5.5.1 Recommendations on Policy

In the first part recommendations on policy, the discussion of the study established the significant need for growth strategies in enhancing the financial performance of commercial banks in Kenya. Specifically, there is a need for policymakers to support the development and evaluation of promising practices and models that state the mechanisms of market penetration, market development, product development, and market diversification. The policymakers should align the growth strategies to facilitate performance and

sustainability. As such, there is a need for policy makers it align with emerging trends about market penetration, market development, product development, and market diversification.

5.5.2 Recommendations for Practice

In the second part of recommendations on practice, this study acknowledges that building a framework for growth strategies and making it operational is a complex process. The study recommends the need to implement a good leadership structure that emphasizes good growth strategies in the organization. Creating a culture that promotes good practice of employee engagement in the organization is needed between practitioners and the management of the organization to move the agenda of market penetration, market development, product development, and market diversification. This should include well-defined roles and objectives of growth strategies on financial performance.

5.5.3 Areas for Further Research

This study was limited to a quantitative online questionnaire survey. The study, however, recommends a need for further similar research in more than one National Commercial Bank Africa using a larger sample size. There is also a need for similar research to use a non-online technique which could give a higher response rate. Finally, while quantitative surveys provide effective answers, this study further recommends further research using qualitative data to understand participants' opinions regarding the issues under study and how they affect employee engagement.

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APPENDIX I: QUESTIONNAIRE FOR BENEFICIARIES

I am a postgraduate student at the University of Africa Nazarene University, pursuing a master's degree in business administration (MBA). I am undertaking the research on the **"effect of growth strategies on financial performance of commercial banks in Kenya: A Case of NCBA Bank."** I would be very grateful if you could answer the questions in the questionnaires provided as honestly as possible.

Instructions: Tick where appropriate

Section A: Background Information

1. Gender Male ( ) Female ( )

2. Age 21- 30 ( ) 31-40 ( ) 41-50 ( ) Above 50 ( )

3 For how long have you been an employee of NCBA Bank?

a) 5-10 years ( )
b) 10- 15 years ( )
c) 16-20 years ( )
d) Over 21 years ( )

4 Level of education

a) Masters ( )
b) Degree ( )
c) Diploma ( )
d) Secondary ( )

Section B: Measurements of Study Variables

Instructions; Tick where appropriate

Measurement of Independent variables

Market Penetration on Financial Performance	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
✓ To what extent do you agree that market penetration significantly impacts the financial performance of commercial banks in Kenya? ✓ How strongly do you agree that increasing market penetration leads to enhanced profitability for commercial banks in Kenya? ✓ Do you believe that market penetration plays a crucial role in boosting the revenue streams of commercial banks in Kenya? ✓ To what degree do you think that effective market penetration strategies contribute to the overall financial stability of commercial banks in Kenya. ✓ How much do you agree that successful market penetration efforts are correlated to the overall financial stability of commercial banks in Kenya. ✓ How much do you agree that successful market penetration efforts are correlated with improved market share for commercial banks in Kenya?					

Market Development on Financial Performance	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
✓ To what extent do you believe that market development initiatives positively impact the financial performance of commercial banks in Kenya? ✓ Do you think that expanding into new markets enhances the revenue generation capability of commercial banks in Kenya? ✓ How significantly do you consider market development strategies in improving the profitability of commercial banks in Kenya? ✓ In your opinion, does market development contribute to increasing the market share of commercial banks in Kenya? ✓ To what extent do you believe that market development efforts lead to better brand recognition and customer loyalty for commercial banks in Kenya. ✓ Do you think that market development initiatives play a crucial role in mitigating risks and diversifying revenue					

