GLOBALIZATION STRATEGIES AND FINANCIAL PERFORMANCE OF EQUITY BANK

BY

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DECLARATION

I Victoria Kolnyin hereby declare that this research project entitled **GLOBALIZATION STRATEGIES AND FINANCIAL PERFORMANCE OF EQUITY BANK** is my original work and has not been presented for any degree in any other university.

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SUPERVISOR'S APPROVAL

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DEDICATION

To Almighty God, I praise His amazing grace and spiritual guidance.

I dedicate to my children Anoon, Bak, Ngeny and Awut and to my husband Amb. Mayen Dut who provided humble family time and psychological support.

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ABSTRACT

This study was based on globalization strategies and financial performance at Equity Bank. Specifically, the study sought to establish globalization strategies that Equity Bank uses, and to determine the impact of the strategies on Equity Bank's financial performance. Study was guided by the following questions; which globalization strategies does Equity Bank use? What implications do globalization strategies have on Equity Bank's financial performance? To establish the relationship between globalization and financial performance, the study used resource-based view theory and new trade theory. Independent variables included joint venture, partnership, wholly-owned entry mode, strategic alliance, franchising, mergers and acquisition, outsourcing and licensing as globalization strategies. The dependent variable included revenue and profit margins, share earnings and market position as financial performance. The study adopted a case research design. Equity Bank headquarter served as the data point. Secondary and primary data was collected from a target of 6 senior bank manager using an interview guide and a study guide. Data analysis was done by use of content analysis technique. Out of the six (6) target respondents the study managed to get engage five (5), giving a response rate of 83 %. From responses, it was established that out of the eight (8) globalization strategies that were under observation, the bank used six of them; excluding licensing and franchising. The six duly used globalization strategies were also categorised into two different dimensions. The first one indicates mergers and acquisition and wholly-owned strategies which are used by the bank in moving physical operations across border. The rest which include joint venture, partnership, strategic alliance and outsourcing were found to be used in enhancing the instituting and operationalization of the bank in the foreign markets. Financial performance of the bank was found to be in ascending graph at an average profit growth rate of 8%. Due to the economies of scale that the Bank gains from international expansion, total operating costs were found to reduce at an average of 4%. The ranking of the bank were also found to commensurate its revenue and profit performance. The bank ranked at position 799 globally and 35th in terms of soundness, 44th in terms of return on equity and 8th in return on assets. Locally, the bank is at position three on general ranking with best retail banking. The study concludes that there is a strong positive relationship between globalization strategies and financial performance at Equity Bank. The study therefore recommends that globalization and globalization strategies be adopted by other banks. Limitation of the study include the focus on Equity Bank alone, yet the banking industry in Kenya is made of 43 banks, of which quite a number are operating across local borders. The study further recommends furtherance of this study to include all commercial banks in Kenya that are operating in international markets.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The realm of the world banking and financial industry is ever becoming more and more integrated (Wazovi, 2013), shifting circumvention on competitive edge to move towards liberal trade strategic innovations (Korir, 2014). These strategic innovations include; financial integration, technological progress, liberalization of trade and growth in socio-cultural aspects (Karadagli, 2012). According to Muchai (2013), these innovations characterize what is widely known as globalization, which is a competitive strategic concept of growing interdependence and interaction between firms, societies, economies and nations (Vujakovic, 2010) using various strategies. Such interdependency brings forth the existence of a financial global village (Archibugi & Iammarino, 2002) that widens firm capabilities and resources. As a result, international business has grown beyond prospect, especially in the banking sector. This shift has effectively altered modes of financial business around the globe, integrating local financial systems and international financial systems under a common market.

As a strategic concept focusing on financial performance, globalization strategies in the financial and banking industry is based on a number of theories. These theories include constraint induced financial innovation theory by Silber (1983), the New Trade Theory by Krugman (1991), the Resource Based View Theory by Penrose (1959) and the Location Theory by Heinrich (1826). The four theories explain, predict and easy the understanding on the bold step towards globalization. However, this study does not focus on all, but in two and most feasible of them. The two focused on include the New Trade Theory and the Resource Based View Theory. Their review has been founded upon globalization strategies and the consequential financial performance in Equity Bank.

With a vision "to be the champion of the socio-economic prosperity of the people of Africa" (Equity Bank financial statements, 2012; Nyagah, 2013), Equity Banks strategic executive desk has equipped operations with business models and visionary leadership that develop the bank on a local, regional and global platform. Locally, the bank faces adverse competition from the Kenya Commercial Bank and the Cooperative Bank, among others, necessitating drastic reaction that has seen its operations expand to other countries (Nyagah, 2016). Since the global view at Equity Bank, financial performance on Return on Equity (ROE), Return on Asset (ROA) and Net Interest Margin measure has opened up. However, due to existence of other factors that boost performance, it is not certain that there exists a direct relation between these globalization strategies and the bank's financial performance. To possibly understand this phenomenon, involved strategies should be prudently interrogated and their contribution singled out.

1.1.1 Globalization Strategies

As a strategic practice, globalization is termed by Nyagah (2013) as a world-wide diversification process of both cultural and national resources. Further, PRUS (2001), as mentioned by Nyagah (2013), gives an illustration that this national resources include products, ideas and technology. Oman (1999) equally identifies globalization as a strategic prism for reducing and possibly eliminating international trade barriers and inclusivity enforced of tariffs, boundaries and regulations. The main aim of globalization is to enhance mobility of workforce, transfer of goods and services, liberation of trade and transformation aspects (Owusu, 2012). Donald, Wandell and

McCulloch (2004) assert that the process enhances economic and financial integration and a global market view under trade liberalization.

According to the International Monetary Fund (IMF) (2000), globalization is established on a bench of four independently or jointly executable aspects that include capital and investment, transactions and trade, knowledge dissemination and movement of subjects. In addition, Ruetttimann (2014), identifies two main types of globalization that comprises of immaterial globalization for standards and conveniences, representing financial, and material globalization that include goods and specialities, representing the physical aspects. It's also of prudence to differentiate between international openness and globalization: this difference holds that the latter embraces the world as a global village while the previous may be limited to small and specific blocks. Globalization strategies include joint ventures, partnerships, exporting, licensing, franchising, wholly-owned entry mode and strategic alliances.

In joint venture, two or more partners establish a third share-co-owned firm in the international target market (Luo, 2001). Wholly-owned strategy means that there exists a complete singly-owned entity in the host market, while a selective firm is identified in the target market and given formal rights on proprietary technology for a fee in return in the licensing strategy (Chen & Messner, 2009). Franchising strategy uses the nearly same criteria as licensing but the franchiser maintains considerable control of franchisee operations and processes. Through exporting, companies produce products and service in their home market and then sell them in the target market using the target-market native companies. With alliances, firms cooperate on mutual needs and share risks. In partnership, two or more firms co-own each other by equal means and terms (Osolaite, 2009). This study focuses on joint ventures, partnerships, wholly-owned entry mode and strategic alliances as the most feasible in banking industry.

Assessment assert that globalization as so far attained success in incorporating connection(s) amongst international markets, opening to many the chances of development on extension calibrations. Graves (2011) indicates that among the many commendations, globalization has made it possible for the world to operate like a village in terms of dissemination of services, capital and products, making sure of a universal business mix. It has also enhanced product and service standardization (Owusu, 2012). This gives prove beyond doubt of how essential globalization is in the prevailing business-to-environment integration.

