INFLUENCE OF FOREIGN MARKET ENTRY STRATEGIES ON PERFORMANCE OF COMMERCIAL BANKS, KENYA

BY

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DECLARATION

I declare that this research project report is my original work and has not been presented to any university or an institution of higher learning for an award of a degree.

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ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
BP	Breusch-Pagan
CBK	Central bank of Kenya
Df	Degree of Freedom
DW	Durbin Watson
ERP	Enterprise Resource Planning
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IT	Information Technology
KMO	Kaiser-Meyer-Olkin
SPSS	Statistical Package for Social Sciences
US	United States
USA	United States od Amarica
VIF	Variance Inflation Factor

ABSTRACT

A vast majority of global firms use international marketing entry strategies as a means of improving organizational performance and competitiveness in the marketplace. Due to the dynamic, complex, and ever-changing nature of today's business environment, new financial institutions in a country must utilize the most effective and efficient market entry methods. Due to increased foreign investment, new bank institutions have entered Kenya's market while others have relocated to other regions, domestic competition and regional integration attempts have been major contributors to this trend. This study therefore sought to determine the influence of foreign market entry strategies on performance of commercial banks in Kenya. The study aimed to establish the influence of merges and acquisitions, foreign direct investment, joint venture and licensing and franchising influenced the performance of commercial banks in Kenya. The study adopted a descriptive research design. The target population of this study was 42 commercial banks that have been operating in Kenya. Hence, the target population for the study was 42 managers. A questionnaire was used to collect primary data. This research study analyzed both qualitative and quantitative data. To ensure ease of analysis, the questionnaire was coded according to the objective of the research study to ensure the margin of error is minimized to achieve accurate analysis. Data collected was analyzed using descriptive statistics which helped to determine the respondents' degree of agreement with the various statements under each factor. The quantitative data was analyzed using Statistical Package for Social Sciences (SPSS) software. Correlations and regression analysis were calculated to draw inferences to the entire population. Multiple linear regression model was applied in analysis of quantitative data. The findings were presented on tables. The research found that: FDI was the avenue that banks adopted in entering the Kenyan market, through foreign direct investment the banks have being able to get additional expertise, technology, and products and foreign investors have increased a workforce's productivity since the establishment of the banks. The research also established that an intermediary is the most appropriate model for some banks foreign market entry. The study found that a joint venture is the most appropriate entry strategy mode first before fully initial foreign entry process. The research established that licensing and franchising is the most appropriate entry strategy to the foreign market and the banks use licensing approach to foreign market entry. The study concluded that joint venture had the most notable and highest impact on performance of commercial banks in Kenya, followed by merges and acquisitions, and then licensing and franchising while foreign direct investment had the least impact on the performance of commercial banks in Kenya in Kenya. The study recommends the need for commercial banks to penetrate the Kenyan market to adopt licensing strategy. The study recommends the need to harmonize all joint venturing activities. The study also recommended that management of commercial banks that seeks to enter into new market must carefully analyze the strategies that will maximize output.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A firm can gain a competitive advantage with a suitable foreign market entry strategy put in place. Firms that adopt internationalization strategies can maintain their competitive advantage compared to other firms as they can leverage on their core competencies and access to new and wider markets. On financial the development and improvement in any industry, effective marketing strategies are paramount as asserted by (Lewis, 2011). As affirmed by (Amit & Shoemaker, 2013) there have been new trends in the banking industry which has prompted hardened rivalry in numerous divisions of the economy and have rolled out firm's improvement by taking certain activities for survival. This considerably has brought in competition experienced by organizations making it hard for them to remain profitable. The competition has affected banks in Kenya, and they have had to create strategies to react to rivalry.

The study is founded on three theories namely, institutional, the stage, and the resource-based theories. Institutional theory typically focuses on the pressures exerted by external institutions on the strategies of firms. External institutions may consist of regulatory structures, agencies, laws, courts, professions, interest groups and public opinion (Oliver, 2001). It acknowledges the importance of economic and social forces that shape the systems and structures of organizations. According to the stage theory the managerial competencies suggests that international expansion is driven by the gradual acquisition of competencies and experience in foreign markets, a good strategy is gradual, behaviorally oriented, and developed in successive stages. It allows a firm to enhance its learning capabilities and thus reduces uncertainty and risk often associated with international business as well as improving its competitive position. The Resource-Based Theory indicates that to form a sustainable competitive advantage form a short-run competitive advantage, the organization needs resources that are diverse in nature, and they should not be perfectly mobile (Narasimhan & Zhang, 2000).

As argued by (Odunayo, 2018), commercial banks have been occupied with extensions to improve their growth in the market. Regardless, the unparalleled growth in banks is as a result of changes from an environmental and regulatory perspective. According to (Ebimobowei, 2012), these changes forced foreign banks to incorporate in other countries which included setting up branches or subsidiaries in Africa. Building long-term relationships with customers have become a critical strategy for most financial institutions in today's competitive financial markets (Olanipekun, 2014). When entering a new market, banks must carefully evaluate their strategy and plans to ensure success. As a result, the manner of entry is determined by the firm's resources as well as economic, financial, and political risks. The choice of a firm market entry strategies has great impact on the informed decisions and performance in the new foreign markets (Kieti, 2006). This has resulted in the restructuring and development of Kenyan commercial banks, where they must review and select the best entry strategy to achieve a competitive edge. A research study to find out the influence of foreign market entry strategies on the performance of commercial banks in Kenya, would be interesting as more Kenyan financial institution move to establish affiliates and mergers in the region.

1.1.1 Foreign Market Entry Strategies

As defined by Root (1994) foreign entry strategy is an institutional arrangement that a firm uses to market its product in a foreign market in the first three to five years, which is generally the length of time it takes a firm to completely enter a foreign market. These are the strategic decisions and choices that a firm considers when it intends to enter an international market. How a firm decides to extend its operations in a foreign country largely depends on the policies and procedures put in place on its internationalization processes (Nisha, 2016). The aspect of globalization has enabled firms to introduce new products, unique resources, human skills, and managerial techniques into foreign markets. Because of this, the strategy they choose to penetrate new markets is of paramount importance and has a significant effect on the overall performance of the firms. Additionally, multinational firms that are keen on global expansion can choose two known modes to enter foreign markets, the equity mode, and the non-equity mode according to (Deresky, 2011).

Foreign market entry strategy can be classified according to the level of control, resource commitment, and risk involvement (Hill et al., 2010). For instance, in a study of the international operations of service firms in the United States, Erramilli and Rao (2013) classify market entry modes into two categories based on their level of control-full-control (i.e., Wholly owned operation) and shared-control mode (i.e., contractual transfer or joint venture). Meyer, Estrin, Bhaumik, and Peng (2011) conducted a study on Institutions, Resources, and Entry Strategies in Emerging Economies to investigate the impact of market-supporting institutions on business strategies by analyzing the entry strategies of foreign investors entering emerging economies. The authors made three contributions, to enrich an institution-based view of business strategy (Oliver, 2011; Peng, 2013) by providing a more fine-grained conceptual analysis of the relationship between institutional frameworks and entry strategies. Secondly, they argued that institutions moderate resource-based considerations when crafting entry strategies and finally, by amassing a primary survey database from four diverse but relatively underexplored countries and combining such data with archival data, they extended the geographic reach of empirical research on emerging countries.

In addition, (Kinuthia 2010) argues that, suggests that Foreign Direct Investment (FDI) has risen in Kenya since the 1990s due to the liberalization of the economy. It is mainly concentrated in the manufacturing sector and is mainly Greenfield in nature. Most of FDI in Kenya is export-oriented and market-seeking. The most important FDI determinants are market size in Kenya as well as within the region, political and economic stability in both Kenya and its neighbors, and bilateral trade agreements between Kenya and other countries. The most important FDI barriers in Kenya are political and economic instability in Kenya, crime and insecurity, institutional factors such as corruption, delayed licenses, and work permits among other factors (Kinuthia 2010). Similarly, other studies done have given a clear indication that the choice of entry into a foreign market significantly influences the financial performance of multinational firms given the high market risks, cost of establishments, and strength of foreign currencies associated with the host countries (Ishimwe, 2013).

