

**STRATEGIC ALLIANCES AND COMPETITIVENESS OF
FAMILY BANK LIMITED**

BY

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DECLARATION

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

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D61/72837/2014

This Research Project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this project to my Family, my husband and my son for their support and patience during the period I undertook this research study.

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ABBREVIATIONS AND ACRONYMS

CBK: Central Bank of Kenya

CMA: Capital Market Authority

CRB: Credit Reference Bureau

KBA: Kenya Bankers Association

KCB: Kenya Commercial Bank

NSE: Nairobi Securities Exchange

ABSTRACT

Financial institutions in Kenya are operating in very competitive markets environment with many macro-economic aspects affecting their operational competitiveness. The factors include the exchange rates, inflation and guidelines from Central Bank of Kenya. However, the industry has experienced many market participants entering the market with two under liquidation due to financial crisis. This brings up competition among the banks by offering better services to their customers. The objective of the study was to determine the influence of strategic alliances and competitiveness in Family Bank Limited in Kenya. The study adopted a case study in which seven senior managers who are involved in the strategic alliance formulation, development and implementations were considered and interviewed. Data collection was done through interview guide in whom the researcher interviews the respondents and data was analyzed using the content analysis. The study established that the Family Bank Ltd has value for experienced personnel for effective, efficiency and competitiveness of operational performance. The Strategic Decisions involved all stakeholders through a strategic committee which main duties are proposal writing, reviewing, monitoring and implementation. Staff Resistance to strategic change is experiences but minimized by proper education, champion identification, option limited and team management and training of bank staff and system technicians. Considerations of available alternatives, information and discussion with the Senior Management and Board Directors who sometimes disagree. Strategic alliance making is devolved to lower levels of management from top management, association, unions, staff, customers and the government. The contributions of employees are included in strategic alliance making gives a feedback mechanism from top level managers to low management level. The strategic alliances are made effectively by proper communication to the organization which influences the competitiveness of the bank. The study recommends that the bank CEO and the directors should be empowered by the board of directors to make and implement strategic alliances with other key players of the market. The bank should avoid strategic alliance within a short time and major in joint venture Alliance and service delivery alliance since they improves the profitability of the bank.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

A strategic alliance is a mutual concert between two or more firms with an aim of attaining a certain business goal while the original ownership remains within the individual companies, (Kauser& Shaw, 2004).A strategic alliance strategy consists of legal, agency and corporate relationship in which every member of the alliance contributes a percentage of capital. The contribution may be technology systems, financial capital, human resource and distribution of the company's goods and services. The alliance can be long term or short term which depends with the party's objective in entering on the agreement, (Wong, 2004). According to Wagner (2006) strategy alliances is categorized into strategy growth, product development, product pricing and acquisition planning as a process.

This study is anchored on the theory of Transaction Cost Theory (TCT) and Resource-Based theory. TCT explains a firm's aim of forming strategic alliances. The theory explains the main aim of any company to enter into any alliance. The TCT theory suggest that technology and product innovations is the main objective of alliances between financial institution and another key players of the economy, (Williamson, 1985).According to Barney (1991), resource-based theory emphasizes that for a firm to remain competitive and at a cost advantage it needs to have both strategic resources and other resources. He argues that resources can be tangible like assets or intangible like trademarks, goodwill. However, resources must be heterogeneous meaning resources are different from those of competitors e.g. skills and capabilities, and Immobile resources meaning they do not move from company to company hence companies cannot replicate rival's resources,(Noe, 2008).

The research project seeks to find out strategic alliances and competitiveness in Family bank Limited. To improve their competitive advantage, many firms in the financial institutions both local and international adopt a strategic alliance with an aim of growing their market share through performing its activities better than competitors and at a lower cost than competitors, (Kipchirchir, 2009). Due to globalization, many banks have found themselves victims of external shocks such as competition, technology innovations, and foreign currency fluctuation. Strategies alliances may differ from banking industry to industry although, in banking the parameters may be considered similar. The effect of strategic alliance needs to be well understood by commercial banks in order to achieve competitive advantage, (Achira& Muturi 2005).

Commercial banks in Kenya are forming strategic alliances in order to remain competitive and due to financial pressures and economic change which is the most important determinants of organizational performance, (Achira& Muturi 2005).The recent trend of strategic alliance, banks are focusing on formulation and execution of strategic business alliance and planning practices, (Amin & Hossain, 2013). Strategic alliance with telecommunication service industry provides an avenue for a bank to grow such growth is seen in the number of branches and number of customers able to access banking service without visiting the branches, (Kipchirchir, 2009). Kenya banks depending on which aspect of organization performance is being considered, whether growth in market share, revenue, and overall resource capability, strategic alliance management could improve banking industry performance

1.1.1 Strategic Alliances

A Strategic Alliance is a long term or short term mutual concert between two or more companies to pool together scarce resources to benefit both firms with key aim of developing processes, products, or services (Rothaermel 2012). Strategic alliance retains organizational independence while the parties achieve their goals and business objectives hence it is only valid when the companies joins together for product development and distribution, technology innovation and systems in order to improve the value of services.

Strategic alliance is appropriate way of enabling many international and local companies to be globally competitive, (COPAC, 2000). Strategic alliance relationships continue to be one of the leading business strategies as a result of increasing competition in the global market. However, strategic alliances can take different forms and as such are not limited to commercial spheres alone. The alliances objective is to improve the operational efficiency and competitiveness among other market participants as compared to the individual companies, (Johnson&Whittington 2008).

Companies form alliances from small contracts to joint alliances involving millions of Kenya shillings in which the partners contribute resources at given ration and improve the partner's competitiveness, (Rothaermel 2012). The global market experience the number of positive outcomes within the firms forming the alliances which includes high profitability, return on investment and effective product development and distribution. Typical strategic alliances are formed between two firms however, increasingly these are trending towards multi-company alliances.

A more common example companies alliance strategically formed by information systems companies, machinery production, service industries like insurance companies. Family banks limited have formed a strong strategic alliance with Safaricom and Airtel since this are the most commonly used Networks.

1.1.2 Competitiveness of Organizations

Competitiveness of organization describes how organization competitiveness satisfies demands of the market relative to other financial institutions that offer similar products or services. Concept of competitiveness according Porter's (2004) is based on creation and maintaining of profitable economic practices that improve the product value and reduction of the resource allocation cost. Porter uses productivity as the key factor in defining competitiveness. Porter defines the competitiveness of a location as the productivity that companies located there can achieve.

The principles of competitive advantage are low cost production, differentiation and focus to retain its competitiveness to promote the product production, (Porter, 2004). If the quality of such products and services are satisfactory, this translates into higher returns for the firm. Organizations archive more competitiveness if it is able to differentiate itself from competitors hence leads to strategic alliances, (Peteraf, 1993). Organizations therefore offers its service in a very special, unique, desired, which translates into Competitiveness hence remain competitive among other organizations. This also leads to high and quality performance, higher profit margins, growth in asset base and recommended Non-Performing loans percentage.

According to Porter, (2004) competitiveness is attained through strategy based on scope. In this case the firm gains competitiveness through defining its segment (scope) in which the firm operates and focusing on it, (Porter's 2004). Organizational competitiveness refers to the ability of an organization to withstand various challenges in the competition changing operating environment. Many alliance strategies that have been put in place to prepare organizations like financial institutions, telecommunication and technology industries (Osborn & Baughn, 1990).

According to Porter (2004), strategic alliances enables Organizations to be better placed in the dynamic markets than its competitors to face an ever changing world of economic turbulence. Some organizations adopt technologies that are unique or advanced, while others invest in preparing their staff for all kinds of unforeseen changes. It is also common to use a strong brand as a tool to enhance competitiveness, especially where an organization deals with a product that has a large number of substitutes (Cobb, 2003).

Many organizations also use strategic alliances as a breakthrough and retain its market share in the competitive market share hence hit its operational and profitability goals. However, the alliances is based on the available business opportunities, resources and the procedures and guidelines form respective bank regulators, (Varadajaran and Cunningham, 1995).

1.1.3 Strategic Alliance and Competitiveness of Organizations

Strategic alliance is a competition strategy that differentiates companies from their active rivals hence maintains a very innovative way of survival. Thompson et al. (2007) stresses that without strategic alliance financial companies are at high risk of strong market participants who are more effective, efficiency and profitable. The organization maintains its market position through the alliances and improves its product delivery and development. International company's strategies much on group market penetration than individual due to the dynamic changing environment hence all markets are controlled by macroeconomic and microeconomic factors.