1.1.2 Financial Performance

Financial performance, according to Carton (2004), is the measure of monetary gains and stretches by an organization on defining a particular undertaking(s) that are based on formulation and execution of decisions. Mutua (2014) looks at financial performance as a subjective measurement of how best a firm can utilize its assets from owned primary business to create revenue. Many definitions over the same have been put forth by many scholars including Maria et al. (2002), Achrol and Etzel (2003), (Lin et al. 2008), Nyathira (2012) and Ongeri (2014). However, it’s of essence to note that they all articulate within the inherent decisive of effective decisions. Nyathira (2012) identifies that financial performance is multidimensional, indicating cash-to-cash cycle time, profits, revenue, market position and per share earnings as the main dimensions. Measurement of these dimensions gives an organization’s, outright positon in the market.

Preferably in the measure of financial performance; taking into consideration of the nature of the industry; Jayawardhera and Foley (2000) proposes the use of monetary receivables from total units of sales and from any other operation. They further establish confidence in the use of specific ratios that include Return on Equity (ROE), Return on Asset (ROA) and Net Interest Margin. The use of this ratios has also been echoed by Murthy & Sree, (2003), Johnson and Scholes (2007) and Muchai (2013). In addition, Kenya's Financial Sector Stability Report (2011) supports in opinion giving an elaborate combination measure tool known as CAMELS.

Generally, financial performance is deemed to improve as organizations inceptively globalise their operations. According to Han (2009) and McKinsey Global Institute Report (n.d.), it's highlighted that globalization reduces total operating costs by a whooping average of 70%. In Han's view, such growth is attributed to job offshoring, job design and improvement of processes. Considerably arguable, arbitrage opportunities and economies of scale make the main derivatives of globalization that largely contribute to improved financial performance. Various organizations, banks included, has come into terms with the fact that competition is now on their doorstep (Aosa, 2006) and that globalization forms part of the bigger picture in the drive to regain, maintain and even improve their financial performance.

1.1.3 Kenya Banking Industry

Banking industry analysis by Korir, Sang, Shisia and Mutung'u (2015) and Cytonn Investment (2015) indicates that Kenya has 43 duly registered banks that comprise of 42 commercial banks and 1 mortgage financing company, totalling as the most advanced and populated banking sector in Africa. It's believed therefore that such a populated sector and the associated inherent competition is among the major reasons as to why globalization is rapidly gaining. This sector, according to Ongeri (2014) and Nyongesa (2016), is regulated under the Banking Act and Companies Act by the Capital Market Authority (CMA) and The Central Bank of Kenya (CBK). In executing their mandate, CBK and CMA are tasked with issuance of monetary, fiscal and operating policies that govern and control the banking conduct. Lobbying for the sector's interests is undertaken by the Kenya Association of Bankers (KBA). When looking onto the globalising of banks in Kenya, it's notable that the top three (3) highly performers that include Kenya Commercial Bank, Co-operative Bank and Equity Bank top the list. Among them, Equity Bank is termed as the most networked and with high accessibility comparatively (CBK, 2016).

1.1.4 Equity Bank

Equity Bank Company Limited is incorporated and registered under Companies Act Cap 486 and domiciled in Kenya. The bank was instituted in 1984 as a building society and later by virtue of meeting requirements transformed into a commercial bank. Globalization at Equity Bank set off in 2008 when the bank obtained 100% shareholding of Uganda Microfinance Limited (UML), and later renaming the microfinance to Equity Bank Uganda Limited in April 2009. In the same year (2008) the bank entered South Sudan and in Rwanda in November 2011, launching the following year (Equity Bank financial statement, 2012). The drive behind Equity's strength for globalization is based on its goal of spreading and changing the economic and social lives of its clients, be they customers or partners, by providing comprehensive financial services (Kiganda, 2014) an edge-cutting products (Kinyeki, 2016). The bank has a massive two hundred and forty operational branches with one hundred and seventy three of them in Kenya, nine of them in South Sudan, eleven in Rwanda, thirty eight in Uganda and nine in Tanzania.

According to Coetzee (2014), the bank has the largest client base not only in Kenya but also comparatively in Africa, with more than half being in Kenya. Kinyeki (2016) also notes that as at March 2014, Equity Bank was based on a shareholding capacity of Ksh. 50 million. The bank is listed on Nairobi Securities Exchange with EBL initials. The bank's visionary expansion, globalization and leadership edge is said to be an exceptional catalyst for its continued success both locally and regionally. Analysts say that it's a bank that has lived to its vision which states "to be the champion of the socio-economic prosperity of the people of Africa." The bank's continental-focused vision is arguably the driving force of its globalization strategy.

1.2 Research Problem

Globalization strategy in the banking sector constitutes of financial integration and trade liberalization. It defines a wide array range of integrated forces (Archibugi and Iammarino, 2002) working towards a unified target. Schmukler (2004) takes financial globalization as a form of integrating financial institutions and markets with local financial systems, establishing an improved operational financial system that has more credit and a more controlled financial market. Han (2009) equally points out that economies of scale and investment opportunities form the major drivers of banks' moving towards instituting globalization strategy. By assumption, it's believed that effective and efficient implementation of the globalization strategies enhances bank's financial performance.

In Kenya, a number of banks have adopted the globalization strategy, expanding beyond the borders to neighbouring countries in search for gaining balance in economies of scale and locally frustrated competitive advantage. Among them we have the top tier 1 cluster occupiers that include the Co-operative Bank, Kenya Commercial Bank and Equity Bank (CBK, 2013). This study focuses on Equity Bank, its globalization strategy, its financial performance and the relation inherent therein. Equity bank is in record as being the top local bank in Kenya with the most extensive operations outside its local borders, with more than sixty seven branches distributed all over Eastern Africa region (Kinyeki, 2016). The bank is also termed to be leading in terms of customer base in the continent: ranging at a hypothetical current projection of over 11 million.

Several studies have been undertaken on aspects of globalization and financial performance. Globally, a broadly analysis has been undertaken: that include Nasiebanda (2009) and Olajide (2011) who upon their examination conclude that financial liberalization, an aspect of globalization strategy, promotes financial performance in the banking industry. Kafela, (2011) examined the driving force towards globalization in emerging economies. Further studies include Franscesa and Claeys (2010) who indicate that innovation strategies affect financial performance; and Sengul et al. (2015) who argue that an organization’s operational performance is highly affected by inherent aspects of globalization. A general outlook of globalization by Terranova (2004) equally implicates on the promotion of free labour. More studies by Heffernan and Fu (2010), Nkuruyija (2011), Karadagli (2012), and Mitrovic (2013) equally associate the notion of performance to innovative but global-oriented strategies.

Local studies that include Mukundi (2006), Gichira (2007) and Njeru (2012) advocate for expansion of clientele and performance in organizations. Wazovi (2013) on financial innovation strategies and financial performance of banks recommend strategies that adhere to competitive requirement. Other studies on performance also include Nyagah (2013), Muchai (2013), and Nyanchoka et al. (2014). Bwire, (2014) on financial liberalization and financial performance of commercial banks recognizes a negative relationship. Similar studies (Korir, 2014); Wanjohi, 2015; Githinji, 2015; Ondieki, 2016) indicate the necessity of firms to undertake innovative strategies that not only expand their markets but also contribute positively to performance. Kinyeki (2016) and Nyaga (2016) evaluated on competitive strategies at Equity Bank and its performance. It's also notable that Abishua (2010) on strategies employed by Equity Bank commends globalization strategy for performance.