1.1.2 Performance of Commercial Banks

Performance is the measure put in place to show what and how an individual or a group has accomplished over some time. On the other hand (Mejlumyan, 2016) defines performance as the amount of information collected to illustrate a company's growth. The performance of firms is linked to management tools that steer them into achieving their set goals and objectives. A firm is considered to be successful if the set goals are achieved and the number of resources used to accomplish its goals. The banking sectors have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market. The banking industry facilitates economic growth, world trade, and international investment through its connection with the other banks globally. Dynamic technological challenges and opportunities, diverse economic conditions, regulatory demands by the central bank of Kenya are some of the environmental challenges. Therefore, the for current study on the influence of foreign market entry strategies on the performance of commercial banks Kenya, Mombasa County.

1.1.3 Banking Industry in Kenya

The banking industry globally is faced with several competitions including how to improve their performance among others. The industry worldwide is being transformed where new trends of doing business have emerged. This has led to stiff competition in these markets and the need for firms to expand their operations and increase their global footprint in the international markets. The study by (Munyiri, 2014) examined client maintenance among business banks in Kenya. The study concluded that there was a critical connection between cost administration procedures and client maintenance. In a similar study as argued by

(Kungu, 2014) evaluation of Equity Bank the study concluded that business banks in Kenya apply distinctive procedures to be aggressive. These include administrations at a most reduced cost, differentiation of items, and concentrating on the certain market fragment.

In addition, this evaluation confirmed that there are two wellsprings of aggressive powers that are predominantly outer and included battles for a section of the overall business and quality of client administrations. Similarly, the banking sector in developing countries is under intense pressure to perform in today's volatile marketplace. In recent times, research has indicated that strategic management and human resource management are among the most important aspects of strategies to creating customer satisfaction (Mukhtar et al., 2014). The recent trend of the competitive banking era focuses on formulation and execution of corporate strategies and planning norms with their significant effect on the financial performance of the banks (Sherer & Lee, 2014).

1.2 Research Problem

Firm’s performance has been shown to be strongly influenced by foreign marketing entrance strategies. A vast majority of global firms use international marketing entry strategies as a means of improving organizational performance and competitiveness in the marketplace. To increase sales volumes and sales growth, businesses design and implement foreign market entrance strategies (Naidoo, et al., 2016). Due to the dynamic, complex, and ever-changing nature of today’s business environment, new financial institutions in a country must utilize the most effective and efficient market entry methods. Due to increased foreign investment, new bank institutions have entered Kenya’s market while others have relocated to other regions, domestic competition and regional integration attempts have been major contributors to this trend (Kenya Economic Report, 2017). Several studies have shown that there is a need to apply strategy to remain afloat in business. Obado (2017) argues that commercial banks utilized cost authority and differentiation as the principal procedures. Studies by (Muchina 2011; Kagabo 2012; & Ronoh; 2014) focused on commercial banks' foreign market entry strategies to enter several countries in East Africa including Kenya, and Rwanda found that all entry strategies had a negative and significant relationship with performance.

Various studies have been done by researchers on influence of foreign market entry strategies on performance of firms. In USA, Robles (1994) analyzed the international market entry strategies and performance of U.S. catalog firms and found that firms entering a culturally close market were more likely to report greater revenues per catalog and overall performance. In Australia and Singapore Choo and Mazzarol (2001) studied impact on performance of foreign market entry choices by SMEs, and found that good performers tend to be relatively internationalized. Locally, Sukali (2014) sought to establish the influence of international market entry strategies on the performance of manufacturing multinationals in Kenya. Smith et al (2021) sought to determine the effects of foreign market entry strategies on financial performance of listed multinational firms in Kenya. Nyakiore (2019) studied foreign market entry strategies and performance of multinational manufacturing firms in Nairobi, Kenya. Osman and Muathe (2012) investigated the impacts of market entry approaches on the Kenya banks' performance with Equity bank being used vase study. All these studies were inconclusive as to which of the foreign market entry strategy has more influence on the performance.

Contextually, studies on how market entry strategy influence organizational performance have fallen short of explaining conclusively reasons for variations in performance of Kenyan firms (Mutuku, 2013). Within the Kenyan context, there is scarcity of studies on the influence of foreign market entry strategies on performance of commercial banks in Kenya and those that attempt to examine the influence between foreign market entry strategies and performance of commercial banks in Kenya. The local study focused on only two foreign market strategy (partnership and licensing strategy) and one commercial bank as a case study. There is scarcity of studies on the influence of different foreign entry strategies on performance of all commercial banks in Kenya. This study therefore sought to fill this research gap and to seek answers for the research question, what is the influence of foreign market entry strategies on performance of commercial banks of Kenya?

1.3 Research Objectives

The objective of this study was to determine the influence of foreign market entry strategies on performance of commercial banks in Kenya.

1.4 Value of the Study

The study would be of value to owners and managers of commercial banks in Kenya as the recommendations made will assist them in their long-term development, growth and performance. The choice of the commercial banks is premised on the fact that this area is said to be the backbone of any economy as it has a direct bearing with financial and economic development of Kenya contributing share to the GDP. However, with the changes in the global environment this sector is expected to act to maintain its share of the GDP. This sector also has a direct impact on many other downstream industries. The study would contribute to the generation of new knowledge and close gaps on influence of foreign market strategies on performance of commercial banks in Kenya.

The study would be valuable to policy makers like government, CBK and other agencies in formulating policies and guidelines on improving expansion of commercial banks into the foreign market to improve their performance. Policy makers like government and other agencies gain insights about entry into foreign markets and the ways commercial banks would explore such strategies as beneficial opportunities for gaining competitive advantage and improve bank performance.

To the academicians and researchers' community, the study would explore the influence of foreign market entry strategies on the performance of commercial banks in Kenya and result in secondary data for further studies on influence of foreign market entry strategies on performance of commercial banks and suggest areas for further studies for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the theoretical framework, empirical literature with a focus on the influence of foreign market entry strategies on the performance of commercial banks in Kenya. In addition, the chapter covers the summary of the empirical literature and knowledge gap.

2.2 Theoretical Framework

Theoretical literature review is composed of review of relevant theories upon which a study can be anchored on. The theories help the researcher to explain relationships between the concepts and they can help to determine measurement metrics for the variables. The study was anchored on three theories namely, Institutional theory, the stage theory, and the resource-based theory.

2.2.1 Institutional Theory

The institutional theory was developed and introduced by (Peter & Thomasin 1967). It is founded on institutionalism, a methodological approach to organizational behaviour, structures, rules, norms, and cultures. In recent times (North, 1990; Peng, 2003) argues the institutional theory is founded on the premise that institutions or rules that exist in a host nation have a great effect on the strategies and performance of firms making an entry into the given market. In addition (Yiu & Makino 2002) argue that institutional reasons determine the entry strategies of multinationals in a foreign market. Further study has indicated the institutional situation is a determinant of the structure of firms and their behavior in a new market according to (Ravelomanana et al., 2015). Alexander (2014) critic that the theory provides practical standards followed in scrutinizing organization and environmental associations.

The expressed condition is considered to be the "authoritative field, spoken to by establishments that may fuse regulatory structures, administrative workplaces, courts, specialists, capable benchmarks, interest gatherings, well known feeling, laws, rules, and social characteristics. Institutional speculation presumes that any affiliation needs to fit in with its condition". Be that as it may, there exist some central parts of authoritative condition and practices. Not totally tended to by the theory of institutional that makes the methodology dangerous for totally understanding affiliations and their condition (Suddaby, 2015). About this study, the success and challenges faced by the companies' market entry strategy are evaluated alongside the factors that influenced the strategic decisions in the choice of entry approaches. This theory applies to this study in that the process of making decisions about internationalization. Hence, regulatory structures, Foreign Direct Investment (FDI), Mergers, and Acquisitions among the study variables are attached to the institutional theory.