Huber (2004). Barney (1986) argues that managers should continuously make decision whether to launch new strategic alliance initiatives or react to the other competitors' moves. He however points out that managers are able to make more effective decisions if they fully understand the firm's competitive environment. Kotler et al. (2008) noted that the quest for improved Competitiveness often leads managers to consider market entry opportunities. The opportunities involve strategic alliance with the organizations with comprehensive knowledge of the market needed because there are many crucial factors to consider including whether a first move can create a competitive advantage.

It is however noted by Thompson et al. (2007) that this does not create sustainable competitive advantage because second comers often perfect the product and erode the advantage earlier enjoyed by the pioneers. Specifically, sales and profits are enjoyed at an average period of 5 years, which is the reason why firm executives should develop thorough strategies that enhance performance of the firm in the competitive environment.

The concept of strategic alliance pointed out by Reuer (2004) is gaining popularity among firms in a bid to improve efficiency and competitiveness. However, strategic alliances and organizational networks that enable an organization to avoid duplication of resources. However, cooperation exposes the firm to certain risks including loss of control over key operations and a potential exploitive behavior by partners, focusing on competition with other firms avoid such risks.

Strategic alliances enable a firm to be innovative and efficiently manage resources. Pearce et al. (2003), notes that many organizations considers the alliance concepts to maximize the scarce resources and investment gaps, product development with minimal productions cost. Strategic alliance competitive models which are meant to entrench a competitive advantage over firm's rivals one is for maintaining strategic fit while the other focuses on financial gain. The aspects are not dependent on each other hence presents the effect of alliance on firms competitiveness over time.

According to Porter (1998), the strategic alliance competitiveness model addresses the competition issues in the dynamic market with scarce resources while minimizing on cost and value maximizing. The model acknowledges the non-rival competition which enables a firm to remain profitable and market sustainability hence concentrates on competitive advantage and market suitability and improvement of firm learning and product innovation to create more competition.

1.1.4 Commercial Banks in Kenya

Strategic alliances are a prominent phenomenon in the global economy among multinational financial institutions and between technology companies in developing countries. Largest banks like Industrial and commercial bank of china, China construction bank corporation, Agriculture bank of china, HSBC Holding in United Kingdom, JPMorgan Chase and company in US have formed strategic alliance with companies like Apple, Sony, Motorola, Philips, AT&T and Mitsushita to form General Magic Corporation to develop Telescript Communications software.

In Kenya, banking industry started early 1896 with National bank of India opening the first branch followed by Standard Bank of South Africa opening its first branches in Mombasa and Nairobi in 1911. Financial institutions in Kenya especially banks are governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and prudential procedures, guidelines issued by the Central Bank of Kenya and Kenya Bankers Association (KBA). Currently we have 42 commercial banks in operation while two (Chase Bank and Imperial Bank Under liquidation), 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 14 money remittance providers, 86 foreign exchange bureaus and 3 credit reference bureaus.

The banking sector comprised of 41 banking institutions, 29 are locally owned banks in which they comprise 3 public shareholding and 26 privately owned while 13 are foreign owned. The commercial banks competitiveness has given some banks largest market share in terms of deposits, large loan book and advances. Kenya commercial banks have adopted strategies alliance in various ways which include Mobile banking, Real Time Gross Settlements, ATM deposits and agency banking as well as partnerships with several organizations.

During the period of strategic alliance, banks have experienced performance in aspects of market share and profitability. The sector posted a profit of 48 billion in 2013 which was 14.3% growth from 2012. This result jumped by 28.4% in 2013 and 35.1% in 2014 (CBK, 2014).The banks have very strong strategic alliance with communication industry with Safaricom M-pesa leading. In this platform the bank customers can use Safaricom lines to access the banking services twenty four hours in seven day, (KBA 2016). The services includes balance inquiry, money deposit and withdrawal, Cheque cancelation and check book requisition, Transfer of fund within same bank accounts or other banks account, receiving daily and monthly statements. (CBK 2016).

1.1.5 Family Bank Limited

Family Bank is a financial institution regulated by CBK and inspected through CAMEL ratios to measure its Capital, Assets, Management, Earnings and Liquidity since May 2007. The bank operates under Kenya Bankers Association and Deposit Protection Fund (DPF) which gives customers confidence of deposits security. The bank operates more than ninety branches within Kenya with main branches located in major towns and cities. Due to innovation in technology, the bank was the first among the 42 commercial banks to introduce paperless banking where customers can use smart cards technology to perform any transaction. Financial performance of the bank in 2015 was Ksh 2.9Billion up from Ksh 2.62Billion in 2014 and 2013 was 1.78billion. The bank customer base has grown to over 1.7million customers hence growth in assets, balance sheet and deposits.

The bank has formed several strategic alliances for the last five years of operation which includes the Visa international, insurance companies, Telecommunication industry and Nairobi Stock Exchange. VISA international alliances allows family bank customers to use their debit cards to pay their bills both locally and internationally. The bank has adopted universal banking channels Telecommunication alliance with the bank gives the customers able time to do bank transaction at comfort of their homes. Using mobile banking, a customer can deposit, withdraw and transfer funds to their respective accounts without physically visiting the bank branches. The other alliance is formed between the bank and the insurance companies where the bank acts like a broker. It links the customers and the insurance companies in giving out policies to the customers.

1.2 Research Problem

Strategic alliances strategy is commonly used by companies as a corporate strategy in the 21st Century. The strategic alliances enables corporate achieve goals and objectives very fast and at a minimal cost of operation, (Rothaermel, 2012). According to Knight & Reisenberger (2008) define a strategic alliance as the pooling of resources and sharing of costs and risks in a venture. Strategic alliance in the banking industry vary from financial institution to other, but they have similar needs which include, need for automatic operation systems that focus on timely and effective bank operations to customers, wider bank network, lending and investment services, 24 hrs. Customer service and smoother transfer of funds.

The frequent change in operating environment, operational guidelines from commercial banks regulators and oversight institutions like KBA and CRB, commercial banks combine their operations in mutually agreed terms or one commercial bank institution takes over another's operations. Family bank Limited has entered into the strategic alliance with other financial institutions, communication and real estate companies. The driving force of the Family banks actions is to meet the increased levels of share capital, expand distribution network and market share and to benefit from best global practices among others.

According to Yabs (2007), Strategic alliance challenges brought about by global trends include intensified competition, shortened period of product life cycles, soaring cost of capital, including the cost of research and development and the ever growing demand for new technologies. A number of studies have been done on strategic alliances Flores-Fillol&Moner-Colonque (2007) studied the relationship between the partners forms the determinants of strategic alliances, Rindfleisch& Moorman (2003) studied effect of inter-firm strategic alliance, Nielsen, (2007) studied the determinates of international strategic alliance performance, Oxley& Sampson (2004) studied impact of strategic alliance and technology. In Kenya, Koigi, (2002) did a study on Postbank and Citibank, Kavale (2007) studied money transfer services, Kipchirchir (2009) studied the banking industry; and Achira& Muturi (2005) studied the effects of business strategies on the performance of commercial banks in Kenya.

From these studies, none has focused on the family banks competitiveness despite the many alliances in the industry. There is therefore a gap in literature as far as a study on strategic alliances in the banking industry in Kenya is concerned and the factors that affect the performance of strategic alliances in the banking industry in Kenya. The following research question is therefore explored. How does strategic alliance affects the organizational competitiveness of Family Bank Limited?

1.3 Research Objective

The objective of the study was to determine the influence of strategic alliances and competitiveness of Family Bank Limited

1.4 Value of the Study

The regulator (CBK) and Kenya Bankers Association finds this information useful in formulating policies that guide the type of strategic alliances and considerations before a firm decides on the alliance. This is because the financial industry is very sensitive hence the regulator has to come up with policies that address the various challenges within the sector so as to facilitate faster growth with minimum drawbacks.

This study results contribute to the existing body of knowledge and fill in the gap on the successes of strategic alliances and competitiveness in the Family bank Ltd. The study also acts as a source of reference materials to students and scholars. This is due to competitiveness of strategic alliances in the banking sector changing on daily basis.