The analysis above reveals a great deal of research done in relation herein. However, there is no sufficient information of such in regards to globalization strategies on financial performance at Equity Bank. As a leading bank in the region and rest of Africa in terms of customer base, lack of knowledge in such a critical and most focused operational area points out existence of a research gap. This study therefore sought to establish the influence of globalization strategies on financial performance of Equity Bank Limited by responding to the following questions: to what extent does Equity Bank operate outside Kenya? What implications do globalization strategies have on Equity Bank's financial performance?

1.3 Research Objectives

The objectives of this study are:

i. To establish the extent to which Equity Bank operates outside Kenya.

ii. To determine the impact of globalization strategies on financial performance at Equity Bank.

1.4 Value of the Study

Scholars in the line of strategy, international business, and banking and financial industry draws benefit from this study as they will find it a useful instrument in providing data that can give great contribution to literature reviews. This is because the study will definitely contribute to existence of strategic information on globalization and its impact on financial performance in the banking and financial sector.

This study adds value to companies locally and across borders in aiding them in concern of making informed decisions on whether to go global or not. This is availed possible through the determination of the extent to which a highly growing company, in this case Equity Bank, get to drive its operations globally and expected financial gains.

The banking regulators and government, especially the Central Bank of Kenya and ministry of finance among international regulators are expected to draw policy and regulation updates upon findings of this study. This is so as to promote trade deregulations and cross-border financial integration. Improvements upon existing measures are also expected to be effected if possible.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review from previous studies on globalization strategy and financial performance. It entails a review on the foundational theories, empirical studies and research gaps, and the conceptual framework.

2.2 Theoretical Foundation

To adequately illustrate on the concepts of globalization and financial performance, this study utilizes the theoretical conceptualization of the Resource-Based View Theory and the New Trade Theory

2.2.1 Resource-Based View Theory

The resource-based view theory (RBV) was established by Penrose in the year 1959 (Barney, 1991) on intentions of mapping a firm's competitive edge to a particular source (Ondieki, 2016). The theory indicates that a firm's performance is always attributed to its specific resources and capabilities. Acedo, Barroso & Galan (2006) agrees more by noting that RBV has dominated the strategic and competitive consciousness of policing in organizations to present. In further interrogation of RVB's context, Barney (1996) asserts that organizational-targeted resources are erratic about the industry and its environs. Considering the notions laid forth by this theory, then it can be affirmed that for the best interest of the organization(s), strategic focus exhibited therein should be able to exploit the internal capabilities that respond externally to the organization's internationalization.

According to Pearce and Robinson (2010), RBV is used in analysing and illustrating organizations' strategic advantages based on portfolios of assets, capabilities and skills. In support over same, Nyaga (2016) emphasizes that the theory-exploiting organizations achieves its effectivity on competitiveness. However, Colbert (2009) holds that RBV has no originality of its own, and further indicates that it tends to advance its insight from economic theory which questions the rationale behind an organization's being. But in spite of its questionable originality, RBV has emerged as the top egocentric advocate for a firm's resource -an aspect essential for attaining competitive advantage. The theory installs insight on firm(s) about obtaining sustainable advantage, but only and only if they own and are at a position to exploit their distinctive resources.

Resource-based view theory provides a rational base for organizational networking, leading to the potential of enlarging the accessible resources, information, markets and technology. Han (2009) clarifies the global contextualization of RBV, indicating that multinational organizations check-in unique and competitively available resources and knowledge. For justification, he pulled in on Kogut and Chang (1991) and also on Morck and Yieng (1991).

2.2.2 New Trade Theory

The development of the new trade theory (NTT) is based on the urge to institute the bases on which economics spur to new locations, and also their occurrence motive (Han, 2009). The theory was developed by Paul Krugman (1991) while building on logistical metropolitan locations. In his examination, Krugman made use of the spatial equilibria models on distribution of service and goods, establishing the vision of internationalized returns. In simple terms, he indicates that the theory is about the imperfect competition for global trade and the essence of increasing returns (Krugman, 2008). NTT considers two alternating forces that map economics to the pole: of which the first one combines aspects of transportation cost, economies of scale and economic share while the alternating one eclipses on avoidance of competition, land rates and economic incentives. Critics of NTT obscure their conscious on uncertainties posed by new markets, defining and limiting their confidence to organization's internal competency.

The NTT, according to Markusen and Venables (1998), gives a new element outlook that includes product differentiation, increased return to scale and imperfect market. This in view of Han (2009) is an enhancement of the trade theory. Further, the old model focuses on country specialization and comparative advantage. In a study by Krugman and Venables (1995), globalization is said to have a significant impact on location of manufacturers among countries. They also depicted that in a case where transformation costs shrink, trade is promoted to form a relationship that is said to be core-periphery.

Critical review of the new elements that build up the new trade theory reveals the autonomy the globalized organization increases in the context of new markets and enhanced operations. Respectively then, justification on undertaking of multinational businesses is hereby blown in through the competitive advantages attained; that include aspects of labour, productivity and cultural influence. In summary, the recourse of multinational business normally translate to resource formations and improvements in competitive advantage, directly affecting the financial performance of firms.

2.3 Globalization Strategies

Globalization strategies include exporting, licensing, partnership, joint venture, franchising, alliance and wholly-owned mode.

Exporting strategy involves marketing and selling of locally produced goods and services in a foreign market (Terpstra & Sarathy, 1997). As the traditional and the most established strategy, exporting involves the interaction of government of the foreign country, exporters, importers and transport providers. A transfer of value along with the packages happens among the four participants. The strategy reduces cost and risk as the parent company need not to produce the goods and packaged services in a new market. Luo (2001) recommends this strategy, more especially to those companies that lack sufficient experience and knowledge on international operations. In spite of the huge cut on operational cost, exporting strategy can be exposed the company to transportation costs, dependency on intermediaries to export and also trade barriers.

Under this strategy, there exists three variant entry modes which include direct export and indirect export (Hollensen, 2007). In direct export, an experienced intermediary is identified in the foreign prospect market and allowed to document, price, handle and physically deliver the products. This kind of exporting allows the firm to have more control over where to sell, how to sell and whom to sell to. Direct exporting eliminates cultural and trade restrictions as the locally identified entity understands the market and can help deal with uncertainties and customers. According to Hessels and Terjessens (2010), indirect exporting is suitable for small and medium-sized firms that desire to make foreign market trials. In this export method, the firm does not get involved but export house, piggyback, trading companies and broker perform the whole process. With indirect exporting, cost is minimum but loss of opportunity to develop is high.

Licensing is an understanding agreed upon by two firms in which the licensor allows the licensee to operate on patents, brand name and other proprietary assets. Like exporting, licensing strategy equally avoids physical investment on foreign markets. In this case, the licensee operating in the prospective market attains right to use the licensor's property (Khadka & Akande, 2017). Apart from the rights, the strategy also requires the licensor to provide marketing and technical assistance. The strategy might not be common but it is the fastest and highest earner on capital employed. Like export again, licensing is highly feasible when the firm is not capable and does not have sufficient resource to handle overseas operations or when the oversea market is highly volatile. The strategy also resolved the issue trade obstacles and cultural effects (Rauch & Watson, 2013).

One of the key features that distinguish the superiority of licensing is that the transnational firm retains exclusive rights to revoke the licence at any given time but based on sufficient reasons (Basche, 2006). The strategy is cost saving and effective. However, it has one very serious drawback which involves the jeopardy of cultivating for the potential domestic contenders and development of variant and generic technology. It is also argued that the licensee gets minimal return on licence fee. Another drawback to the licensee is the limited operational period clauses that do not allow market establishment and that as a consequence do not allow realization of stable profits.