2.2.2 The Stages Theory

The stage theory was developed by (Freud 1856–1939) that, there are five distinct stages that the person will pass through for the duration of their lifespan. Four of these stages stretch from birth through puberty and a final stage lasts the rest of the life. The stage theory also in recent times states the managerial competencies and suggests that international expansion is driven by the gradual acquisition of competencies and experience in foreign markets as asserted by (Merlin's 1992). Similarly (Dana 2004) affirms that, a good strategy is gradual, behaviorally oriented, and developed in successive stages. It allows a firm to enhance its learning capabilities and thus reduces uncertainty and risk often associated with international business as well as improving its competitive position. The stages an organization goes just like the four stages a person goes through during their life span underpins internationalization. Hence a process that occurs in stages and adopts a stage model therefore in this study, the choice of market entry strategy goes through a staged process much less risky mode. For an instant, joint ventures are chosen first before risky modes such as getting licenses or export which are adopted later. Thus, paramount to acquire competencies and experience in foreign markets before investing heavily.

2.2.3 Resource-Based Theory

The resource-based theory is defined as the possession of strategic resources that provide an organization with a golden opportunity to develop competitive advantages over its rivals according to (Barney, 1991). In recent definition, the theory sought to explain how an organization can apply internal sources of sustained competitive advantage in each industry (Kraaijenbrink et al., 2010). The theory aims at how establishments are well-organized and innovative in the use of capital or resources at their disposal. The resources that a firm controls vary considerably from one firm to another making it diverse even if they are in the same industry. This, therefore, provides the firm with a unique bundle of resources which when well utilized would give them a competitive advantage. The theory was applicable in this study since it helped explain the role of resources both financial and human capital competitive strategy formulation and implementation for the performance of commercial banks.

2.3 Foreign Market Entry Strategies

The most common market entry modes are introduced at this level. The strategies are split into non-equity modes and equity modes depending on the level of commitment each mode requires. Equity modes allow the company to be closer to the customer. On the other hand, non-equity modes are a strategy for an organization to expand its products or services into a new market without having to invest in items such as facilities within that market (Langbacka, 2018). The World Bank (2015) defined Foreign direct investment as the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. The mode of entry affects the operations of a bank and therefore banks must carefully consider what their strategy and future goals are while entering a new market and depending on the firm's resources, risks which include economic Financial, and Political Risks.

2.3.1 Foreign Direct Investment (FDI) on the Performance of Commercial Banks

Foreign direct investment (FDI) is the direct ownership of facilities in the target country. It involves capital, technology, and personnel. FDI can be made through the acquisition of an existing entity or the establishment of a new enterprise. Direct ownership provides a high degree of control in the operations and the ability to better know the consumers and competitive environment, and the market in general. However, it requires a high level of resources and a high degree of commitment (Root, 2014). According to Verbeke and Yuan (2010), there exists a positive relationship between foreign direct investments into a bank and the banks' competitiveness. First, the investments boost the bank's image as a performer, or the incoming investors' resource casts a positive image of the bank's perceived future performance. As African banks attempt to offer unique opportunities to foreign investors, governments face distinct challenges in attracting FDI.

Typical policies aimed at improving the attractiveness of the country through institutional and economic variables have been proposed and implemented as part of the SAPs. Investment Promotion Agencies (IPAs) have been recommended to promote the new institutional environment to foreign investors (Verbeke & Yuan, 2010). Today, such agencies are established in over 35 African countries to provide one-stop services to foreign investors. The coverage and quality of services these IPAs provide vary from one country to another.

Promoting investment opportunities in host countries to potential foreign investors is part of the general growing field of marketing of places. The ability of marketers to communicate effectively and efficiently their distinctive advantages and to deliver the expected value to investors is a critical requirement for success. Therefore, the marketer of FDI has to adopt a strategic marketing approach, which involves the understanding of the role of FDI in the development program of the country, the identification and building of locational advantages, and the formulation and implementation of adequate marketing strategies. Kotler and Keller (2015) identify three generations of strategic marketing of locations for investment purposes, which have been extensively used in Asia to attract FDI.

2.3.2 Mergers and Acquisitions on the Performance of Commercial Banks

Kilonzi (2012) while focusing on how NIC bank has responded to the changing environment, he was able to reveal that the commercial bank has been more than aggressive in its response strategies. The commercial bank has combined several strategic responses varying from the development of new products to suit their customers, diversifying their services, carrying out market segmentation, introducing the use of IT in its operations just like the other commercial banks, improving their customer service through various ERP practices as well as building their staff capacity through training.

2.3.3 Joint Ventures on the Performance of Commercial Banks

According to Albaum et al. quoted in Ole, Jens, and Jacob (2016), a joint venture happens when businesses from at least two separate nations, generally one being local, create a new business to jointly create products or provide services. The partners do not position equity or stake in the alliance, while they do so in a joint venture. That is, a legal entity, a fresh mutual company, is established in an equity joint venture, whereas no legal entity is formed in a strategic alliance partner but distinct once they have reached their goals. Furthermore, a joint venture in which no equity is engaged can be described to as either a non-contractual joint venture or a program-based venture. For all the above definitions, we can conclude that the same thing is a strategic alliance and a non-equity joint venture.

Joint venture strategy is adopted by firms seeking to enter into foreign markets as a means to achieving global service networks, getting access as well as establishing identities in new markets without necessarily providing products and services that are likely to be unprofitable if such firms carried out their operations independently. As affirmed by (Oum,2012) put forward an argument stating consumers have demonstrated a preference for dealing with retail chains that have large service networks as a way of minimizing the cost, while taking advantage of more attractive products. Thus, alliances are theorized to reduce costs through economies of scale associated with joint marketing, maintenance, training, and through the elimination of duplication and redundancy in operation. Thus, the overall aim of joint ventures is considered to be enhancing partner competitive position and also achieving higher profits for each of the partners.

2.3.4 Licensing, Franchising on the Performance of Commercial Banks

Licensing as an entry point of products has become an important strategic choice for retail chains that seek to make entry into foreign markets given that it has an essential impact on their future business success. Banks likewise get connected to an organization that has an intermediary among others to market their services. Licensing market entry strategies affect business performance in the context of retail chains industries. In this regard, therefore, the choice of licensing as an entry strategy is one of the key points that retail chains all over the world always put into consideration (Peinado & Barber, 2013).

Licensing strategies affect implementation and duration it through determining the method and allocating essential and sufficient resources. As asserted by (Sadaghiani, Dehghan, and Zand 2011) for instance carried out a study that sought to examine the impact of licensing entry strategy on organization performance and established that licensing entry strategy affects the organization performance of the Iranian export companies.

The study further concluded that the variable share of entry strategy in anticipation and changes in export performance of the export companies is approximately 50 percent. Mushuku (2012) further carried out a study that sought to examine how licensing entry strategy affects business performance in South Africa. The study established that indeed licensing entry strategy affects business profitability for South African firms. He further established that profitability depends on costs and revenues. Furthermore, some of the studies established that licensing entry strategies affect export performance by determining the control level, risk level, and company share in foreign markets and end up with the success or failure of the company (Kotler & Keller, 2012).

2.4 Empirical Literature and Knowledge Gap

Various scholars have undertaken several studies regarding foreign market entry strategies and performance. Obado (2017) argues that commercial banks utilized cost authority and differentiation as the principal procedures. Studies by (Muchina 2011; Kagabo 2012; & Ronoh;2014) focused on commercial banks' foreign market entry strategies to enter several countries in East Africa including Kenya, and Rwanda found that all entry strategies had a negative and significant relationship with performance. An additional study by Sukali (2014) sought to establish the influence of international market entry strategies on the performance of manufacturing multinationals in Kenya. Silas et al. (2017) studied effect of market entry strategies on the performance of foreign owned commercial banks in Rwanda. The study concluded that green field strategies have a high influence on performance of financial institutions in Rwanda.