Commercial Bank and other financial institutions use this study to know the importance of considering strategic alliances in their strategic plans. However, it gives the banks management the key factors to consider while forming strategic alliances in the highly competitive banking industry. This information may help them in partnering with the right kind of firms to foster their competitiveness in the market.

This study results contribute to the existing theoretical reviews and knowledge on the successes of strategic alliances among financial institutions. The theories are transaction cost theory, resource-based theory, organizational learning theory, strategic behavior theory and rational expectation theory. The theory supports the concept and different models of strategic alliances that are applied in the banking industry in Kenya

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the theoretical foundations of strategic alliances, determinants of strategic alliances. However, factors affecting the performance of strategic alliances is also discussed, empirical review and finally summary of literature review.

2.2 Theoretical Foundation

The theories includes transaction cost theory, resource-based theory, organizational learning theory, strategic behavior theory and rational expectation theory.

2.2.1 Transaction Cost Theory

The theory of Transaction cost is based on the firm's aims in engaging in any form of strategic alliances which involves reduction of operational cost, technology improvement and human resource management. According to Williamson, (1985), for any company to conclude on strategic alliance it must evaluate all the alternatives ways of organization strategic management such as acquisitions and contracts. The theory argues that minimizing operational cost to maximize profits is the main desire of entering to the alliances.

Many scholars support the theory as a transaction cost analysis in which the company tries to balance cost efficiency and control protection and management of any transaction. The company governance is affected by the three aspects of asset specificity, small number of transactions and information's asymmetry. Within all operational situations, organization planning provides an effective mechanism in protection against the transactional hazards.

Buckley & Casson, (1988) states that many organizations consider Co-operative arrangements than acquisition alliance in fear of the other company exploits its available resources. Every company in any alliance need to know how much resources are available in both sides, level of innovation and knowledge to implement the alliance social work which cannot be achieved through traditional market-mediated contracts. Second, the expense of acquiring the resources can be affecting the company profitability since many unnecessary payments is made at the same time, Buckley &Casson,(1988)

2.2.2 Resource-Based Theory

Resource-based theory is an entry mode of organizations in resource allocation to gain competitive advantage among the firms in which they operates in the same market. The resource allocation alternative enables the organization to increase its profits and maximize the scarce resources, Penrose, (1958).Competitive advantage can be assumed that the company is heterogeneous according to the available resources and the probability that the company raises more resources within a given speculated time. Secondly, resources are considered as perfectly immobile such as land, raw materials both processed and un-processed which results to heterogeneity between the company growing rate, (Barney, 1991).

According to Wernerfelt, (1984), the availability of resources such as plant, machinery and human resources lacks the efficiency motive as the company sources resources from external sources which gives competitive advantage with time, Nelson, (1991).The acquisitions alliance gives the firms to operate in non-marketable resources like trading in large numbers, (Wernerfelt, 1984).The alliance maximizes the resources and more competitive, (Barney, 1991).

2.2.3 Organizational Learning Theory

Organizational learning theory is based on individual firms' operational models which define the organizational learning change. Many scholars support that company's organizational learning is based on the individual staff learning capability, Schein, (1996). The learning entails the strategic thinking in information translation, storage and retrieving, applying the strategic information, Kim (1993). The theory gives the organization the sense of training and evaluating staff which entails the goals which have to achieve within a specific period.

The theory suggests that in order to remain competitive in a very dynamic market environment they must emphasize the learning change, (Kim, 1993). To give chance of learning, the organization must consider many alliance alternatives and investments to make more reliable decision. According to Hynes &Mollenkopf (1998), the learning has no difference between the psychology and cognitive research due to starting learning starts from the individual levels. The theory argues that information becomes organizational learning when it is stored and shared on the company memory in which it may be transmitted to the organizational goals and objectives, (Cha et al., 2008).

2.2.4 Strategic Behavior Theory

Strategic behavior theory is based on the companies act on its competitive position in the dynamic market in order to gain stable competitive advantage. This strategic theory gives the organizations chances in short term and long term positive returns, Martin (1993). According to Carlton &Perloff (1994) states that the actions to influence the dynamic market environment and improve the returns.

Martin (1993) gives the resources of investment to manage the rivals of the market environment. The strategic theory is the conduct which is not financially inevitable, but is the results of the several investment attempts to manage the market rivals to its own advantage. The theory gives only categories of strategic behavior which includes non-cooperative behavior which gives firm chances to improve its market position against the other market participants and new entrants, market drivers hence improving its profitability.

However, cooperative behavior enables any firm to work together with other markets rivals to minimize the competitive responses, Smith & Round (1998). According to the Hynes & Mollenkopf, (1998) states that all companies are expected to enter into business cooperatives alliances if they believe that it affects its profitability and support in driving the objective goals. The relationship market theory and the strategy behavior theory gives allowances for companies to enter into alliance actively and maintain their independent management, Kogut (1988).

2.2.5 Rational Expectation Theory

The rational expectation theory is based on the investors' expectations on all investment information available in the market. The information determines the level of investment is done with the stipulated time frame due to the high return expected by the investors. The advantage of the theory is that it estimates the future interest rates based on the past rates model in the current spot rate. Shifts of interested rates are due to the available information and change of other economic factors like exchange rates and GDP.

The rational expectations theory is corporate with other theories in order to get the available information with the current challenges in information collection and understanding how the potential investors maximize the information to form a reliable investment, (Caplan, 2000). The rate of returns expected by investors will be high since the public is avoiding the credit facilities, thus the reaction will affect the bank profitability due to low rate of lending business. However, when interest rates are expected to reduce, many investors will be willing to borrow funds at that given spot time when the rates will be manageable, (Bekaert, 1998).

2.3 Determinants of Strategic Alliance

There are several parameters that determine strategic alliances, though literature shows that there is no consensus. Varadarajan & Cunningham (1995) states that strategic alliance aspect are in the motives of the alliance, giving the following broad areas of market entry and market position. The determinants include bank size, number of alliances and membership duration. Number of alliances enables banks to link with other global financial markets, markets and manage constrains of the entrance of the market. The constrains are the regulatory guidelines, political instability and legal.

Others struggle in protecting new entry by other market participants since the resource available is not sufficient. They also talk of product- related motives and argue that through strategic alliances the organization can manage the service and product line, develop the product and improve on adding value of the product. Bank sizes have been identified as the key reason why banks partners in strategic alliances. Financial institutions find cooperative strategies more and more important for economic success.

Technology based firms and those that are capital intensive are more eager to form alliances with banks ensure success. It is not practical for many firms to acquire technology fast enough on their own and therefore partnering is considered essential (Kelly et al, 2002). Strategic alliances are therefore expected to enable firms enter new markets more quickly and could not evaluate and improve the product without involving other benefits. Cooperative strategies are hailed as profitable and large firms are noted to contribute more than twenty five percent of the returns from strategic alliances.

Membership durations is another factor determining firm's strategic alliances which enables firms enter into new or existing complicated markets, (Kumari, 2001). Duration in years has restricted into international financial institutions and local companies. The major alliance is between the banks and communication companies which operates mobile technology. The alliance allows banks customers to transact without visiting the bank, transaction are the account balance inquiry, deposits of cash and withdraw, access of credit facilities. Insurance alliance allows the banks to act as brokers to link customers and insurance companies.

Taxation can be defined as the fee charged by any government on individual or company income at every trading period. The taxation money is used by the government to run its budget to offer service to the public, (Kabubo, 1998). Taxation affects the formation of alliances positively, if the taxation of banks is high, the banks tends to increase banks reserves, liquidity, leverage and interest rates controls are key aspects of rate of taxation. Exchange rate is the value of currency as compared to another currency. Banks facilitate a lot of the money transfers from one country to another due to international business hence exchange rates are the major factor.

When exchange rates are high, the investors and banks increase the interest rates charged on the business since many international transactions are carried out using the international currencies like US dollars and Euros. Exchange rates increase significantly and adversely affect the credit level of the investor and increase the loan risk hence charged very high interest rates. The rates affect the supply of currencies in the market since demand decreases hence increase the formation of alliances, (Njuguna & Rose, 2000).

Forex money reserve is a requirement by CBK with no interest rate attached tends to give banks very high return when the currency starts fluctuation in the money market. Banks forming alliances with international companies which operate in other currencies is affected by the Foreign exchange rates.