Nearly similar to licensing is the franchising strategy. The only difference from licensing is that in franchising we have commitment on extended time and high control levels on franchised systems and brands (Cherop, 2011). This difference is made possible by the fact that the franchise is chosen by the franchiser. Under normal circumstances franchising strategy allows contracting that spreads up to 11 years up from at least 5. According to Khadka and Akande (2017), franchising exists in two forms: first as product and trade franchising and second as package franchising. Package franchising is also known as business format franchising.

In product and trade franchising, the contract is based on distribution mode where the dealer makes agreement with the supplier to sell products using trademarks, trade name and logo. The strategy is feasible especially with automobile dealers and beverage companies. Business format franchising on other hand involves the franchiser giving complete business plans and formats to the franchisee. The complete format then aids the franchisee in operating and managing the idea in a more systematic manner. Keegan and Schlegelmilch (2000) asserts that franchising is accompanied with more control measures within the agreement itself. This control enables upholding and protecting of brand image.

Joint Venture strategy involves arrangement of two independent companies establishing a third and independent company that allows the main companies to share capital, technological and other resources in directional focus of the prospect market (Meyer & Tran, 2006). According to Chen and Messner (2009), partnership makes the partner companies organizationally and strategically flexible within the target market. Partnership strategy gives enough equity to allow control of the new entity's management but with limited dominance. Hill (2013) indicate that most of the existing partnership are based on a 50-50 venture equity stake. Among the advantages established by partnerships is the cost saving through usage of partner infrastructure. The associated limited liability is also beneficial as it deters overexploitation.

One of the key reasons why joint venture is highly considered is its correlation with the level of environmental uncertainty and intervention of government (Luo, 2001). Further, joint venture entry mode improves diversification of risk especially where the prospective market has high asset intensity. The strategy equally offers partners a distinctive learning opportunity which come handy with greater resources, new technology and minimized costs. Joint ventures are preferred when government contract negotiation favour local firms more often or where the regulation prohibit foreign control by other means but allows joint ventures only.

Wholly-owned new market entry mode involves setting up business within the prospective foreign market. Under this strategy, the investing company fully owns the new company in the new market (Chen & Messner, 2009), meaning that the investor is expected to deliver desirable capital and management solely and also be ready to assume all the risks. Wholly-owned strategy increases control and flexibility of procedures and processes therefore reducing the risk of working together with partners whose vision is not aligned to yours (Katobe & Helsen, 2010). In spite of the strategy offering full control and reducing negotiation time, it is still complex, lengthy and costly.

Wholly-owned strategy is more feasible in an open economic region and also to focus on long-term profits within a country with high asset intensity. Due to the level of control that it offers, companies that enter new market with newly developed unique resources get a chance protect their technology from uncompensated leakages. It is also possible for the involved company to involve its management philosophy and style (Papyrina, 2007), enabling sufficient mechanization of opportunistic behaviour monitoring. Hollesens (2007) indicates that when deciding on the use of wholly-owned strategy in establishing subsidiaries, the company in subject can either acquire an already existing company through acquisition or establish own operations from the scratch. Acquisition is done through purchase of majority shares.

Strategic alliance is a long-term relationship established between two or more organizations based on mutual respect and trust for each other (Chen & Messner, 2009). Alliances are established with an aim of furthering members' interests. Alliance is usually established with suppliers, customers, governments, financial institutions, contractors and engineers among others. Strategic alliance helps in sharing technology, enhance global mobility, reduce investment risks, improve efficiency and strengthen global competitiveness. In most cases, alliances are used alongside another globalization strategy. The strategy is based on three different types of implementation platforms (Jeannet & Hennessey, 2004). The first one is the technology-based alliance which allows firms to share technology-based capabilities. The second one is the production –based alliance which allows sharing of production capabilities and facilities. The other type is the distribution-based alliance which involves building the relationship with emphasis on the distribution channels.

In partnership, two partner firms co-own each other on equal terms and at all means (Osolaite, 2009). According to Kuder (2014), strategic partnership is a form of alliance that happens between two or more organizations whereby partners share resources to achieve a defined objective. The main difference between partnership and strategic alliance is that in alliance organizations agree to collaborate within limited involvement, without giving up the status independence. While in partnership the involved parties agree to share losses and profits on equal proportions. Some partnership take the joint venture perspective, whereby a separate entity is established and jointly owned and operated by the partners. However, some partnerships do not venture into a different entity but in the two already existing organizations. Through this perspective, the two firms own each other on equal terms.

2.4 Globalization Strategies and Financial Performance

Globalization strategies, according to Bwire (2014), has led to noticeable financial performance among embracing nations, organizations and affiliates. To be more specific, he mentioned the advances that have been make by the banking industry: that include; increase in customer(s)' deposits, profits and assets. In an early justification, Athukorala and Sen (2001) indicate that financial liberalization as a form of globalization, impacts heavily on freeing and jailbreaking of interest rates. Through the benefits instigated on this strategies, many organization have enhanced their interaction with different markets and equally as well stepped onto financial gains.

The concept of globalization strategy and financial performance has been researched-on extensively. Internationally, a study on globalization effects on inventory and financial performance by Han (2009) critically examined economics both at a firm level and industry level. Placing the context on multinational firms against domestic firms, the researcher sought to understand the aspects under which global supply chains are theoretically and practically managed. In his findings, he indicates the existence of relationship between raw material inventory and import intensity and between finished goods inventory and export intensity. Arguably from the findings, it can be concluded that international business has a direct effect on inventory performance.

Analysis by Owusu (2012) on globalization and performance of cable and wire manufacturing industry within the Ghanaian manufacturing sector, critically reviews the contribute index therein. Findings show that globalization has substantive and confrontational effect on all round performance of wire and cable sector. Further, Owusu identified a number of issues that hampers economic growth and sustainable development mapping them to internationalization of trade, resource pull and culture. Focusing on the effects of globalization on firm performance in emerging markets,

Karadagli (2012) concentrated on seven (7) emerging countries, evaluating the overall globalization level and its economic, political and social dimensions against performance. Findings indicate that increased globalization level substantially improves company performance. Further indications show that single dimensions of globalization are also likely to have value enhancing effects though the result for economic globalization at conventional levels. Mutascu and Murgea (2017), evaluated cosmetic industry upon its inherent globalization edge and its characterised financial performance. The study structure was laid down upon a periodic range of almost two years from 2003 to 2015. Their findings established that openness brought about by globalization poses a linear impact on the industry's financial performances, both for distributors and producers. They further indicate that the involved sector is rigid and does not react sensitively.

A study by Gichira (2007) evaluating on challenges of globalization and their impacts on Kenya Airways Limited, found out that the top significant challenges facing globalization in an airline like Kenya Airways Limited are rapid technological changes and competition. He further described this competitive force as not only affecting Kenya Airways but also causes disturbance to global airlines. He further associated the developed world as the major origin of the force. Another study evaluating on implications of globalization for international business strategy was carried by Muciimi and Ngumo (2014), taking a multi-sectoral approach. In their process, they utilized library survey by analysing on readily available literature. Their findings indicate that globalization significantly changes contexts in markets of developing nations, giving the Chinese as the most substantial example. They further confirmed that globalized companies move to standardization strategies for wider product categories and assortment.