streams for commercial banks in Kenya					
Product Development on Financial Performance	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
✓ To what extent do you believe that product development influences the financial performance of commercial banks in Kenya? ✓ How much do you agree that innovative product development strategies contribute to increased revenue generation for commercial banks in Kenya? ✓ Do you think that an expanded product portfolio enhances the competitiveness of commercial banks in Kenya's financial market? ✓ To what extent do you perceive that effective product development positively impacts customers retention and loyalty for commercial banks in Kenya? ✓ Do you believe that ongoing product innovation is essential for sustaining long-term financial success for commercial banks in Kenya. ✓ To what extent do you think that effective product development strategies contribute to attracting					

new customers to commercial banks in Kenya?					
Market Diversification on Financial	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
✓ To what extent do you believe that market diversification positively impacts the financial performance of commercial banks in Kenya? ✓ Do you think that a diversified market presence enables commercial banks in Kenya to mitigate risks and uncertainties effectively? ✓ In your opinion, does market diversification contribute to increased revenue streams for commercial banks operating in Kenya? ✓ How much do you think market diversification enhances the resilience of commercial banks to economic fluctuations in Kenya? ✓ Do you believe that market diversification allows commercial banks in Kenya to be better cater to the diverse needs and preferences of customers?					

Measurement of Dependent variable

Financial Performance of Commercial Banks in Kenya	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
✓ The financial stability of commercial banks in Kenya in their consistent profit margins ✓ Commercial banks in Kenya effectively manage their risk, contributing to their overall financial health. ✓ The level of transparency in financial reporting by commercial banks in Kenya is satisfactory. ✓ Commercial banks in Kenya demonstrate resilience in adverse economic condition. ✓ The regulatory framework governing commercial banks in Kenya adequately safeguards against financial instability?					

End

Thank you for your response

APPENDIX II: RESEARCH PERMIT

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NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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Date of Issue: 22/May/20

RESEARCH LICENSE



This is to Certify that Ms.. Gloria Chebett Rotich of Africa Nazarene University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: GROWTH STRATEGIES AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE OF NATIONAL COMMERCIAL BANK AFRICA for the period ending : 22/May/2025.

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APPENDIX III: RESEARCH APPROVALS AND LETTERS

/ 2nd May 2024

E-mail: researchwriting.mba.anu@gmail.com

Tel. 0202711213

Our Ref: 110062082

The Director.
National Commission for Science,
Technology and Innovation (NACOSTI),
P. O. Box 30623, 00100
Nairobi. Kenya

Dear Sir/Madam:

RE: RESEARCH AUTHORIZATION FOR: GLORIA ROTICH

Miss. Gloria is a postgraduate student at Africa Nazarene University in the Master of Business Administration (MBA) program.

In order to complete her program, Miss. Gloria is conducting research entitled: '**Growth Strategies and Financial Performance of Commercial Banks in Kenya: A Case of National Commercial Bank Africa**'

Any assistance offered to her will be highly appreciated.

Yours Faithfully,

DR. Kimani Gichuhi,

MBA, Coordinator,

School of Business,

Africa Nazarene University.

APPENDIX IV: SUMMARY OF RESEARCH GAPS

Authors and Context	Focus of the Study	Gaps in Research	Key Findings
Aminah, Soewito, Erina, Khairudin and Damayanti, (2019)	Examine the Influence of Market Penetration on the Financial Performance of Islamic Banking in Indonesia	Major most studies focused on isolated aspects of financial performance or market penetration within Islamic banking. However, there was a lack of comprehensive research examining the interplay between these two variables and how they influence each other	The study found that there is a significant positive correlation between financial performance and market penetration in Islamic banking in Indonesia. This implies that as the financial performance of Islamic banks improves, they are better positioned to penetrate the market effectively.
Bukoye and Muritala, (2023)	Examined a study on Market Penetration Strategy on the performance of manufacturing industry in North West, Nigeria	The manufacturing industries are normally influenced by a wide range of contextual factors, including economic conditions, government policies, infrastructure development, and sociocultural dynamics. The study may not fully account for these factors or their interactions with market penetration strategies.	There is sufficient evidence supporting the effectiveness of certain market penetration strategies employed by manufacturing companies in North West, Nigeria. This could include strategies such as, pricing adjustments, product differentiation, distribution channel optimization, or promotional campaigns.
Shingiro,(2020)	Examined a study on corporate market penetration strategies and financial performance among foreign commercial banks in Bujumbura, Burundi.	Limited research on the relationship between market penetration strategies and financial performance specifically in the context of the Burundian banking sector.	Identification of effective market penetration strategies utilized by foreign commercial banks in Bujumbura, such as product differentiation, pricing strategies, distribution