2.4 Factors affecting performance of Strategic Alliances

Strategic alliance agreements are affected by many factors which are either controllable or uncontrollable with the market hence every company entering into the alliance has its own goals and interest. Arino (2004) argue that the most aspect of alliance is the access to scarce available resources in which individual companies can't manage individually. The resource includes the financial, operational effectiveness, human resource and technology innovation. This is because of the alliance decision about the type of governance the alliance has without proper governance the whole alliance fails. Other aspects are incentives and control mechanisms to shape inter-firm exchanges.

The executives in their own individual firms have special ways in duties allocation, responsibilities, risk management, procedures hence there is less friction in running of the organization. Lack of trust among the alliance members due to different operational procedures and systems. Both large and small alliances contributes to the firm's operational expense, development of cheap management structures.

The qualified alliance partners have vet unique and scarce resources, operational capabilities and financial stability. The starting expense is very high due to the information asymmetry on the willing and potential alliance partners, Goerzen (2005). Shah & Swaminathan (2008) developed a reliable model of alliance partner selection in which they talked of four main approaches in management of relationships that exist in an alliance. He talks of trust as a key norm in governing and coordinating alliances. Complementarily the approaches factors the financial stability of the company, resources available in both companies, strategic goals of the companies and the willingness of the companies. Firms always focus on benefits of both partners like when the relationship is simple and easy to manage and trust.

Keegan & Green (2011) argued for proper management and success of the alliance, the company should ensure that the mission is a successful win-win situation on the benefit of both partners. The alliance should be upfront to prevent internal and external disagreements hence discussions are viewed as the norm, that is, partners should be given equal opportunities and the way of creating a set of shared values.

Market structure can be defined as the market organization and its operation, market characteristics which enables the market to offer best support to market players who wish to enter into strategic alliances. According to Rose, (2000), the market organization considers the management of participants both profit making and non-profit making organizations. The structure is also attributing by the regulation from the government on the guidelines applicable in the market, (Njuguna, 2000). The government regulates the sensitive markets like banking where investors can easily loose funds and get losses hence exit the market.

Legal and regulatory frameworks are based on the government participation on the financial sector. The regulator incorporates all monetary policies of the alliance members with an objective of maintaining financial stability and profitability among commercial banks, (Kabubo, 1998). This regulates affects the formation of alliances within a given time of the trading period. Through the regulations, banks maintain financial profits and asset growth where the government is the major borrower of funds from local banks.

Every commercial bank is expected to remit its strategic alliance proposals and financial statements to CBK at every end of financial year. This enables CBK to check the leverage and liquidity of the bank and give management recommendation to the management and directors, stakeholders of the bank. The managements implement the recommendation and gives bank the report on the agreed time. The regulator offers supervision strategic alliances which may lead to high profitability, information asymmetry, and interest spread widening which lowers the investors' confidence on the market, (Kabubo, 1998).

Technology based firms and those that are capital intensive are more eager to form alliances with banks ensure success. It is not practical for many firms to acquire technology fast enough on their own and therefore partnering is considered essential (Kelly et al, 2002). Strategic alliances are therefore expected to enable firms enter new markets more quickly and could not evaluate and improve the product without involving other benefits. Cooperative strategies are hailed as profitable and large firms are noted to contribute more than twenty five percent of the returns from strategic alliances.

Membership durations is another factor determining firm's strategic alliances which enables firms to enter into new or existing complicated markets, (Kumari, 2001). Duration in years has restricted into international financial institutions and local companies. The major alliance is between the banks and communication companies which operates mobile technology. The alliance allows banks customers to transact without visiting the bank, transaction are the account balance inquiry, deposits of cash and withdraw, access of credit facilities. Insurance alliance allows the banks to act as brokers to link customers and insurance companies.

2.5 Empirical Studies and Knowledge Gaps

Hongbin (2009) established a study on effect of cultural and information strategic alliance on 68 bio-tech firms in Xinjiang region in China. Data collected through firms published documents and data from the company websites. The data was analyzed using descriptive statistics and presented in tables. The study established that the relationship of culture among the strategic partners has no significant effect on firm's performance on communication quality.

Jangkrajamg (2011) in his study argues that alliance among airlines can improve the operational efficiency and productivity returns. The study considered airport traffic control and data collected from the airport control reports and analyzed using SPSS. The study identified several factors that are considered by the airline companies to remain competitive. The factors are accessibility improvement, improved systems and networks. It finally recommends that airports can maintain the traffic controls, technology and management systems and introducing innovations.

Nielsen (2007) did a research to determining international strategic alliance in Danish firms. The sample of 48 equity joint ventures and 70 non-equity joint ventures in the Danish community, primary data was collected using interview guide and data analysis using content analysis. The study established relationship between alliance performance and partner formation with the operational Competitiveness and profitability. The equity joint ventures and non-equity joint venture has influenced the alliances in the Danish community. The study recommends that the firms engaging in alliance must consider the profitability level of the both companies.

Achira& Muturi (2005) studied effect of business strategy on performance in commercial banks in Kenya. Census sampling was used to select 1 senior manager from each bank. Primary data was collected using a structured questionnaire and the data was analyzed using mean and standard deviation. The study found out that banks practice both cost leadership and differentiation business strategies in their operations to varying extents. The study recommends that a bank seeking a competitive advantage should segment its market and exclusively adopt either cost leadership and or differentiation strategy. Commercial banks have adopted multiple business strategic approaches and a number of tools to enhance organizational performance.

Karuri, (2012) studied the aspects of strategic alliances in Airlines companies in Kenya. The sample involved thirty six airlines companies and targeted the CEOs and senior management with response rate of 72%. The data was analyzed using SPSS and excel. The study established that new market entry and market motives, efficiency resource allocation an allocations of technologies to maintain the alliances. The study recommended that airlines to invest much on technology which may control traffic and reduce labor and improve performance.

Kibera (2009) studied the factors that contributed to the Access Kenya Group alliance and challenges of the strategic alliance. The study used a descriptive case study design and targeted 35 senior administrative staff and a sample of 10 respondents. Primary and secondary data was used obtain data and analyzed using SPSS. The study found out that the partner's strategic options, to add value to the partnering firms, to reduce operation costs, to allow the capture of new developments, to provide the opportunity to upgrade, through pooling of resources and capabilities. The study recommends that organizations should competitive and innovative strategies are built to manage the alliance, identify and deal with potential divisive issues in both companies' management strategy ends being less critical and positioned the partners in a more competitive position. The entry into new market have challenges in gaining the competitive advantage, lack of confidence, the risk and trust, lack of sensitivity which results to fair gain of market share.

Wachira,(2003) studied Strategic Alliances in Pharmaceutical Drug Development, a Case Study of Three Strategic Alliances at Eli Lilly & Company. The sample of 30 Pharmaceutical companies in Kenya. Primary Data was collected through interview guide and data analysis using content analysis. The study established relationship between alliance performance and partner formation with the operational Competitiveness and profitability. The equity joint ventures and non-equity joint venture has influenced the alliances in the Alliances at Eli Lilly & Company. The study recommends that the firms engaging in alliance must consider the profitability level of the both companies.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section the researcher identifies the procedures and techniques that were used in the collection, processing and analysis of data. The chapter is divided into research design, target population, data collection and data analysis.

3.2 Research Design

The study adopted a case study design. The design is referred to as the composition of the interview guide questions, data collection and data analysis which was adopted in the study. The design attempted to obtain data from the entire population in order to establish the status of the sample and population in respect to the study variable, Mugenda (2003).

The main key aspect of the survey was to determine the information that well explains the attitudes, behavior or values. Given that the objective of the study was to determine the influence of strategic alliance and competitiveness of family Bank Limited in Kenya, a case study design was the best to fulfill the objectives of the study

3.3 Data Collection

The study used interview guide to collect data on strategic alliance and organization Competitiveness. The interview guide was made up of open-ended questions and was to be administered to the respondents by face to face interviews. It was assumed that the selected financial institution is well established with a vision, mission statements, values and a clear organization structure and has senior managers and middle managers.

The nature of the study that looks at strategic alliance formation, implementation challenges hence only managers of the bank were the main target to obtain the. The information interview guide was divided into two sections strategic alliance and organization competitiveness.

3.4 Data Analysis

Data is defined as collection of facts and figures relating to a particular activity under study. Data analysis is the whole process that starts immediately after data collection and ends at the point of interpretation and processing results which includes data sorting, data editing, data coding, data entry, data processing and interpretation of the results Leedy, (2002).