Table 2.1: Summary of Empirical Studies and Knowledge Gaps

Study	Methodology	Main Findings	Knowledge gap
"The Impact of Globalization on Inventory and Financial Performance: A Firm -Level and Industry -Level Analysis" Han (2009)	- Descriptive research design, census sampling, performance ratio analysis, correlation and regression analysis.	- International business has a direct effect on inventory performance	Contextual gap that involves (i) the industrial sector considered and (ii) its operational section.
"The Impacts of globalization on the performance of wire and cable industry in Ghana" Owusu (2012)	- Survey research design, structured questionnaires, secondary data and primary data.	- Globalization has substantive and confrontational effect on all round performance of wire and cable sector.	Knowledge gap include (i) those in Han (2009) and (ii) disparity in economical regions.
" The effects of globalization on firm performance in emerging Markets: evidence from emerging -7 countries" Karadagli (2012)	- Panel data approach, qualitative and quantitative, Hausman Model 1 and 2 Test	- Increased globalization level substantially improves company performance. - Single globalization dimensions have value enhancing effects	Knowledge gap include those Han (2009) and Owusu (2012) ii

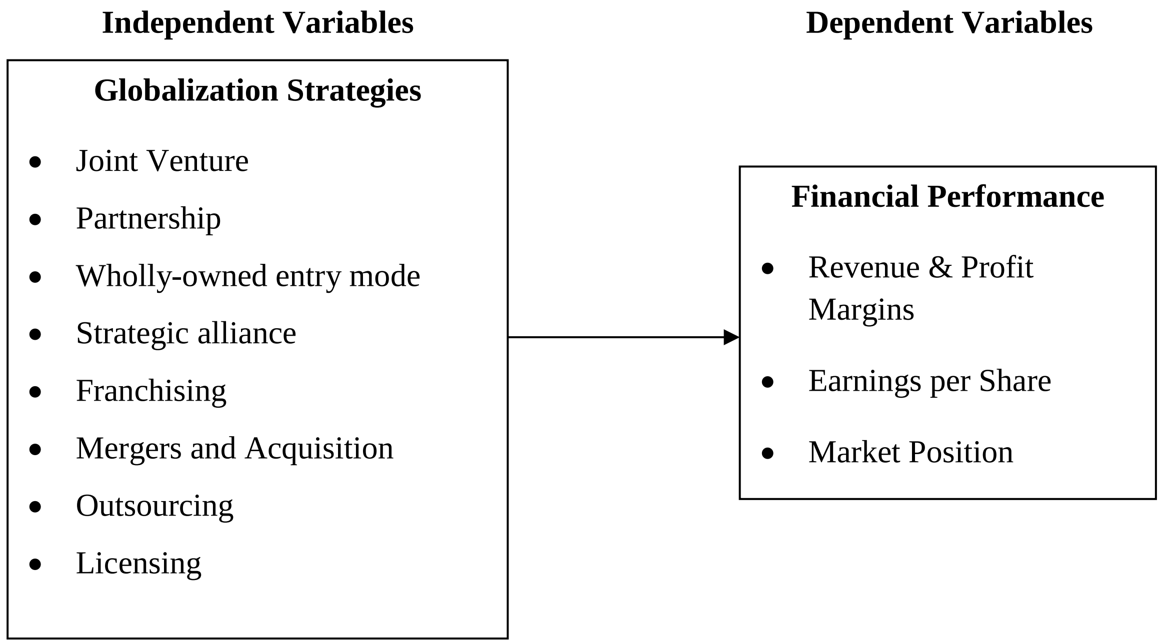
"Globalization and financial performances in French cosmetic industry" Mutascu & Murgea (2017)	- Panel model approach, classical OLS panel model, matrix of correlations,	- Globalization poses a linear impact on industry's financial performances	Knowledge gap include those Han (2009) and Owusu (2012) ii
"Challenges of globalization and their impacts on Kenya airways limited" Gichira (2007)	- Descriptive research design, quantitative, secondary data, Social Sciences (SPSS), regression analysis.	- Globalization poses intense competition. - Globalization promotes innovation and technology.	The researcher evaluated on the challenges giving a gap also on financial performance.
"Implications of globalization for international business strategy" Muciimi & Ngumo (2014)	- Library research survey, empirical case population, Purposive sampling technique, secondary data, content analysis.	- Globalization significantly changes contexts in markets of developing nations	Bwire (2014) (i) and Herzegivina et al. (2016) (i)

Source: Researcher, 2018

2.5 Conceptual Framework

According to Mugenda and Mugenda (2003), a conceptual framework is a diagrammatic presentation model of interconnected variables that the researcher operationalizes diagrammatically or graphically in order to obtain a set or sets of expectations. They further indicate that the model is built of variables which represent a characteristic measure that is subject to various attributes. These variables are sub-divided into independent and dependent ones. Kombo and Tromp (2006) assert that independent variables usually accommodate changes that influence on dependent variables. The variables involved here in this study are as depicted in figure 2.1 below.

Figure 2.1: Conceptual Model



Source: Researcher, 2018

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter defines the research methodologies that has been used in conducting this research. Specifically, it comprises of research design, data collection and data analysis.

3.2 Research design

This study adopts a case study research design. Case study research design seeks to establish how and why of a phenomenon (Baxter & Jack, 2008). Flyvbjerg (2011) indicate that descriptive research design involves the collection of qualitative information with the aim of mapping out the status of a given subject. Further, Starman (2013) agrees more that case research design equally seeks to establish the association between variables. Accordingly, the design is appropriate for this study in establishing and explaining how and why on relationships and association of variables that are involved.

3.3 Data Collection

The study uses both secondary and primary data appropriately. Collection of data shall be done by the use of interview guide and a focused study guide. A study guide with Open-ended and closed-ended questions was used in collecting primary and secondary data.

Secondary data was obtained from audited financial statements and documented strategic plans and policies. Information sought included measures of globalization strategies employed by Equity Bank and perception on importance of the strategies on performance. Information on state measures and trends in financial performance as recorded in the documents and books of records was also obtained. The study targeted 6 but got response from 5 respondents within the business development/operations department and the financial department.

3.4 Data Analysis

Data was analysed using content analysis technique. Content analysis is defined by Hsieh and Shannon (2005) as a research method in which subjective text data is systematically classified and interpreted through identification of patterns and themes. Content analysis is the most appropriate analysis technique to this study as it intends to provide interviewees with freedom to extensively provide their opinions on globalization strategies used and associated effects on performance. Further, the analysis using the content analysis technique was formatted and guided by the objectives of this study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to establish the impacts of globalization strategies on financial performance of Equity Bank Limited. This chapter presents the analysis and findings with regard to the objective and discussion of the study. The data obtained from the interview guide was analysed using content analysis, a technique used to make inferences through systematic and objective identification of specified characteristics of information.

4.2 General Information

The study targeted a total of 6 senior managers from Equity Bank Headquarter offices in Nairobi out of which, 5 managers responded by scheduling an interview with the researcher thus giving a response rate of 83%. The study wanted to establish the length of period that the respondents had worked with the Bank so as to assess their understanding of globalization strategies applied by the Bank. From the interviews conducted, the interviewees had worked with the Bank for varying period of time ranging from three years to fifteen years. The interviewees had joined the Bank at different times. Some had joined the Bank straight from campus while others had joined the Bank from other institutions. This shows that they had the right information regarding the globalization strategies of Equity bank and how they have affected the financial performance of the bank.