Green field operations were adopted by foreign indigenous banks from Kenya while all the western Africa banks went for acquisition. From this study, it is concluded that acquisition entry strategies affect the performance of commercial banks in Rwanda. The findings of this study are in support of Qureshi et al (2010) study in acquisition strategies as having a positive effect on organizational performance of Pakistani bankers. The results of the research also mirror that of Njoroge, (2007), "a survey of mergers and acquisitions in

Kenya:" where it was found out that mergers had a positive effect on the performance of merged banks. Compared with developed markets emerging markets and least developed countries differ in the external environment as well as in firm characteristics; therefore, an understanding of entry mode choices for the least developed markets and specifically Africa is of concern and models developed by scholars in other markets may not work in these nascent markets needs to be clarified. Cavusgil et al, (2002) explains the importance of external environment analysis when entering emerging markets but unfortunately fails to link the characteristics of emerging markets to the choice of entry modes. Studies conducted in the US and EU show that market characteristics and conditions affect the entry mode. More research is recommended for developing and least developed countries to show the effect on entry strategies of foreign investors from a least developed country perspective.

This chapter presented review of empirical literature on the effect of foreign market entry strategies on a firm's performance. Theoretical framework of the study is presented first, followed by the study entry strategies. Several studies on influence of foreign market on performance of commercial banks. However, some of these studies were conducted in other parts of the world. No research has been done on foreign market entrance strategies and performance of commercial banks in Kenya. The environment in other parts of the globe is so different from that in Kenya that the conclusions cannot be used in this context without more study. As a result, the study sought to fill this knowledge gap

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section outlines the research study approach which were followed to achieve the objective of the research study. The section includes the research design, data collection, and methods for data analysis.

3.2 Research Design

Research design is the conceptual structure within which research is concluded. It constitutes the blueprint for the collection, measurement, and analysis of data (Kothari, 2008). The study adopted a descriptive research design. Saunders et al., (2009) explain that a descriptive study describes and interprets the situation at hand and is concerned with the nature of the situation as it exists at the time of the study and the conditions of relationships that exist. Descriptive research design is therefore adopted for this study as it sought to accurately portray the influence of market entry strategies on performance of commercial banks in Kenya.

3.3 Study Population

The target population of this study was 42 commercial banks that have been operating in Kenya from the date of this study (See Appendix IV). From each bank the managing director, finance managers, operations managers, marketing managers, risk managers, and investor relations managers was targeted. Hence the target population for the study was 42 managers. A census survey method was used since the study units were few (42

Commercial banks) and therefore it’s more effective and efficient method rather than carrying out the study on sample basis.

3.4 Data Collection

A questionnaire was used to collect primary data. The questionnaire addressed the research objective. It was sub-divided into five sections. The first section of the questionnaire enquired about general information about the respondents, while the second, third fourth and fifth sections covered the specific research objectives. The qualitative section of the questionnaire had closed questions. The quantitative section of the questionnaire used both nominal and Likert type scale format to determine each of the variables. A five-point Likert scale ranging from one to five was used to answer statement like questions.

3.5 Data Analysis

This research study analyzed both qualitative and quantitative data. To ensure ease of analysis, the questionnaire was coded according to the objective of the research study to ensure the margin of error is minimized to achieve accurate analysis. Data collected was analyzed using descriptive statistics which helped to determine the respondents’ degree of agreement with the various statements under each factor. The quantitative data was analyzed using Statistical Package for Social Sciences (SPSS) software. Hence descriptive statistics and inferential statistics including correlation, cross-tabulation, regression and presented using tables and figures to give research findings. Correlations and regression analysis were calculated to draw inferences to the entire population. Multiple linear regression model was applied in analysis of quantitative data. This was applied in analysis of establishing if a relationship exists between a dependent variable and independent variables or not. The used multiple linear regression model is shown below:

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5\ \varepsilon$

Y = Bank performance

β_1 to β_1 are the regression coefficients

β_0 = the constant term

X_1 = Foreign direct investment

X_2 = Merges and Acquisitions

X_3 = Joint Venture

X_4 = Licensing

X_5 = Franchising

ε = Error term

3.6 Diagnostic Tests

The study carried out normality test and test for multicollinearity. The study used Kolmogorov-Smirnov test of normality and the graphical method to assess whether the data is normally distributed. The Variance of Inflation Factor was used in testing for multicollinearity.

3.8 Operationalization of the Research Variables

Table 3. 1: Operationalization of the Study Variables

Variable (s)	Data Collection	Measurement Scale	Questionnaire items
Foreign Direct Investment	Questionnaires	5-Point Likert scale	Section B
Merges and Acquisitions	Questionnaires	5-Point Likert scale	
Joint Venture	Questionnaires	5-Point Likert scale	
Licensing	Questionnaires	5-Point Likert scale	
Franchising	Questionnaires	5-Point Likert Scale	
Bank Performance	Questionnaires	5-Point Likert scale	Section C

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter contains sections that have the analysis of the data collected concerning the subject under study, its presentation (in tables containing the means, standard deviation, frequencies and percentages) and its interpretation which was given in prose.

4.1.1 Response Rate

The researcher administered 42 questionnaires. The researcher was able to get back 35 questionnaires. This gave a response rate of 83.3%, which is above 50% and is considered significant response rate for statistical analysis as prescribed by Gillham (2011).

Table 4.1: Response Rate

	Number of Respondents	**Percent**
Response	35	83.3
Non- Response	7	16.7
Total	**42**	**100.0**

4.1.2 Reliability Analysis

Reliability analysis was done using Cronbach's Alpha which measures the internal consistency by establishing if certain items within a scale measure the same construct. Creswell and Creswell (2017) established the Alpha value threshold at 0.7, thus forming the study's benchmark. Cronbach Alpha was established for every objective which formed a scale. The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. Coefficient of 0.7 is a commonly accepted rule of thumb that indicates acceptable reliability (Fraser, Fahlman, Arscott, & Guillot, 2018).

Table 4.2: Reliability Analysis

	Cronbach's Alpha	**Decision**
Foreign direct investment	.816	Reliable
Merges and acquisitions	.758	Reliable
Joint venture	.835	Reliable
Licensing	.822	Reliable
Franchising	.765	

Cronbach Alpha was established for every objective that formed a scale. The joint venture was the most reliable with an alpha value of 0.835, followed by licensing with an alpha value of 0.822 then foreign direct investment with an alpha value of 0.816, franchising with an alpha value of 0.765 while merges and acquisitions with an alpha value of 0.758 was the least reliable. This illustrates that all the four variables were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Creswell & Creswell, 2017). This, therefore, depicts that the research instrument was reliable and therefore required no amendments.

4.2 Background Information

The background information about respondents which included their gender, age bracket, position in the bank, duration of working with the banks and highest level of education was collected by asking them to respond to questions related to the same. The findings were then presented in subsequent sub-sections.

4.2.1 Gender of the Respondents

The researcher also asked the respondents to tell their gender. The results are as shown in the table 4.3.

Table 4.3: Gender of the Respondents

	Frequency	Percent
Male	19	53.7
Female	16	46.3
Total	**35**	**100**

From the results, majority (53.7%) of the respondents were male while 46.3% of the respondents were female. This implies that there was good gender representation in the commercial banks in Kenya as both genders were well represented in the study sample.

4.2.2 Age Bracket

The respondents were also asked to indicate their age and the data obtained was presented in table 4.4.

Table 4.4: Age Bracket

	Frequency	Percent
Below 30 Years	1	2.9
31-40 Years	11	31.4
41-50 Years	18	51.4
50 years and above	6	17.1
Total	**35**	**100.0**

The respondent's age analysis shows that 51.4% of the respondents were aged between 41-50 Years, 31.4% were aged 31-40 Years, 17.1% were aged 50 years and above while 2.9% were aged below 30 years. This illustrates that most of the respondents were mature enough to cooperate in giving accurate and reliable information concerning the subject matter of the study.

4.2.3 Position in the Bank

The respondents were also requested to indicate their positions in the banks and the data obtained was presented in table 4.5.