Interview guide was checked for completeness of entries and consistency. The data was analyzed using content analysis since it was qualitative which ensured objectivity this assisted in ensuring the data is free from any selective perception that could dilute its validity and reliability.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, study results and discussion derived from the study and divided into three parts. The first section deals with the general information data analysis. Second section is the results discussion about strategic alliances among commercial banks in Kenya.

4.2 General Information

The study targeted the management of Family bank Limited with an aim of determining the strategic alliances and organizational Competitiveness. Using interview guide, the study established that the respondents are senior managers within the bank. All of them had worked for a period between five to nine years and maintained the position for a period between two to four years and level of education was above graduate degree.

4.3 Strategic Alliance and Competitiveness in Family Bank

The strategic alliance positively affects the Competitiveness of the bank in the following aspects strategic alliance, comprehensiveness of strategic alliance, speed of strategic alliance formation, political behavior in strategic alliance formation and participation or involvement in strategic decisions making at family bank limited.

4.3.1 Strategic Alliances

From the study the bank has entered into several strategic alliances with other participants of the markets. The alliances include the product service delivery alliances with the communication companies. The main players are Safaricom and Airtel ltd which allows the bank customers to do banks transaction without visiting the bank branches. The alliance has affected the organizational Competitiveness by allowing the customers to access their respective bank accounts through their mobile phones.

From the study the bank gives the Competitiveness service delivery by allowing the customers to withdraw, deposit, fund transfers and effective customer services. The mobile platform reduces queues in the bank branches since the customers can perform their bank transaction without the physical visits in the branches. The system is real time and transaction is effected within shortest time possible. The challenge of the alliance is that the service is very expensive to the low income customers.

The bank involves in joint Venture alliance which entails the bank and fourteen insurance companies where the bank acts like brokers hence link the customers and the companies. The aim of the alliances with service providers is towards achievement of its long term and short term objectives. The bank negotiates insurance premiums on behalf of the company and gives out the policies at branch level. The bank gets commission from the insurance company which is the return of the alliance from the alliance. The bank has formed insurance departments within the braches with officers who get business from the customers.

From the study the bank has entered into Venture alliance with the land and real estate's developers in which Family bank provides loans of development, facilitate the selling of the properties. The material suppliers to the sites can access loans at very low interest rates and boost their business. The loans are issued with interest rates hence high returns to the bank in which the loans is secured by the properties within the investment. The banks offers finished estates to the bank customers by providing loans to the customers who are wishing to perchance houses within big towns.

The study established that the bank formed Equity alliance with SACCOs within Nairobi business areas. Relationship with SACCOs to enable them serve their members better and the alliance gives the bank to transact business on behave of the SACCOs like Cheque clearance, investment advisory and investment loans. Enabling the SACCOs issue personal Cheques to their members and ultimately clear through family Bank. The alliance enables the bank to give loans at low interest to the SACCOs in which they give loans to its members and support investments. This gives the bank enough profitability ratio since the loans are short term with interest rates. The alliance consist more than twenty SACCOs which are willing to work together with the bank always since the regulatory has issued new guidelines within the banking industry.

From the study the strategic and its influence to bank organizational effectiveness through Memorandum of understandings and SLAs with these institutions (affiliates) has ensured effective and efficient customer service experience under one roof at flexible and competitive rates. The study established the role of strategic level of management in strategic alliance developing in the bank to be formulating, implementation and evaluation of the strategy. Family Bank Limited has its long term and short term business objectives as spelt out in the mission statement. In order to achieve these objectives, strategic decisions must be made in line with these objectives.

Growth of non interest incomes by focusing on Alternative business channels and subsidiaries due to the capping of lending rates by CBK. This has been a positive move going by feedback from its competitors on the same growth path. Formulation consists of finding alliance match partner with same objective goals with the bank and getting the common goals of the companies.

The study established that strategic committee of the both companies gets into terms of operation which are presented to the directors and the stakeholders. The strategic implementation is putting the alliance goals into practices and evaluation is to monitor and the process of the alliance hence affect the Competitiveness positively. The role of Tactical level of management is to provide technical support in terms of finance, materials and human resource. To enhance customer experience, the bank embarked on customer centrist journey aimed at reducing dormancy and increasing cheap deposit mobilization through loyalty account upgrading promotions.

From the study the growth of virtual banks through Pesa pap agents and enhanced use of technology namely Mvisa and Pesa pap applications on line are all tactical decisions which have had positive impact on FBL. The support allows financial allocation within the budget, purchase the required materials and employ qualified personnel to implement the alliance hence influences the Competitiveness of the bank positively. The researcher found out that there is resistance to the strategic alliance implementation within the bank since staff has in fear of losing their jobs when the alliance comes to existence or additional working hours without additional pay.

The study results manifested alliances in the various models experimented and the human resource turn over thereof. It took more time than early perceived to achieve efficiency and effectiveness in Family Bank Limited. The staffs usually think that the alliances may be of negative effect to them as compared to the partner's staff. The stakeholders resist much since they lack confidence with the benefit of alliance the bank is entering into hence influences the bank Competitiveness. The stakeholder includes suppliers, customers, investors and central bank of Kenya.

The study established that the suppliers may in fear that their business may be ended by the other company forming the alliance in which they can supply to the bank. The regulator thinks that the companies may bring unhealthy competition in the market hence affecting the other market players. The government issues regulations and guidelines which are followed by all banks forming strategic alliance. However, investors may be in fear that their investment value may be decreased due to the alliance.

The study established many ways in which the resistance to implementation of strategic alliances is managed. To the staff, responsibility training on the benefits of the alliance to the bank. The training also gives the staff chance for job promotion and salary increment. The involvement of all staff in alliance formation reduced resistance with very high rate in which their contributions are highly recognized. Continuous training of staff and inclusion of the implementation processes in the staff balance score cards. This was hugely positive and successful training of staff has had tremendous results on the employees' efficiency and effectiveness as seen from the fast growth of the bank.

The stakeholder's resistance by formal meetings with management to discuss the effect of the alliance and consideration of their contribution in forming the alliance hence the strategies influences the bank Competitiveness positively. From the study training of bank staff have an influence on the Competitiveness of the bank operations. Through training Family bank has improved on customer service, turn-around time for its operations and decrease in illegal money transactions.

4.3.2 Comprehensiveness of strategic alliance

From the study, Family bank strategic alliance made after evaluating all alliance alternatives and chooses the most appropriate one. The decision is based on the impact of the condition of agreement and impact to the financial performance of the bank and for any strategic alliance to be made, a SWOT analysis and cost benefit study must be done. This has ensured correct alignment of strategic decisions with strategic goals hence contributes to the overall bank's objectives and vision. The appropriate alliance improves the Competitiveness of the bank to its customers and stakeholders hence affect the Competitiveness positively.

From the study, Family bank strategic alliance is made after gathering all the necessary alliance information. The information consist of the condition attached to the alliance availability of the resources hence influences the Organizational Competitiveness positively. A lot of data analysis and evaluation takes place before the alliances are done including cost income ratio, Financial and reputational risks etc. This has proved very effective in meeting Family Bank Limited objectives. The information obtained makes the organization structure the relationship in a strategic way devoid of any future loopholes or risks.

The researcher established that all the strategic alliances are aligned to bank strategic plan, which is drafted by the stakeholders and management of the bank. The strategic plan is the evaluated after the alliance has started operating and the end results of the agreement hence influence bank Competitiveness. In strategic alliance formation there is adequate discussions between the bank management and the parties of the alliance. The discussion addresses the raised issues by both parties concerning the alliance, financial allocation and expected benefits of alliance hence influence competitiveness.

From the study all the procedures of making strategic alliance are always followed for a mean full alliance which ensures that there are no gaps in implementing the alliance. The procedures are laid down by the bank management and the shareholders in which must be followed by all alliance partners and is used when formulating, implementing and evaluation of the alliances which brings impact on the bank operational Competitiveness.

4.3.3 Speed of Strategic Alliance Process

From the study the group of Senior Management and Board Directors are involved in making of strategic alliances at any given time. From the articles of association there is duty to select which alliance is beneficial to the bank hence influence the bank Competitiveness. This is for approval and fast tracking of implementation as a result of the goodwill by the group senior management and brings all the involvement fast-tracks the implementation of the alliances process flow. The Chief Executive Officer (CEO) is mandated to a certain extent make strategic alliances without involving the Board of Directors unless it's a long term alliance, banking technology system.