4.3 Response on Globalization Strategies

The study sought information on the globalization strategies Equity Bank has adopted. From the responses, it was established that Equity Bank uses a combination of globalization strategies to exploit their grand strategy of expanding to international horizon and to strengthen the already setup and existing expansions. Out of the eight (8) globalization strategies under observation, six (6) of them that include joint venture, strategic partnership, strategic alliance, mergers and acquisition, wholly-owned entry and outsourcing were found to be utilized by the bank. It was also established that out of the six, only two were used in moving physical operations across border and the rest were meant to enhance operations after establishment in these foreign markets. The two strategies include mergers and acquisition and wholly-owned entry mode. The other four (4) include joint venture, partnerships, strategic alliances and outsourcing. The two globalization strategies that are not used by Equity Bank include franchising and licensing. It was also established from the responses that one of the major argument as to why franchising and licensing strategies are not used by Equity Bank is that they are not supported the general banking model: which does not allow giving another bank the license to operate in proprietary rights and patents. A major contributing factor herein is that the services are homogeneous from one bank to another.

4.3.1 Strategic Alliance

The study sought information on the strategic alliances the bank has established to date. More information was also required on whether partners in this strategic endeavour shared the same strategic objectives. All respondents indicated a strong absorption of the alliance strategy. From the specifics of the agreement, it was concluded that strategic alliances work well when the partners have similarity in mission and vision as well as objectives in which case they collaborate for a win-win situation. All partners had the same mission and vision to that of Equity Bank. This view is in line with the findings of a study by Jonathan and Soldi (2011) on the assertion that strategic alliance can be said to be the pooling of specific resources and skills by cooperating organizations in order to achieve common goals as well as goals of the individual partners (Varadarajan & Cunningham, 1995). These views are supported by Kerry and Dykstra (2013) in their study that sustainable global progress requires greater global cooperation given the growing challenges of preserving the global commons.

The study established that Equity Bank has established strategic alliances with international organizations such as International Fund for Agricultural Development (IFAD) through the Government of Kenya and Alliance for a Green Revolution in Africa (AGRA). It was highlighted that these partnerships were about innovative finance under Kilimo Biashara (Farming as a Business) which is a public private partnership established in 2008 with partners including (IFAD) through the Government of Kenya –Ministry of Agriculture, (AGRA) and Equity Bank towards the green revolution of Africa. Its objective was to increase access to credit by farmers to increase food production for enhanced national food security and generation of household income for farmers.

4.3.2 Partnerships

Respondents established that strategic partnership strategy is used as a mean to enhance performance of the bank. Though the strategy can be used as a mean to establish in the international market, in this case it is used in enhancing acceptance among locals; expanding collaborative margins that finally lead to mutual business benefits; establishing sales on the Equity Bank brand. From the pool of already existing partners, one can be of certain that the bank chooses who to partner with depending on the certain credentials. It was established that the partners are either leaders in their business segment or they highly influence the opinion of a large population in the market. This was the trend is cascaded down to all international markets, be it Uganda, Tanzania, Democratic Republic of Congo, South Sudan, Rwanda or Uganda. Most of the partners included physical retail stores, online retail stores, logistics companies, restaurants and hotels, security companies, and travel agents and companies. The major selling point in this partnerships is the mobile/electronic money transfer and payment system driven by the bank.

The interviewees responded that partnerships were making online payments easier for customers to grow its digital payments. One manager gave an example of Jumia' partnerships and that leveraging on Jumia's Black Friday was catalysing EazzyPay uptake via the EazzyApp as the retailer grows its transactions. Customers purchasing on online platform will be able to pay directly from their Equity Bank account through EazzyPay, which is integrated on various online selling platforms. It was established that Equity bank partnered with Google to introduce a cashless solution. This was to bring BebaPay, a payment card which was to provide a quick and convenient way to pay for bus fare without the use of cash. Interviewees also explained that globally, the bank partnered with South African cyber security firm Entersekt to deploy its security multi-authentication solutions Transakt and Interakt on Equity Bank's online banking, mobile banking, and payment platforms.

4.3.3 Joint Ventures

Respondents indicated that joint venture strategy is also used in the platform as partnership strategy. This means that the strategy is used to enhance performance rather than as a mean of establishing operations in a foreign country. Unlike partners who agree to use the bank’s platforms within their business operations, joint ventures requires Equity Bank and the partner to identify a new opportunity and exploit together. It was also identified that the vetting criterion towards this kind of collaboration draw more sensitivity, a reason why joint ventures were less than the numbers of partnerships.

Among the joint venture undertaken by Equity bank locally, we have Airtel-Equity Bank Joint venture and the oil distribution venture. Airtel-Equity Bank joint venture allows customers of the bank to access commercial solutions through the Airtel mobile banking services. This venture benefits the bank by enabling it to have access to all Airtel sim-card holders, thereby expanding the market alongside the expansion of Airtel Kenya’s access. The venture has contributed to high number of electronic accounts that are mobile money-based and increased loaning business. The oil distribution venture is based on an agreement between Equity Bank, National Oil Company and Eqwipetrol. Eqwipetrol is an electronic based oil marketing platform that enhances supply of petroleum products beyond the scope of traditional fuel products. The ventures allows National Oil to supply oil products to underserved areas in Kenya and Equity Bank plays a financial role by facilitating transaction via Equitel mobile-money platform. Through this partnership the bank has enhanced its brand in this underserved areas in Kenya, leading to brand awareness and easy marketing.

International joint venture include Equity-MasterCard and international investors. Equity-MasterCard joint venture has seen the bank’s customers in the region issued with new debit and prepaid cards that will be accepted at any MasterCard point of sale globally. Interviewees also responded that two Norwegian investment firms have acquired a major stake in Equity Bank by purchasing half of the shares held by Helios

Investment partners. The joint venture has promoted financial inclusion and strong corporate governance. One manager confirmed that the joint venture has played a role in the bank's growth and success to date and the bank is looking forward to continue to partner in the next phase of its development and to support its direct positive impact on the lives of people in the communities within which it operates. Luo (2001) affirms that one of the key reasons why joint venture is highly considered is its correlation with the level of environmental uncertainty and intervention of government. Further, joint venture entry mode improves diversification of risk especially where the prospective market has high asset intensity. Joint ventures are preferred when government contract negotiation favour local firms more often or where the regulation prohibit foreign control by other means but allows joint ventures only.

4.3.4 Outsourcing

From the respondents, it was established that outsourcing strategy is used by the Bank to enhance the efficiency of its operations. However, as a globalization strategy, Equity Bank rolls similar approach in the foreign established markets to support to its operations. Areas that use this strategy include security, mobile application and system development solutions and to some extent, employees. In mobile and system application development, the Bank uses various companies that include Verve K.O Consultants. In terms of general security, the Bank uses a number of respective country's top security agencies to handle logistics and physical location security. An example is the contraction between the Bank and G4S Security group.

4.3.5 Merger and Acquisition

The study sought information on the use of mergers and acquisitions strategy. It was established that the strategy is among the two that are used by the bank to expand to foreign countries. To be more specific, it was established by the respondents that the entry of Equity Bank to Uganda was through acquisition of a well-established Ugandan microfinance institution. The acquisition strategy worked well for the Bank as Uganda Microfinance had strong foundations in the Ugandan Market and was well known and accepted. After acquiring Uganda Microfinance, Equity Bank opened branch network in several locations in Uganda to make it readily accessible by customers. This promoted the level of confidence among the Ugandan citizens hence ready acceptability. The findings are in line with Basche (2006) who stated that acquisition has become a popular mode of organizations expanding into foreign markets mainly due to its quick access. The acquired institution already has a well laid out structure which enables quick role out of the organizations' operations. Acquisition strategy offers the fastest, and the largest, initial international expansion of any of the alternative. Acquisition has been increasing because it is a way to achieve greater market power. The market share usually is affected by market power. Therefore, many multinational corporations apply acquisitions to achieve their greater market power.