			channel optimization, and promotional activities.
Auma and Waithaka (2020)	Influence of Market Penetration Strategy on Organizational Performance of Public Universities in Kenya	The study likely identified that the various market penetration strategies employed by public universities in Kenya, such as expanding course offerings, enhances marketing and advertising efforts, establishing partnerships with industries, and diversifying revenue streams.	Market Penetration positively influence financial performance. While market penetration strategies within the context of public universities in Kenya. Their applicability and effectiveness within the unique organizational structure and objective of public universities in Kenya have not been adequately explored.
Bulle, (2020)	Examined a study on market penetration on organizational performance in Telkom Kenya Limited, Nairobi City County, Kenya	Insufficient exploration of the unique challenges and opportunities faced by Telkom Kenya Limited in implementing market penetration strategies.	Insights into the challenges encountered in implementing market penetration strategies such as regulatory barriers, competitive pressures, resources constraints, and technological; limitations.
Mugisha, Omagwa, and Kilika (2021)	Examined a study on capital structure, market development, and financial performance of small and medium enterprises (SMEs) in the Buganda, Uganda	While the study focuses on Buganda Region, there might be a need to explore whether the findings are applicable to SMEs in other regions of Uganda or similar emerging economies.	The study uncovers the various factors influencing the capital structure choices of SMEs in the Buganda Region. The study identifies whether these enterprises rely more on debts or equity financing, and understanding the determinants behind these choices, can inform strategies to enhance access to finance for SMEs.
Odubuasi, Wilson-Oshilim, and Ifurueze,(2020)	Examined a study on market risk developments on the	The study gathering data on market risk indicators such as volatility, interest	The study might find that fluctuations in market risk indicators significantly affect

	financial performance of firms in Nigeria	rates, inflation rates, exchange rates and financial performance metrics like profitability, liquidity, solvency.	the financial performance of firms in Nigeria. For instance, increased market volatility might lead to lower profitability and liquidity for companies.
Wanjohi, Gathenya, and Kihoro, (2019)	Conducted a study on market development strategies and the performance of Retail Supermarkets in Nairobi City County, Kenya	The study identified that product development strategies employed by supermarkets and their effects on performance metrics such as sales revenue, market share, and profitability.	There is a significant relationship between market development strategies and performance of Retail Supermarkets.
Moradian and Aghajani's (2020)	Established a study on the role of organizational factors and green new product development in Nanotechnology firms	The study tried to established an existing relationship between organizational factors, green new product development, and financial performance specifically within the context of Iran's nanotechnology firms.	The study demonstrated that engaging in green new product development initiatives positively affects the financial performance of nanotechnology firms in Iran.
Wambaka and Adegbuyi, (2021)	Examined a study on product differentiation strategy and perceived financial performance of commercial banks in Uganda	There may be lack of empirical evidence on the effectiveness of product differentiation strategies in the Ugandan banking context.	The study noted that product strategies adopted by the commercial banks in Uganda affect customers' perception of their financial performance.
Adam, Domingues, de Gomes, and da Silva (2023)	Conducted a study on diversification in the performance of Brazilian and Mexican family businesses	The study emphasized on the existing relationship between diversification strategy and performance of family businesses operating in Brazil and Mexico.	

APPENDIX V: MAP OF STUDY AREA