From the study, the CEO consults the relevant departments like legal, credit, IT and operations. Due to delays of the board of directors, the bank Competitiveness is affected negatively. Family bank members of strategic alliances making technical are experienced with at least five years of working experience in family bank and more than eight years in banking industry. However, this is a mandatory requirement even upon vetting by CBK for senior management on integrity and suitability and experience hence has been effective.

From the study the staff the experience gives a reliable strategic alliance to the bank hence influence the Competitiveness of the bank. Re-evaluations from time to time ensure that past undesirable experiences are eliminated for proper decisions. The bank staff are experienced which helps in ensuring there seamless process flows and that the alliance is relevant to the Bank. Family bank past experiences on a strategic alliances are considered in arriving at new strategic alliances by evaluating the benefits and shortcomings.

The experience is considered and used as a guide in implementing the new alliances. The rules are used to ensure the alliances are structured in a strategic way with the Bank's interest fully covered. Strategic alliance formulation is guided by some rules and guidelines which influence the Competitiveness of the bank. Well laid procedures are put in place in making strategic decisions and this has had a positive impact on the organization's effectiveness.

4.3.4 Political Behavior in strategic alliance

From the study there is divergence of interests to members of strategic alliance making department within the bank. The group comprises membership from various departments and interest groups and this helps in making effective decisions through brainstorming and involvement of experts and external professionals. The interest includes the alliance process, alliance partners, resource allocation and time frame of the alliance. However, the interests don't much affect the implementation of the alliances hence it helps in quick decision making especially at the initial stages of implementation.

Strategic alliance is arrived with divergence of interest through discussion within departments and analysis of the alliance from first step to the last step hence affect the Competitiveness of the bank in its operations. The bank has domineering members with controlling interest in the strategic alliance making group within the bank. The members are managed by full discussions and illustrations of the impact of the alliances in the profitability of the bank hence influence on the bank Competitiveness. This leads to adherence to turn around times that are agreed on in the contract document.

From the study the rationality is observed in strategic alliance making which influence on operational Competitiveness. However in some times strategic indecision is due to disagreement or conflict within the strategic management committee and the stakeholders. This may be brought about by the personal interest or the partners' special interest hence influence Competitiveness of the bank.

4.3.5 Participation in strategic Alliance making

From the study the strategic alliances making devolved to lower levels of management, from top management to junior management within the bank. This allows participation of all members of the bank community in the strategic alliance. In family bank every department has a key role to play in the in the strategic alliance development and implementation. The study established that the bank stakeholders also involve in strategic alliance making within the bank and they are involved in strategic alliance management. Stakeholders include the customers, suppliers and service contractors are actively involved I strategic management to ensure that the bank meets its profitability target and operational efficiency.

The study established that stakeholder's contribution influences the bank Competitiveness. They include the SACCOs IT systems suppliers and their brand managers and this aligns the SACCOs objectives with the Bank's. Staff contributions are included in strategic alliance making at all times since the staff are involved in the implementation of the strategy. Before the alliance is agreed between the bank and other partners, employees do evaluation to ascertain if the alliance has positive effect on the bank operations. If the evaluation is positive the alliance is supported but if is negative the management is advised otherwise by the employees.

From the study there is feedback mechanism to top level managers of strategic alliance implementation since all alliances are agreed after enough research and consultation from investment advisors. The research is done through the previous studies which have been done on the impact of the alliance between banks and other financial institutions. Analysis is done to determine the benefits which the bank benefited after entering the alliance in terms of profitability, growth of assets and decrease in Liabilities.

The study established that the regulatory body in the banking sector is Central Bank of Kenya which plays key role in advisory services to banks, guidelines and procedures to be followed by the Family bank when entering in any strategic alliance. Another institution is Kenya Bankers Association which constitutes all commercial banks including the family bank with a main purpose of protecting the banking sector from threats and abnormal guidelines from the CBK.

The feedback is received from the improved operational efficiency, increase in profitability and increases customer data base within the bank. For a very great extent this aspect influences the bank Competitiveness. The study found out that strategic decision is made effectively through communicating across the organizational departments and significantly influence the Competitiveness of the bank operations.

4.4 Discussions

The objective of the study was the strategic alliances and organizational Competitiveness within Family Bank Limited and targeted the seven senior managers within the bank. The managers had worked for a period between five to nine years and maintained the position for a period between two to four years and level of education was above graduate degree. These findings concur with Wachira (2003) who established that the bank has entered into product service delivery alliances with Safaricom and Airtel Ltd.

The other alliance is Joint Venture alliance between the bank and insurance companies where the bank acts like brokers hence link the customers and the companies. The bank negotiates insurance premiums on behalf of the company and gives out the policies at branch level. The role of strategic level of management in strategic alliance developing in the bank is to be formulating, implementation and evaluation of the strategy. According to Wright (2006) the formulation consists of finding alliance match partner with same objective goals with the bank

The role of Tactical level of management is to provide technical support in terms of finance, materials and human resource. The support allows financial allocation within the budget, purchase the required materials and employ qualified personnel to implement the alliance. Rindfleisch & Moorman, (2003) observed that resistance to the strategic alliance implementation within the bank since staff here in fear of losing their jobs when the alliance comes to existence or additional working hours without additional pay. The stakeholders resist much since they lack confidence with the benefit of alliance the bank is entering.

The training also gives the staff chance for job promotion and salary increment. The involvement of all staff in alliance formation reduced resistance with very high rate in which their contributions are highly recognized by the management and directors. These findings concur with Nielsen, (2007) who established that stakeholder's resistance is managed by formal meetings with management to discuss the effect of the alliance and consideration of their contribution in forming the alliance. Training of bank staff has an influence on the Competitiveness of the banking operations. Through training Family bank has improved on customer service, turn-around time for its operations and decrease in illegal money transactions.

The training is factored for any job promotion and additional of duties and responsibilities of the bank staff. Family bank strategic alliance is made after evaluating all alliance alternatives and chooses the most appropriate one. According to Ng'etich (2011) the decision is based on the impact of the condition of agreement and impact to the financial performance of the bank.

Family bank strategic alliance is made after gathering all the necessary alliance information. The information consist of the condition attached to the alliance availability of the resources hence influences the Organizational Competitiveness positively. Strategic alliances are aligned to strategic plan in which is evaluated after the alliance has started operating and the end results of the agreement hence influence bank Competitiveness. These findings concur with Mutinda (2007) who established that during the strategic alliance formation there is adequate discussions between the bank management and the parties of the alliance. The discussion addresses the raised issues by both parties concerning the alliance; financial allocations and the expected benefits of the alliance hence influence the bank Competitiveness.

All the procedures of making strategic alliance are always followed for a mean full alliance which brings impact on the bank operational Competitiveness. According to Kipchirchir (2009) who concluded that bank Senior Management and Board Directors are involved in making of strategic alliances as guided by the articles of association is there duty to select which alliance is beneficial to the bank hence influence the bank Competitiveness.

From the study the Chief Executive Officer (CEO) is mandated to certain extend make strategic alliances without involving the Board of Directors unless it's a long term alliance, banking technology system. Due to delays of the board of directors, the bank Competitiveness is affected negatively. Family bank members of strategic alliances making technical are experienced with at least five years of working experience in family bank and more than eight years in banking industry. These findings concur with Kibera (2009) who states that experience gives a reliable strategic alliance to the bank hence influence the Competitiveness of the bank.

The benefits and shortcomings of the past alliances hence the bank avoids repeating such alliance hence such consideration affects the Competitiveness of the bank in terms of alliance determination. Strategic alliance formulation is guided by some rules and guidelines which influence the Competitiveness of the bank. These findings concur with Jangkrajang (2011) who established that the bank there is divergence of interests to members of strategic alliance making department within the bank. The interest includes the alliance process, alliance partners, resource allocation and time frame of the alliance. However, the interests don't much affect the implementation.

Strategic alliance is arrived with divergence of interest through discussion within departments and analysis of the alliance from first step to the last step hence affect the Competitiveness of the bank in its operations. According to Cooper (2003) who established that the bank has domineering members with controlling interest in the strategic alliance making group within the bank. The members are managed by full discussions and illustrations of the impact of the alliances in the profitability of the bank hence influence on the bank Competitiveness.