Table 4.5: Position in the Bank

Position	Frequency	Percent
Managing director	1	2.9
Finance managers	5	14.3
Operations managers	10	28.6
Marketing managers	7	20.0
Risk managers	4	11.4
Investor relations managers	8	22.9
Total	**35**	**100.0**

The results showed that majority (28.6%) of the respondents were operations managers, 22.9% of the respondents were investor relations managers, 20.0% of the respondents were marketing managers, 14.3% of the respondents were finance managers, 11.4% of the respondents were risk managers while 2.9% of the respondents were managing director. This depicted that the respondents held senior positions in the dockets they held in their respective banks and therefore could give reliable information on the subject matter of the study.

4.2.4 Duration of Working with the Banks

The respondents in this study were requested to indicate their duration of working with the banks. The findings were presented in the table 4.6.

Table 4. 6: Duration of Working with the Banks

Duration of Working	Frequency	Percent
Less than 5 years	3	8.6
6-10 years	19	54.3
More than 10 years	13	37.1
Total	**35**	**100.0**

From the results, it was evident that 54.3% of the respondents had been working with the banks for 6-10 years, 37.1% for more than 10 years, and 8.6% for less than 5 years. This implies that majority of the respondents have been working with the banks long enough to give reliable information on the subject matter.

4.2.5 Highest Level of Education

The respondents in this study were requested to indicate their education level. The findings were presented in the table 4.7.

Table 4.7: Level of Education

Education level	Frequency	Percent
Diploma	1	2.9
Bachelor’s Degree	19	54.3
Postgraduate	15	42.9
Total	**35**	**100.0**

Majority of the respondents showed that their highest level of education was a degree as shown by 68.9%, 19.5% had a postgraduate level of education while 11.6% indicated Certificate/Diploma. This shows that most of the respondents were learnt enough to articulate and comprehend the subject being studied and therefore gave the relevant information.

4.3 Foreign Direct Investment

The study sought to establish the effect of foreign direct investment on performance of commercial banks in Kenya. The study required the respondents to indicate their level of agreement with various statements on the extent that commercial banks in Kenya have adopted various foreign direct investment strategies. The findings are presented in Table 4.8.

Table 4.8: Level of agreement with statements on foreign direct investment strategies

	Mean	Std. Dev.
FDI was the avenue that my Bank adopted in entering the Kenyan market	4.086	0.919
To what extend does Foreign direct investment affect exchange rates**.**	3.057	0.802
Through foreign direct investment the firm has being able to get additional expertise, technology, and products.	3.686	0.963
Foreign investors have increased a workforce's productivity since the establishment of the bank.	3.514	0.993

From the above results, majority of the respondents were in agreement that FDI was the avenue that banks adopted in entering the Kenyan market as illustrated by a mean score of 4.086, through foreign direct investment the banks have being able to get additional expertise, technology, and products as illustrated by a mean score of 3.686 and foreign investors have increased a workforce's productivity since the establishment of the banks as illustrated by a mean score of 3.514. They were however not sure of the extent that foreign direct investment affects exchange rates as illustrated by a mean score of 3.057.

4.4 Merges and Acquisitions

The study further sought to analyze the effect of merges and acquisitions on performance of commercial banks in Kenya. The study requested the respondents to indicate their level of agreement with various statements on the extent that commercial banks in Kenya have adopted various merges and acquisitions aspects. The outcomes are depicted in Table 4.9.

Table 4.9: Level of agreement with statements on merges and acquisitions aspects

	Mean	Std. Dev.
A merger is a mode Banks use first in their initial foreign entry process	3.829	0.891
Agency channel is the model used by banks as a foreign market entry	3.743	0.780
An intermediary is the most appropriate model for banks foreign market entry	2.771	0.426
A partnership is the most appropriate bank foreign market entry model	3.629	0.646

As per the results, many of the respondents indicated that they were in agreement that a merger is a mode banks use first in their initial foreign entry process as shown by a mean of 3.829, agency channel is the model used by banks as a foreign market entry as shown by a mean of 3.743 and a partnership is the most appropriate bank foreign market entry model as shown by a mean of 3.629. They were however indifferent of the fact that an intermediary is the most appropriate model for banks foreign market entry as shown by a mean of 2.771.

4.5 Joint Venture

The study sought to evaluate the effect of joint venture on performance of commercial banks in Kenya. The study required the respondents to indicate their level of agreement with various statements on the extent that commercial banks in Kenya have adopted joint venture aspects. The findings are illustrated in Table 4.10.

Table 4.10: Level of agreement with statements on joint venture strategy

	Mean	Std. Dev.
A joint venture is the most appropriate entry strategy mode first before fully initial foreign entry process	4.457	0.505
A joint venture is the most internationalization entry strategy for commercial banks in Kenya	4.143	0.550
A joint venture is the most used entry strategy by your banks for foreign market entry	3.529	0.646
You would advise commercial banks to use a joint venture approach	3.629	1.190

According to the above results, most of the participants were in agreement that a joint venture is the most appropriate entry strategy mode first before fully initial foreign entry process as illustrated by a mean of 4.457, a joint venture is the most internationalization entry strategy for commercial banks in kenya as illustrated by a mean of 4.143, they would advise commercial banks to use a joint venture approach as illustrated by a mean of 3.629 and a joint venture is the most used entry strategy by your banks for foreign market entry as illustrated by a mean of 3.529.

4.6 Licensing and Franchising

The study further sought to assess the effect of licensing and franchising on performance of commercial banks in Kenya. The study asked the respondents to indicate their level of agreement with various statements on the extent that commercial banks in Kenya have adopted various licensing and franchising aspects. The results are presented in Table 4.11.

Table 4.11: Level of agreement with statements on licensing and franchising aspects

Statements	Mean	Std. Dev.
Your bank use licensing approach to foreign market entry.	3.929	0.815
Licensing and Franchising is the most appropriate entry strategy to the foreign market.	4.286	0.750
Licensing and Franchising is the most used expansion approach to banking industry entry to foreign market	3.486	0.702

In relation to the above results on licensing and franchising, the respondents indicated that licensing and franchising is the most appropriate entry strategy to the foreign market and the banks use licensing approach to foreign market entry as shown by a mean of 4.286 and 3.929 respectively. The respondents were however neutral of the fact that licensing and franchising is the most used expansion approach to banking industry entry to foreign market as shown by a mean of 3.486.

4.7 Performance of Commercial banks in Kenya

The study also sought to determine the trend of the performance of the commercial banks. The respondents were requested to indicate their level of agreement with statement on performance of the commercial banks. The findings are as presented on table 4.12.

Table 4.12: Level of agreement with statement on performance of the commercial banks

Statements	Mean	Std. Dev.
Bank overall sales have grown over the last 3years.	3.857	0.810
Bank profitability has improved over the last 3years.	4.286	0.957
The bank return of investment has been increasing over the last three years	4.057	1.027
There has been reduction of administration cost.	3.943	0.684
There has been efficiency in operation management of the bank.	3.757	1.027
The bank has been releasing innovative and differentiated services over a period of time.	3.429	0.979

From the study findings, it was clear that bank profitability has improved over the last 3years as illustrated by a mean of 4.286, the banks return of investment has been increasing over the last three years as illustrated by a mean of 4.057, there has been reduction of administration cost as illustrated by a mean of 3.943, bank overall sales have grown over the last 3years as illustrated by a mean of 3.857 and there has been efficiency in operation management of the bank as illustrated by a mean of 3.757. The respondents were however neutral on the fact that the banks have been releasing innovative and differentiated services over a period of time as illustrated by a mean of 3.429

4.8 Regression Model Assumptions Diagnostics Tests

Under this section diagnostic tests for testing the regression assumptions are presented. These tests include normality, heteroscedasticity, autocorrelation, multicollinearity and sampling adequacy. Before a complete regression analysis can be performed, the assumptions concerning the original data must be made. Ignoring the regression assumptions may contribute to wrong validity estimates. When the assumptions are not met, the results may result in Type I or Type II errors, or over- or under-estimation of significance of the effect size (Stokes, 2017).