The findings showed that the bank has through acquisitions and mergers acquired quality staff/additional skills, knowledge of the industry in the foreign country and other business intelligence. It was also established that the bank had access to valuable assets for new development which had already been purchased by the acquired institution hence saving time and logistics for procuring them. The bank also gained access to a wider customer base and increasing its market share. The findings are in line with Chen and Messner (2009) who explains that partnership makes the partner companies organizationally and strategically flexible within the target market. Partnership strategy gives enough equity to allow control of the new entity's management but with limited dominance.

4.3.6 Wholly-owned Entry Mode

Apart from the mergers and acquisition, findings shows that wholly-owned entry mode also known as Greenfield strategy is also another strategy used by Equity Bank to expand to international markets. Respondents showed that the Bank moved to all foreign markets except Uganda through a Greenfield strategy. In South Sudan, the bank started by establishing a single branch in Juba that served as port and started its operations through opening its own branches. However, a major boost was that majority of the customers in the South Sudan market were Kenyan businesses men who were ready and willing to be associated with the Bank. The strategy was also used to penetrate into Tanzania, Rwanda and Democratic Republic of Congo. The interviewees recommended the same globalization approach when moving into other new markets. However, it is an observation that it would be necessary to buy an existing 'outfit' should the market be an already existing market. This, would reduce the costs associated with expansion.

The bank also went to Tanzania wholly-owned as it sought to enhance its market share within the East African region while replicating its successful business model in other parts of the larger EAC. Respondents indicated that the Bank went into Tanzanian financial industry by opening their own branch networks with the Head office. This was a bold move to expand into a new market because majority of the local customers had heard of the way the Bank had changed peoples' lives in Kenya and other East African region where it had opened offices before. The findings concur with those of Katobe & Helsen (2010) who argued that wholly-owned strategy increases control and flexibility of procedures and processes therefore reducing the risk of working together with partners whose vision is not aligned to yours. In spite of the strategy offering full control and reducing negotiation time, it is still complex, lengthy and costly. It is also possible for the involved company to involve its management philosophy and style (Papyrina, 2007), enabling sufficient mechanization of opportunistic behaviour monitoring. Hollesens (2007) indicates that when deciding on the use of wholly-owned strategy in establishing subsidiaries, the company in subject can either acquire an already existing company through acquisition or establish own operations from the scratch.

4.3 Financial Performance

According to the Bank's financial results, the third quarter of 2018 saw the profit after tax growth rate of 8%. This translated the so said profit from 14.6 billion in 2017 to 15.8 billion. In spite of the volatility in the banking environment that included capping of the interest rate by the CBK, the bank still achieved an incredible performance. This continued performance has helped the Bank competitively position itself as a major banker in Eastern and Central Africa.

It was also identified that the liquidity ratio of the Bank has also grown to 55%. Notably, non-funded income contributes now to 40% while subsidiaries chip-in 18%. Due to high operational scale brought about by globalization, the total costs were to have reduced by 4% in the one year alone: 2017-2018. The reduction in costs was found to associate to discounts and economies of scale levelled upon high operational scale in the international markets. Due to the interest-based turbulence within the local market, it was established that the 8% increase in profit was instigated by the international operations.

Through the use of partnerships, alliance and joint-ventures, third party channels reported growth of customer transactions and activities that made up 97% of all transactions. This exponential performance is attributed to the convenience of Eazzy Banking App. The combined transactions by the Eazzy stood at 168 million from 55 million, representing a growth rate of 208%. Eazzy biz equally grew from 90.9 billion to 187.3 billion. Transaction volumes within the branches declined from 14.4 million to 13.5 million due to self-service channels. Globalization equally increased the number of Banking Agents across the international market, translating to growth of transaction by 7% up from 49.8 million to 53.4 million. In summary of diaspora operations and their remittances, there was an increment of 42 billion Kenyan shillings. The increment was from 15 billion to 57 billion, giving a growth rate of 282%. This growth rate was directly attributed to partnerships with Western Union, PayPal, MoneyGram, Equity Direct, Swift and Wave.

From international levels, contribution was based at 18% of profit. Generally when considering and adding the international expansions to local assets, it was identified that assets grew by 8% -from 518.2 billion to 560.4 billion. In terms of market positioning, Equity Bank was ranked position 799 overall globally. In terms of soundness, it was ranked at position 35. In terms of return on equity, it was ranked position 44 and position 8 when it comes to return of Assets. By financial year ended 2017 Equity Bank had closed at a local market share of 9.85%, ranking third after KCB and Co-operative Bank respectively. Locally and regionally, Equity bank is ranked best in retail banking.

4.4 Globalization Strategies and Financial Performance of Equity bank

The study sought to find out how the bank has been performing due to globalization. It was established that since the globalization of Equity bank, the systems have been upgraded severally in order to ensure that the customers are well served and this ensures that all is well with the services that Equity bank is offering its customers. Before the upgrading was done, the customers used to complain of the slowness of the systems as per the senior managers' conclusions. Globalization has made managers travel around the subsidiaries in order that they can supervise what is happening under their docket. Two managers explained that the success of Equity Bank is well concluded to have been the factors such as professionalism; integrity; creativity and innovation; teamwork; unity of purpose; respect and dedication to customer care; effective corporate governance. All the divisional heads interact with international clients under their area of expertise. Clients also do transact foreign currency with Equity banks' treasury department.

Finally, the study sought information on the benefits of globalization of equity bank has experienced. As established through the interviews administered, the benefits can either be business related as well as non-business related. Among the business benefits, the respondents asserted that through globalization, the bank was able to increase its credit portfolio to the target value chain. The findings also indicated that through globalization the bank was also able to improve the staff capacity and thus they were better equipped in handling the challenges they experienced and were therefore able to improve on its service delivery. It was also established that through strategic leadership the bank was in a position to develop more innovative products.

The non-business benefits of globalization were established to include better working conditions or working relations with partners and also ensuring greater networking opportunities for the banks. This is in line with the assertions of Depamphilis (2008) who asserted that the motivations for partnerships could be risk sharing or gaining new market. Further, it was established that firms seek to partner in order to leverage on resources of partners and share the risk of undertaking expensive and highly uncertain projects.

4.5 Discussion of Results

The first objective of the study was to establish the globalization strategies that Equity Bank uses. The overall findings indicate that Equity bank uses various globalization strategies. The strategies are subdivided into two categories: those that are used when expanding to international markets and others for enhancing the instituting and operationalization of the bank in the so foreign market. The sub-division of the strategies was found to be consistent with the argument of Muciimi and Ngumo (2014) who insist that in spite of all globalization strategies aiding firms to align internationally, not all can be used to transform by locational, some will only be used in market lobbying. The strategies that were found to be used in expanding to foreign markets include wholly-owned mode strategy and merger and acquisition strategy.

In addition and with coincidental reference to Luo (2001) and Ruetttimann (2014), the two strategies exhibit the same characterization as the total pool of strategies, in that their usage is not balanced and always depends on the market dynamics. Respectively, it was ascertained that the bank uses merger and acquisition strategy in markets are regulations and absorption are unlikely to be easy, like in the case of Uganda market. On the other hand, wholly-owned strategy was found to be common and most preferred.