The bank rationality is observed in strategic alliance making which influence on operational Competitiveness. However in some times strategic indecision is due to disagreement or conflict within the strategic management committee and the stakeholders. These findings concur with Ireland (2002) who states that disagreement may be brought about by the personal interest or the partners' special interest hence influence Competitiveness of the bank. Strategic alliances making devolved to lower levels of management, from top management to junior management within the bank. This allows participation of all members of the bank community in the strategic alliance.

The bank stakeholders also involve in strategic alliance making within the bank and they are involved in strategic alliance management. According to Porter, (2004), Stakeholders include the customers, suppliers and service contractors are actively involved in strategic management to ensure that the bank meets its profitability target and operational efficiency. Stakeholder's contribution influences the bank Competitiveness. Staff contributions are included in strategic alliance making at all times since the staff are involved in the implementation of the strategy.

From the study, before the alliance is agreed between the bank and other partners, employees do evaluation to ascertain if the alliance has positive effect on the bank operations. The evaluation of employees is positive the alliance is supported but if is negative the management is advised otherwise by the employees. This aspect influences the bank Competitiveness and improves the performance in terms of profitability. Ojunga (2005) established that Strategic alliance feedback mechanism from top level managers of strategic alliance implementation since all alliances is agreed after enough research and consultation from investment advisors. The regulatory CBK also plays key role in advisory, guidelines and procedures to be followed by the Family bank when entering in any strategic alliance.

The feedback is received from the improved operational efficiency, increase in profitability and increases customer data base within the bank. For a very great extend this aspect influences the bank Competitiveness. The study found out that strategic decision is made effectively through communicating across the organizational departments and significantly influence the Competitiveness of the bank operations. These findings concur with Mutinda (2007) who established that during the strategic alliance formation there is adequate discussions between the bank management and organizational departments.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter summarizes the whole study findings it includes the summary of finding, conclusion, recommendation, suggestion for further studies.

5.2 Summary

The objective of the study was to determine the influence of strategic alliances and organizational Competitiveness within Family Bank Limited and targeted the seven managers within the bank. The managers had worked for a period between five to nine years and maintained the position for a period between two to four years and level of education was above graduate degree. The bank has entered into product service delivery alliances with Safaricom and Airtel Limited and Joint Venture alliance between the bank and insurance companies.

The role of strategic level of management in strategic alliance developing in the bank to be formulating, implementation and evaluation of the strategy and tactical level of management is to provide technical support in terms of finance, materials and human resource. The resistance to the strategic alliance implementation within the bank since staff were in fear of losing their jobs and additional working hours without additional pay. The stakeholders resist much since they lack confidence with the benefit of alliance the bank is entering into and the aspect is managed by staff training and stakeholders through discussion meetings. The alliances are made after evaluating all alliance alternatives the decision is based on the impact of the condition of agreement and impact to the financial performance of the bank.

The bank strategic alliance is made after gathering all the necessary alliance information. The information consist of the condition attached to the alliance availability of the resources hence influences the Organizational Competitiveness positively. Strategic alliances are aligned to strategic plan with adequate discussions between the bank management and the parties of the alliance. However all the procedures of making strategic alliance are always followed for a mean full alliance which brings impact on the bank operational Competitiveness

The bank Senior Management and Board Directors are involved in making of strategic alliances and the Chief Executive Officer (CEO) is mandated to a certain extend make strategic alliances without involving the Board of Directors. Divergence of interests to members of strategic alliance making department within the bank which includes the alliance process, alliance partners, resource allocation and time frame of the alliance. Strategic alliance is arrived with divergence of interest through discussion within departments and effective analysis. The bank rationality is observed in strategic alliance making which influence on operational Competitiveness hence indecision is due to disagreement or conflict within the strategic management committee and the stakeholders.

The alliance is devolved to lower levels of management, from top management to junior management and allows participation of all members of the bank community in the strategic alliance. Every department has a key role to play in the in the strategic alliance development and implementation. Stakeholders also involve in strategic alliance making within the bank and they are involved in strategic alliance management. Staff contributions are included in strategic alliance making at all times since the staff are involved in the implementation of the strategy.

Feedback mechanism from top level managers of strategic alliance implementation since all alliances is agreed after enough research and consultation from investment advisors. The regulatory CBK also plays key role in advisory, guidelines and procedures to be followed by the Family bank when entering in any strategic alliance.

5.3 Conclusion

The objective of the study was to determine the strategic alliances and organizational Competitiveness within Family Bank Limited. The study concluded that the managers have extensive working experience and educational qualification which enables them to formulate and implement strategic alliances. The main current alliances are between the communication companies and the insurance companies. The role of strategic level of management in strategic alliance developing in the bank to be formulating, implementation and evaluation of the strategy and tactical level of management is to provide technical support in terms of finance, materials and human resource.

The study concluded that resistance by staff and stakeholders to the strategic alliance implementation since staff fear losing their jobs and additional working hours without additional pay and stakeholders have no trust with the alliance partners. The alliances are made after evaluating all alliance alternatives the decision is based on the impact of the condition of agreement and impact to the financial performance of the bank. However, strategic alliance is made after gathering all the necessary alliance information and with line of the master strategic plan which consists of the condition attached to the alliance availability of the resources hence influences the Organizational Competitiveness positively.

The study also concluded that procedures of making strategic alliance are always followed for a mean full alliance which brings impact on the bank operational Competitiveness. The bank Senior Management and Board Directors are involved in making of strategic alliances and the Chief Executive Officer (CEO) is mandated to a certain extent make strategic alliances without involving the Board of Directors. Divergence of interests includes the alliance process, alliance partners, resource allocation and time frame of the alliance. The study states that the alliance is devolved to lower levels of management, from top management and allows participation of all members.

Finally, the study concluded that stakeholders also involve in strategic alliance making within the bank and they are involved in strategic alliance management. Staff contributions are included in strategic alliance making at all times since the staff are involved in the implementation of the strategy. Feedback mechanism from top level managers of strategic alliance implementation since all alliances is agreed after enough research and consultation from investment advisors. The regulatory CBK also plays key role in advisory, guidelines and procedures to be followed by the Family bank when entering in any strategic alliance.

5.4 Recommendation

The study recommends that commercial banks in Kenya wishing to involve in strategic alliance to constitute all bank staff with different working experience but not the senior managers, managers and clerks with many years of experience. All bank employees are concerned with formulation and implementation of strategic alliances.

The banks should fully concentrate in all level of education of bank employees but not undergraduate degree and above. Since banks size is the key factor of strategic alliance, banks should strategize on asset growth and profitability in order to attract many alliances. The banks should also consider the exchange rates and taxation which are regulated by the central government and the central bank of Kenya.

Banks should avoid many strategic alliance within a short time and major in Joint venture Alliance and Service delivery alliance since they improve the profitability of the bank. The alliances are very costly and may not be of financial gain of the bank since any alliance the members have to invest a lot of capital which brings the alliance effectiveness.

Commercial Banks should enter into strategic alliances in order to maximize profits, minimize market price uncertainties, management and minimization of coast, provision of superior customer value, Acquiring technology, protecting and enlarge market share, sharing and gain tacit knowledge. Finally, complimenting or gaining resources and capabilities.

5.5 Limitation of the Study

The respondents approached were reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about family bank. The researcher handled the problem by carrying with her an introduction letter from the University and assured them that the information they gave would be treated confidentially and it was to be used purely for academic purposes.

The researcher encountered problems of time as the research was being undertaken in a short period which limited time for doing a wider research. However the researcher countered the limitation by carrying out the research across all management levels which enabled generalization of the study findings.

5.6 Suggestion for Further Study

More research is needed to establish in the line of strategic alliances among financial institutions in Kenya. A research can be done to compare profitability and strategic alliance among financial institutions in Kenya. This will involve banks, insurance companies, SACCOs.

The study concentrated in one single commercial bank hence more research is needed to establish in the effect of strategic alliances on bank competitiveness in all commercial banks in Kenya. A research can be done to compare operational competitiveness and strategic alliance among financial institutions in Kenya. This will involve all 42 commercial banks.

The study of competition strategy management in the Kenyan bank industry is another area of future research. The study of the impact of the Strategic alliances between banks to Small and Medium Enterprises (SME's) on the bank competition strategy is another area of future research. There is a need to undertake a research on effect of strategic alliance on customer service royalty among commercial banks in Kenya.