4.8.1 Normality Test

Parametric tests such as correlation and multiple regression analysis require that study variables have normal distributions since variables with substantial outliers can distort relationships and significance tests (Fox, 2019). Thus, normality tests were conducted in order to check whether the data were drawn from a normal distribution. This was necessary in order to ensure that there were no outliers that were likely to distort relationships and significance tests as this would affect the accuracy of inferences made. The testing for normality in this study was conducted using Kolmogorov Smirnov test. Testing for normality findings were illustrated in Table 4.13.

Table 4.13: Normality Test Results

Variable	**Statistic**	**Df**	**Sig.**
Foreign direct investment	1.450	34	0.130
Merges and acquisitions	1.245	34	0.090
Joint venture	1.347	34	0.053
Licensing and franchising	1.239	34	0.093
Performance of commercial banks in Kenya	2.055	34	0.084

The normality of the data was tested using the Kolmogorov-Smirnov test. The rule of the thumb was that the null-hypothesis of a normal distribution should not be rejected when the Kolmogorov-Smirnov p-values for the study variables were greater than 0.05 (Liamputtong, 2020). The results obtained as shown in Table 4.13 indicate that the data related to each of the variables was normally distributed as the significance values for all these cases were greater than 0.05.

4.8.2 Test for Multicollinearity

Multicollinearity refers to a situation in which there is a strong association or correlation among the independent variables in a given study. When independent variables are strongly correlated, it is difficult to predict the effect that a particular independent variable has on the dependent variable (Rousson, Gasser & Seifer, 2012). The assumption of the ordinary linear multiple regression is that the dataset does not suffer from multicollinearity, that is, the independent variables are not highly correlated with each other.

Table 4.14: Multicollinearity Test Results

Variable	**Tolerance**	**VIF**
Foreign direct investment	0.644	1.553
Merges and acquisitions	0.296	3.378
Joint venture	0.339	2.950
Licensing and franchising	0.265	3.774

Hence, a multicollinearity test in this case was conducted to determine if the independent variables in the study strongly correlated or not so that if the no multicollinearity assumption is not met, corrective actions can be undertaken. This is to ensure that the effects of each of these independent variables on the performance of commercial banks in Kenya is determined. The results presented in Table 4.11 were crucial in aiding the determination as to whether the data suffered from multicollinearity issues by evaluating the VIF values. The assumption for multicollinearity is that, when the VIF value lies between 1 and 5, then there is no multicollinearity (Silverman, 2016). Given that all the VIF values associated with each of the independent variables were less than 5, it was concluded that there was no case of multicollinearity among the independent variables in this study.

4.8.3 Test for Sampling Adequacy

There is inevitably a concern when using arbitrarily chosen variables for analysis where the correlation matrices that result may not be appropriate for factor analysis. A study by Newman and Gough (2020) has shown, for instance, that random variates may give rise to seemingly acceptable pattern and structure matrices. Therefore, besides ensuring the reliability of the data, it must be ascertained, via Bartlett's test of sphericity and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (Ritchie, Lewis & Elam, 2013), that the data matrix has sufficient correlations to justify the application of the Factorial Analysis.

Table 4. 15: Test for Sampling Adequacy

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	**.734**
Df	34
Sig.	.000

While KMO compared the magnitude of coefficients of the correlations observed with the magnitude of coefficients of partial correlation, the Bartlett test according to Snyder (2019) forms a bottom line test for very large samples and is less reliable for small samples, hence only KMO was considered for this test. The test generated a KMO value of .734 (Table 4.15). Since this test is a pretest to determine the factorability of the data, the finding thus implies that the data is adequate for factorial analysis. According to Snyder (2019), the value of .70 is regarded as 'middling' which is statistically significant.

4.8.4 Heteroscedasticity Tests

In this study the Breush-Pagan test as recommended by Dźwigoł (2019) was used to test for heteroskedasticity. The null hypothesis was that there is no heteroskedasticity and that the error term is constant. The decision on heteroskedasticity was based on the P-value. That is If $P \leq 0.05$, the null hypotheses would be rejected and conclude that there is presence of heteroskedasticity and if $P \geq 0.05$, fail to reject the null hypotheses meaning there is no heteroskedasticity. The results were as shown in Table 4.16.

Table 4.16: Breusch-Pagan and Koenker test statistics and sig-values

	LM	**Sig**
BP	9.994	.125
Koenker	11.108	.085

Null hypothesis: heteroskedasticity not present (homoskedasticity)

From the results in Table 4.16, it is noted that the significance level for Breusch-Pagan (BP) test was 0.125 while that of Koenker test was 0.085. In both cases the significance level was greater than 0.05. The null hypothesis was not rejected and the study concluded that heteroskedasticity was not present.

4.8.5 Autocorrelation Results

Autocorrelation is present if the DW statistics is close to 0 and 4. A value of 0 shows evidence of perfect positive autocorrelation while 4 shows evidence of perfect negative autocorrelation. A Durbin Watson value between 2 and 2.5 indicates absence of autocorrelation (Nayak & Singh, 2021). Absence of autocorrelation implies that the data is reliable and suitable for estimation. The results for autocorrelation test are presented in Table 4.17.

Table 4.17: Autocorrelation Results

Model	Durbin Watson	Status
Model 1	2.470	No autocorrelation

Table 4.17 indicates that the model had a Durbin Watson value of 2.470. Since this value lies between 2 and 2.5, it indicates absence of autocorrelation in the model and therefore the variables are suitable for analysis.

4.9 Pearson Correlation Analysis

According to Ward (2013), correlation technique was used to analyse the degree of association between two variables. Pearson correlation coefficient was used to determine the strength and the direction of the relationship between the dependent variable and the independent variable. The analysis using Pearson's product moment correlation was based on the assumption that the data is normally distributed and also because the variables are continuous.

Table 4. 18: Correlation Matrix

		Performance of commercial banks	Foreign direct investment	Merges and acquisitions	Joint venture	Licensing and franchising
Performance of commercial banks in Kenya	Pearson Correlation	1				
	Sig. (2-tailed)	.				
Foreign direct investment	Pearson Correlation	.646	1			
	Sig. (2-tailed)	.023	.			
Merges and acquisitions	Pearson Correlation	.744	.513	1		
	Sig. (2-tailed)	.027	.026	.		
Joint venture	Pearson Correlation	.522	.423	.0.327	1	
	Sig. (2-tailed)	.028	.012	.018	.	
Licensing and franchising	Pearson Correlation	.734	.533	.520	.431	1
	Sig. (2-tailed)	.042	.009	.002	.014	.

The study computed the constructs into single variables per factor by obtaining the averages of foreign direct investment, merges and acquisitions, joint venture and licensing and franchising. Pearson's correlations analysis was then conducted at 95% confidence interval and 5% confidence level 2-tailed. The table above indicates the correlation matrix between the foreign market entry strategies (foreign direct investment, merges and acquisitions, joint venture and licensing and franchising) and performance of commercial banks in Kenya.

As per the table there is a positive relationship between performance of commercial banks in Kenya and foreign direct investment as shown by coefficient of 0.646, a positive relationship between performance of commercial banks in Kenya and merges and acquisitions as shown by coefficient of 0.744, a positive relationship between performance of commercial banks in Kenya and joint venture as expressed by coefficient of 0.522 and a positive relationship between performance of commercial banks in Kenya and licensing and franchising as illustrated by a coefficient of 0.734. This shows all variable were significant in determining the performance of commercial banks in Kenya.

4.10 Regression Analysis

Regression analysis provides an explanation on how the dependent variable is affected by the independent variables.