The domination of wholly-owned strategy in globalization among large firms was also noted by Katobe and Helsen (2010). It was also established that free and flexible market entry regulations promoted this strategic approach. For example when considering the Tanzania, South Sudan and Rwandan market, it was established that their level of flexibility in market entry encouraged foreign investments. In fact out of the total foreign market that the bank has diversified on to date, it is only in Uganda that Merger and acquisition strategy was initiated.

The rest of the remaining strategies were found to influence institutionalization and operationalization of the bank in the market. More especially the partnership and alliance strategies, just as Kuder (2014) illustrates. The rationale behind the use of the strategies is that new markets always and by normal market forces hinder penetration, introducing intimidating forces that are meant to inject entrants. It is therefore justifiable that by use of the strategies like partnerships and alliances, the bank might be able to convince and even be given chance by the partner's clientele. And through such chances then opportunistic branding is instituted. The study therefore agrees with Muciimi and Ngumo (2014) and Owusu (2012) that the strategies imparts a psychological effect on the prospective customer as they will relate competitive dynamics of the entrant to those of the local partner company.

The second objective of the study was to determine the impact of globalization strategies on financial performance. Findings established that the bank is in an ascending performance graph with an average total profit growth rate of 8% per annum. An insight extracted from 2017-2018 quarterly records and quoted in section 4.3 provides a rise that can be termed as 'effective growth rate.' From the profit growth, a section attributed to globalization was also established to be significant and binding at

18%. When interrogation was done on ranges and contribution margins, a conclusion was made that the 18% is highly significant. This is justified by the number of bank branches operational locally verses those that are across borders, which stands at a ratio of 1 to 2.5. From the 18% contribution vis-à-vis the ratio, the strategies and globalization as whole can be termed as highly effective. This findings on the bank's performance vis-à-vis globalization confirms Han's (2009) argument in support of the view of globalization from RBV perspective: as a source of competitive advantage and economies of scale.

In-depth assessment of performance established that the bank's economies of scale kept getting better as overall operating cost reduced from time to time. Comparatively with the findings of Karadagli (2012) and Matascu and Murgea (2017), a conclusion can be made that Equity Bank's reaction to globalization is in line with expectations. These previous studies argue that under normal circumstance, globalization is likely to enhance overall performance. Equity bank's progressive financial performance is an assumption enough that all round performance is equally on a health performing trend.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study sought out to investigate the impact of globalization strategies on financial performance at Equity Bank. The targeted respondents were interviewed and the responses were analysed using content analysis technique. This chapter presents the summary, conclusions and the recommendations of this study. The study further recommends areas for further study.

5.2 Summary of the Study

Equity Bank has established business relationships, strategic alliances and partnerships with several organizations in its quest for the highest standards of corporate governance, accountability and business growth. When coming up with globalization strategies, the bank involves key stakeholders who majorly are customers, employees, partners and shareholders. The bank conducts market and internal surveys which provided feedback from customers/clients and employees on how best the bank can venture into the new business.

Equity Bank has established strategic alliances with international organizations such as International Fund for Agricultural Development (IFAD) through the Government of Kenya and Alliance for a Green Revolution in Africa (AGRA) for innovative finance under Kilimo Biashara. This was to increase access to credit by farmers to increase food production for enhanced national food security and generation of household income for farmers. Partnerships with strategic alliances making online payments easier for customers to grow its digital payments since customers purchasing on online platform will be able to pay directly from their Equity Bank account through EazzyPay. It was established that strategic partnerships work well when the partners have similarity in mission and vision as well as objectives in which case they collaborate for a win-win situation. Among the partnerships Equity bank has made include Google, Jumia, International Fund for Agricultural Development (IFAD), Alliance for a Green Revolution in Africa (AGRA) and Entersekt.

Equity bank acquired a well-established Ugandan microfinance institution during its entry into the country. This allowed the bank to open other branches in the country to make it readily accessible by customers. Acquisition strategy offers the fastest, and the largest, initial international expansion of any of the alternative. Acquisition has been increasing because it is a way to achieve greater market power. However, the bank went wholly-owned to South Sudan and Tanzania. The bank started by establishing a single branch in Juba and started its operations through opening its own branches. The bank had an advantage in Juba since Majority of the customers in the South Sudan market were Kenyan businesses men who were ready and willing to be associated with the Bank.

5.3 Conclusions of the Study

The study concludes that Equity bank has adopted partnerships, strategic alliances, joint ventures and acquisitions as its globalization strategies. The bank has also gone wholly owned in foreign countries. Globalization works well when partners share common goals and objectives that they both need to achieve. As a result of globalization, the bank's systems have been upgraded severally in order to ensure that the customers were well served and this ensures that all was well with the services that Equity bank. This reduced customer complaints since before the bank started going global, customers used to complain of the slowness of the systems as per the senior managers' conclusions. The success of the bank however has been as a result of professionalism; integrity; creativity and innovation; teamwork; unity of purpose; respect and dedication to customer care; effective corporate governance. It was concluded that globalization has led to both businesses related and non-business-related benefits. The bank was able to increase its credit portfolio to the target value chain, improve the staff capacity and thus they were better equipped in handling the challenges they experienced and were therefore able to improve on its service delivery. Better working conditions/working relations with partners and greater networking opportunities were the benefits the bank gained as a result of globalization.

5.4 Recommendations of the Study

The following recommendations were made from the study; Equity bank should adopt the use of modern technology as a way of gaining competitive advantage. Mergers and Acquisitions should be adopted by the institution within the management team to pave way for expansion of operations in other regions. The bank should also open more branches in East Africa countries and other foreign regional blocks to expand its activities.

5.5 Limitations of the study

The study looked at the impact of globalization on the performance of Equity bank only. This study was therefore limited to one bank only. This shortened the time needed to collect data and minimized the cost of the study but assumed that the selected firm is a representative of all other companies. The study covered relatively a short period of time which was occasioned by constraints of data availability.

5.6 Areas for Further Research

Considering the limitation herein this study, it is therefore suggested that further research be conducted on the same topic within same industry but in different banks.

Another study consolidating all banks should also be considered in the event that supporting resources are available. This supporting resources include financial resources, time resource and personal commitment.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTORY

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 03/09/2018

TO WHOM IT MAY CONCERN

The bearer of this letter Victoria Kherubina Akec Kolnyin

Registration No. D61/74333/2014

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
- 3 SEP 2018
P.O. Box 30197 - 00100, NAIROBI

PROF. JAMES M. NJIHIA
DEAN, SCHOOL OF BUSINESS

APPENDIX II: INTERVIEW GUIDE

1. What position do you hold in the bank?
2. How many years have you worked in the bank?
3. Has the bank adopted any of the globalization strategies? Which once are they?
4. How does the bank formulate its globalization strategies?
5. Does the bank and the strategic partner share the same objectives?
6. What strategic alliances has the bank developed with banks in foreign markets?
7. What partnerships has the bank adopted?
8. What mergers and acquisitions has the bank done as a way of going global?
9. How has mergers and acquisitions affected the banks capabilities in going global?
10. How has the bank benefited from the mergers and acquisitions it has entered so far?
11. Has the company forged joint ventures with international strategic partners? Which once are they?
12. Is the bank going global as a wholly-owned entry mode? Explain?
13. How have the services been done due to globalization?
14. What have been the benefits of globalization strategies?

END

THANK YOU