5.7 Implication of the Study

The implication of the study gives summary of the study, relate the findings to prior Research, and suggest possible directions for future studies. The objective of the study was to establish the relationship between strategic alliance and performance competitiveness in Family Bank Limited. The study adopted a case study in which seven senior managers and data collection was done through interview guide in whom the researcher interviews the respondents and data was analyzed using the content analysis.

The study established that the Family Bank Ltd has value for experienced personnel for effective, efficiency and competitiveness of operational performance. The Strategic Decisions involved all stakeholders through a strategic committee which main duties are proposal writing, reviewing, monitoring and implementation. Staff Resistance to strategic change is experiences but minimized by proper education, Champion identification, option limited and team management and training of bank staff and system technicians. Considerations of available alternatives, information and discussion with the Senior Management and Board Directors who sometimes disagree. Strategic alliance making is devolved to lower levels of management from top management, association, unions, staff, customers and the government.

From the study, the contributions of employees are included in strategic alliance making gives a feedback mechanism from top level managers to low management level. The strategic alliances are made effectively by proper communication to the organization which influences the competitiveness of the bank.

The study managerial implication since it recommends that the bank CEO and the directors should be empowered by the board of directors to make and implement strategic alliances with other key players of the market. However, Family bank should involve all bank staff in strategic alliance since they have different working experience but not the senior managers, managers.

The study established that banks should fully concentrate in all level of education of bank employees but not undergraduate degree and above. Since banks size is the key factor of strategic alliance, banks should strategize on asset growth and profitability in order to attract many alliances. The study recommends that Family Banks should avoid short time alliances hence major in Joint venture Alliance and Service delivery alliance since they improve the profitability of the bank.

The study recommend for further study in comparing the profitability and strategic alliances among financial institutions in Kenya which will involve all financial institutions. Second area of research is on the competition and strategy management in the Kenyan bank industry. Finally a research can be done on the effect of strategic alliance on customer service royalty among commercial banks in Kenya.

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APPENDICES

APPENDIX I: INTERVIEW GUIDE

The interview guide will seek to achieve the following objectives.

- (i) Determine the strategic alliances at Family Bank Limited.
- (ii) To determine the effect of strategic alliance to organizational Competitiveness at Family Bank Limited.

SECTION A: DEMOGRAPHIC DATA

1. What is your designation at Family Bank Ltd?
2. For how long have you worked at Family Bank Limited?
3. For how long have you been holding this position?
4. What is your highest level of education?

SECTION B: STRATEGIC ALLIANCES AT FAMILY BANK LIMITED.

5. What strategic Alliance has been made by Family Bank Limited?
6. Which key reasons for Alliances and what has been their influence to organizational Competitiveness?
7. What was the role of strategic level of management in strategic alliance developing at Family bank Limited? By including them how has been the influence on the organizational Competitiveness? Was it Positive or negative?
8. What was the role of Tactical level of management in strategic alliance making at Family bank Limited? By including them how does it influenced on the organization Competitiveness? Was the influence on performance positive or negative?
9. Is there any resistance to the strategic alliance implementation at Family Bank Limited? If it was there how did it influence on the Competitiveness of the

organization? If not how did it influence the Competitiveness of the organization?

10. How was the resistance to implementation of strategic alliance managed? Why was it the resistance? Did it have any influence on the organization Competitiveness? Was it Positive or Negative?
11. Does training of bank staff have an influence on the Competitiveness of the banking operations in Family Bank Limited? If yes is the influence positive or negative? If No does it have an influence on performance?

SECTION C: STRATEGIC DECISIONS AND ORGANISATIONAL COMPETITIVENESS AT FAMILY BANK LIMITED

12. Comprehensiveness of strategic alliance at Family Bank Limited

- (i) Are the strategic alliance made after evaluating all alternatives? If No why not? Does this have any influence on organizational Competitiveness? If Yes How does it influence the Competitiveness of the organization?
- (ii) Are the strategic alliances made after getting all the necessary information? If No does this have any influence on organizational Competitiveness? How? If yes how does this influence Organizational Competitiveness?
- (iii) Are the strategic alliances aligned to bank strategic plan? If yes does this influence Competitiveness? If not aligned to the strategic plan does it influence bank Competitiveness?
- (iv) Are there adequate discussions in arriving at strategic alliance? If yes does this influence on the bank Competitiveness? If No does it have an influence on Competitiveness?

- (v) Are the procedures of making strategic alliance always followed? If so how does this influence Competitiveness of the organization? If not, does it have any influence on operational Competitiveness?

13. Speed of strategic alliance making at Family Bank Limited

- (i) Is the group (Senior Management or Board Directors) involved in making of strategic alliances big or small? How does it influence bank Competitiveness? If not does have an influence on Competitiveness?
- (ii) Is the CEO mandated to make strategic alliances without involving the senior Management or Board of Directors? If she does what is its influence on Competitiveness of the organization? If she is not mandated, does it have an influence on bank Competitiveness?
- (iii) Are the members of strategic alliances making group experienced or exposed to business or are they relatively new? How does that influence the Competitiveness of the organization?
- (iv) Are past experiences on a strategic alliances considered in arriving at new strategic alliances? How do they influence the Competitiveness if they are considered? If not considered does this influence the Competitiveness of the organization?
- (v) Are there rules or procedures which must be followed in making strategic alliance? If yes do they influence the Competitiveness of the organization? If not does it influence the bank Competitiveness?

14. Political Behavior in strategic alliance making Family bank Limited

- (i) Is there divergence of interests to members of strategic alliance making department? How does this influence the Competitiveness of organization? Is it positive or negative?
- (ii) How are the strategic alliance arrived at with this divergence of interest?
- (iii) Are there domineering members with controlling interest in the strategic alliance making group? If yes what influence does it have on the Competitiveness of the organization? If No does it have an influence on the Competitiveness?
- (iv) Is rationality observed in strategic alliance making? What is its influence on operational Competitiveness?
- (v) Are there situations of indecision due to disagreement or conflict? If yes how do they influence Competitiveness of the bank?

15. Participation or Involvement in strategic Decisions making at Family bank Limited

- (i) Is the strategic alliances making devolved to lower levels of management? If yes how has that influenced the effective of the organization? If not has there been any influence the bank Competitiveness?
- (ii) Are other stakeholders involved in strategic alliance making? Who are they? And how has it influenced the bank Competitiveness? If none does that influence Competitiveness?
- (iii) Are contributions of employees included in strategic alliance making? If they are, how has it been an influence on the bank Competitiveness? If not included has it influenced the bank Competitiveness?

- (iv) Is there feedback mechanism to top level managers of strategic alliance implementation? If it present how has it influenced bank Competitiveness of the organization? If there is no feedback mechanism does it have any influence on Competitiveness? If yes how? If No what is the influence?
- (v) Are strategic decisions made effectively communicated to the organization? If yes does it have any influence on bank Competitiveness? If No communication does it have an influence on Competitiveness of the organization?

END

THANK YOU

APPENDIX II: COMMERCIAL BANKS IN KENYA

1. African Banking Corporation
2. Bank of Africa Ltd
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya Ltd
6. Stanbic Bank Limited
7. Citibank N.A.
8. Commercial Bank of Africa
9. Consolidated Bank of Kenya
10. Co-operative Bank of Kenya
11. Credit Bank Limited
12. Development Bank of Kenya
13. Diamond Trust Bank Kenya
14. Dubai Bank Limited
15. Ecobank Kenya
16. Equatorial Commercial Bank
17. Equity Bank Limited \
18. Family Bank Ltd
19. Fidelity Commercial Bank
20. Fina Bank Limited
21. First community bank
22. Giro Commercial Bank
23. Guaranty Trust Bank Kenya.
24. Guardian Bank
25. Gulf African bank
26. Habib AG Zurich
27. Habib Bank Limited
28. Housing Finance Co. of Kenya.
29. I&M Bank
30. Jamii bora Bank
31. Kenya Commercial Bank Ltd
32. Middle East Bank of Kenya
33. National Bank of Kenya Ltd
34. National Industrial Credit Bank
35. Oriental Commercial Bank
36. Paramount-Universal Bank
37. Prime Bank Limited
38. Sidian Bank.
39. Standard Chartered Bank Ltd
40. Transnational Bank Limited
41. UBA Kenya bank Ltd
42. Victoria Commercial Bank

Source: CBK 2016