Table 4. 19: Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.879	0.773	0.728	0.195

ANOVA Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	6.141	4	1.535	12.338	.000
1	Residual	3.733	30	0.124		
	Total	9.874	34			

Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.854	0.143		5.972	0.000
Foreign direct investment	0.608	0.196	0.678	3.102	0.003
Merges and acquisitions	0.786	0.354	0.634	6.956	0.030
Joint venture	0.907	0.148	0.786	6.507	0.000
Licensing and franchising	0.683	0.213	0.498	4.216	0.002

Table 4.19 shows how the model equation is fit for the study data. The value of the adjusted R^2 was 0.728 showing that 72.8% of the performance of commercial banks in Kenya is explained by merges and acquisitions, foreign direct investment, and joint venture and licensing and franchising which leave 27.2% of the performance unexplained. It is prudent that other scholars conduct related research to establish the other factors affecting performance of commercial banks in Kenya.

The obtained value of 0.000 is proof that the regression model was significant in providing an explanation on how merges and acquisitions, foreign direct investment, joint venture and licensing and franchising affected performance of commercial banks in Kenya. The F calculated was higher than the F critical at 12.338 compared to the F critical value of 2.417 showing that this model was significant.

The established model for the study was:

$$\mathbf{Y = 0.854 + 0.608\,X_1 + 0.786\,X_2 + 0.907\,X_3 + 0.683\,X_4}$$

According to the regression model results with all factors considered (foreign direct investment, joint venture, licensing and franchising and merges and acquisitions) constant at zero, performance of commercial banks in Kenya was 0.854. The outcomes also show that when other factors are held constant a single unit increase in foreign direct investment increases the performance of commercial banks in Kenya by 0.608.

The outcomes also show that when other factors are held constant a single unit increase in merges and acquisitions increases the performance of commercial banks in Kenya by 0.786. Further, the outcomes also show that when other factors are held constant a single unit increase in joint venture increases the performance of commercial banks in Kenya by

0.907. Further, the outcomes also show that when other factors are held constant a single unit increase in licensing and franchising increases the performance of commercial banks in Kenya by 0.683.

Overall, joint venture had the most notable and highest impact on performance of commercial banks in Kenya, followed by merges and acquisitions, and then licensing and franchising while foreign direct investment had the least impact on the performance of commercial banks in Kenya in Kenya. All the study variables were significant ($p<0.05$).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The current chapter discusses the outcomes of the analyzed data, the conclusions and recommendations made in line with these findings and which address the study objective. The study sought to determine the influence of foreign market entry strategies on performance of commercial banks in Kenya.

5.2 Summary of Findings

This section presents the discussions of the findings in chapter four in relation to the literature review from past studies. The objective of this study was to determine the influence of foreign market entry strategies on performance of commercial banks in Kenya. The study aimed to establish the influence of merges and acquisitions, foreign direct investment, joint venture and licensing and franchising influenced the performance of commercial banks in Kenya. The study adopted a descriptive research design. The target population of this study was 42 commercial banks. A questionnaire was used to collect primary data.

Data collected was analyzed using descriptive statistics which helped to determine the respondents' degree of agreement with the various statements under each factor. Correlations and regression analysis were calculated to draw inferences to the entire population. Multiple linear regression model was applied in analysis of quantitative data.

5.2.1 Foreign Direct Investment (FDI) on the Performance of Commercial Banks

The study found that there is a positive association between performance of commercial banks in Kenya and foreign direct investment as shown by coefficient of 0.646. The study also revealed that when other factors are held constant, a single unit increase in foreign direct investment increases the performance of commercial banks in Kenya by 0.608. The findings are in accordance with Verbeke and Yuan (2010) who found that there exists a positive relationship between foreign direct investments into a bank and the banks' competitiveness. They further mentioned that the investments boost the bank's image as a performer, or the incoming investors' resource casts a positive image of the bank's perceived future performance. As African banks attempt to offer unique opportunities to foreign investors, governments face distinct challenges in attracting FDI.

The research found that: FDI was the avenue that banks adopted in entering the Kenyan market, through foreign direct investment the banks have being able to get additional expertise, technology, and products and foreign investors have increased a workforce’s productivity since the establishment of the banks. FDI can be made through the acquisition of an existing entity or the establishment of a new enterprise. The findings are in line with Root (2014) who argued that direct ownership provides a high degree of control in the operations and the ability to better know the consumers and competitive environment, and the market in general. However, it requires a high level of resources and a high degree of commitment.

5.2.2 Mergers and Acquisitions on the Performance of Commercial Banks

The study found that there is a positive correlation between performance of commercial banks in Kenya and mergers and acquisitions as shown by coefficient of 0.744. The research also established that when other factors are held constant, a single unit increase in merges and acquisitions increases the performance of commercial banks in Kenya by 0.786. The results of the research also mirror that of Njoroge (2007) who found out that mergers had a positive effect on the performance of merged banks. Compared with developed markets emerging markets and least developed countries differ in the external environment as well as in firm characteristics; therefore, an understanding of entry mode choices for the least developed markets and specifically Africa is of concern and models developed by scholars in other markets may not work in these nascent markets needs to be clarified.

The study found that a merger is a mode banks use first in their initial foreign entry process, agency channel is the model used by banks as a foreign market entry and a partnership is the most appropriate bank foreign market entry model. The findings are supported by Kilonzi (2012) who affirmed that the commercial bank has combined several strategic responses varying from the development of new products to suit their customers, diversifying their services, carrying out market segmentation, introducing the use of IT in its operations just like the other commercial banks, improving their customer service through various ERP practices as well as building their staff capacity through training. Kilonzi (2012) however disagreed with the finding that an intermediary is the most appropriate model for some banks foreign market entry.

5.2.3 Joint Ventures on the Performance of Commercial Banks

The research established a positive correlation between performance of commercial banks in Kenya and joint venture as expressed by coefficient of 0.522. Further, the study showed that when other factors are held constant a single unit increase in joint venture increases the performance of commercial banks in Kenya by 0.907. The results correlate with Dana (2004) who affirms that joint ventures are chosen first before risky modes such as getting licenses or export which are adopted later. Thus, paramount to acquire competencies and experience in foreign markets before investing heavily.

The study found that a joint venture is the most appropriate entry strategy mode first before fully initial foreign entry process, a joint venture is the most internationalization entry strategy for commercial banks in Kenya, they would advise commercial banks to use a joint venture approach and a joint venture is the most used entry strategy by your banks for foreign market entry. The results are in agreement with Oum (2012) who noted that consumers have demonstrated a preference for dealing with retail chains that have large service networks as a way of minimizing the cost, while taking advantage of more attractive products. Thus, alliances are theorized to reduce costs through economies of scale associated with joint marketing, maintenance, training, and through the elimination of duplication and redundancy in operation. Thus, the overall aim of joint ventures is considered to be enhancing partner competitive position and also achieving higher profits for each of the partners.

5.2.4 Licensing and Franchising on the Performance of Commercial Banks

The study found that a positive correlation between performance of commercial banks in Kenya and licensing and franchising as illustrated by a coefficient of 0.734. Further, the research also showed that when other factors are held constant a single unit increases in licensing and franchising increases the performance of commercial banks in Kenya by 0.683. The findings are in line with Peinado and Barber (2013) who noted that licensing market entry strategies affect business performance in the context of retail chains industries. In this regard, therefore, the choice of licensing as an entry strategy is one of the key points that retail chains all over the world always put into consideration.

The research established that licensing and franchising is the most appropriate entry strategy to the foreign market and the banks use licensing approach to foreign market entry. The results concur with Mushuku (2012) who established that indeed licensing entry strategy affects business profitability for South African firms. He further established that profitability depends on costs and revenues. The study also found that licensing and franchising is the most used expansion approach to some banking industry entry to foreign market. Kotler and Keller (2012) disagreed that licensing entry strategies affect export performance by determining the control level, risk level, and company share in foreign markets and end up with the success or failure of the company.

5.3 Conclusion of the Study

The study concluded that foreign direct investment has a significant influence on the performance of commercial banks in Kenya. The study further concluded foreign direct investment increases foreign market entry, results in higher levels of absolute growth, increases market share, enhances profitability, and helps the commercial banks to obtain sustainability in the competitive business arena.

The study concluded that mergers and acquisitions have a significant influence on the performance of commercial banks in Kenya. The study also concluded that to meet the increased levels of share capital; broaden supply network and market share; and to benefit from best international practices among others.

The research concluded that there is significant relationship between performance of commercial banks in Kenya and joint ventures. The research also concluded that joint venture strategy leads to enhanced global service networks, and enables commercial banks to establish new markets without providing products and services which would be unprofitable if operated alone. By entering into a joint venture with a larger company with more financial resources, the small business can expand more quickly. The larger company's extensive distribution channels may also provide the smaller firm with larger and/or more diversified revenue streams

The research concluded that licensing and franchising have a significant influence on the performance of commercial banks in Kenya. The study further concluded that licensing strategy permits fuller replication of the internal structures and normative values, with less internal disruption, and results in improved performance in terms of risk and control of the business. The research concluded that it also contributes to job growth, and boosting the economy and drive economic growth.

5.4 Recommendations of the Study

The study recommends the need for commercial banks to penetrate the Kenyan market to adopt licensing strategy. Licensing entry strategies are also determined by the degree of conformity to internal pressures. Internal pressures include existing organizational structure, corporate mission, vision and goals of foreign retail chains, norms and values, management and dominant coalitions and organizational culture. For example, foreign commercial banks favoring a high degree of control and coordination of subsidiaries are more likely to favor wholly-owned strategies over other foreign entry strategies.

The study recommends the need to harmonize all joint venturing activities. To create further value and avoid any value destruction, the harmonization of customer-related activities becomes fundamentally important when a company enters a new geographical market for customer purposes. The study recommended that commercial banks that need to venture into international market ought to undertake thorough market research so that they comply with the regulations of the countries and achieve its internationalization objectives.

The study recommended that management of commercial banks that seeks to enter into new market must carefully analyze the strategies that will maximize output. The choice of market entry strategy depends on a number of factors that must be considered. Depending on the size of the market, some market entry strategies may work while other may fail to work hence care must be taken.

The study also recommends that commercial banks facing competition should explore new market regionally and internationally and use the right market entry strategy in order to increase their performance. In policy making, the study recommended that industry regulators should formulate polices that will enable commercial banks to adopt business internationalization as one of the approach to diversify their income streams.

5.5 Consideration for Further Study

The study recommends the examination of more foreign market entry strategies for the exploration of the market opportunities. The study recommends that further research should be done on the foreign market entry strategies adopted by other firms operating Kenya and other countries to allow for generalization since each employs a different market entry strategy. Similarly, there is need to examine the challenges faced by commercial banks when entering the Kenyan market. This will also provide a good knowledge base that will be sufficient enough to help researchers understand this aspect both in theory and in practice.

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APPENDICES

APPENDIX I: DATA COLLECTION LETTER

Dear Respondent,

I am an MBA student of the Graduate school faculty of Business and management science at the University of Nairobi. I am presently collecting data to allow me to write a Master of Business Administration research project entitled ***The Influence of Foreign Market Entry Strategies on The Performance of Commercial Banks Kenya, Mombasa County.*** Kindly I am requesting you to assist in filling the attached questionnaire to the best of your knowledge. The information that you give will be t confidential. In addition, your name will not be mentioned while writing the final report.

Your understanding will be vastly appreciated.

Yours Sincerely,

NUR ABDOLAZIZ

APPENDIX II: RESEARCH QUESTIONNAIRES

1). Indicate your gender status Male [ ] Female [ ]

2). Indicate your age bracket

Below 30 Years [ ] 31-40 Years [ ] 41-50 Years [ ] 50Years and above [ ]

3. Which is your position? ___________________________________

4). Indicate your Bank your bank________________ and position ____________

5). How long have you worked in the bank?

Less than 5 years [ ] 6-10 years [ ] More than 10 years [ ]

6). Please indicate your highest education level attained. Tick (√) as appropriate

Certificate [ ] College Diploma [ ] Bachelor's Degree [ ] Master's Degree [ ]

SECTION B: FOREIGN MARKET ENTRY STRATEGIES

Please tick **(√)** in the boxes provided in the following sections to show your agreement on the following statements. On a scale of 5-1 where;1=Disagree, totally 2=Disagree to a Large Extent,3=Neither Agree nor Disagree,4=Agree to a large extent, 5=Totally Agree. Please indicate by ticking on the number to show the extent of your agreement with each statement below.

1. FOREIGN DIRECT INVESTMENT (FDI)

No.	Statement	1	2	3	4	5
1	FDI was the avenue that my Bank adopted in entering the Kenyan market					

2	To what extend does Foreign direct investment affect exchange rates**.**					
3	Through foreign direct investment the firm has being able to get additional expertise, technology, and products.					
4	Foreign investors have increased a workforce's productivity since the establishment of the bank.					

2. MERGERS AND ACQUISITIONS

No.	Statements	1	2	3	4	5
1	A merger is a mode Banks use first in their initial foreign entry process					
2	Agency channel is the model used by banks as a foreign market entry					
3	An intermediary is the most appropriate model for banks foreign market entry					
4	A partnership is the most appropriate bank foreign market entry model					

3. JOINT VENTURES

No.	Statements	1	2	3	4	5
1	A joint venture is the most appropriate entry strategy mode first before fully initial foreign entry process					
2	A joint venture is the most internationalization entry strategy for commercial banks in Kenya					
3	A joint venture is the most used entry strategy by your banks for foreign market entry					
4	You would advise commercial banks to use a joint venture approach					

4. LICENSING AND FRANCHISING

No.	Statements	1	2	3	4	5
1	Your bank use licensing approach to foreign market entry.					
2	Licensing and Franchising is the most appropriate entry strategy to the foreign market.					
3	Licensing and Franchising is the most used expansion approach to banking industry entry to foreign market					
4						

SECTION C: PERFORMANCE OF COMMERCIAL BANKS

Balance score card will be adapted to measure bank performance. On a scale of 5-1 where;1=Disagree, totally 2=Disagree to a Large Extent, 3=Neither Agree nor Disagree,4=Agree to a large extent, 5=Totally Agree. Please indicate by ticking on the number to show the extent of your agreement with each statement below.

No.	Statements	1	2	3	4	5
1	Bank overall sales have grown over the last 3years.					
2	Bank profitability has improved over the last 3years.					
3	The bank return of investment has been increasing over the last three years					
4	There has been reduction of administration cost.					
5	There has been efficiency in operation management of the bank.					
6	The bank has been releasing innovative and differentiated services over a period of time.					

APPENDIX IV: LIST OF LICENSED COMMERCIAL BANKS IN KENYA

1) UBA Kenya Bank Ltd

2) The Co-operative Bank

3) Central Investment Bank Ltd

4) Sterling Investment Bank

5) Standard Investment Bank

6) Standard Chartered

7) Prime Bank

8) Paramount Bank

9) Oriental Commercial Bank Ltd.

10) NIC Bank

11) ABC Bank

12) National Bank

13) K-Rep Bank

14) Kenya Post Office Savings Bank

15) KCB Bank

16) Investments & Mortgages Bank Limited – I&M Bank

17) Imperial Bank Limited

18) Housing Finance

19) Guardian Bank Ltd.

20) Giro Commercial Bank Ltd

21) Fina Bank

22) Fidelity Bank

23) Faida Investment Bank – FIB

24) Equity Bank

25) Equatorial Investment Bank

26) Equatorial Commercial Bank Limited

27) Dyer & Blair Investment Bank

28) Dubai Bank Kenya Ltd

29) Dry Associates Limited

30) Development Bank of Kenya Ltd

31) Co-operative Bank

32) Consolidated Bank

33) Commercial Bank of Africa

34) Citibank N A

35) Chase Bank

36) CFC Stanbic Bank Limited

37) Central Bank of Kenya

38) Bank of Baroda (Kenya) Ltd.

39) Bank of Africa Kenya Ltd

40) Afrika Investment Bank

41) African Development Bank Group

42) African Banking Corporation