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

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ABSTRACT

This study was guided by four objectives: to establish the effect of market penetration on the performance of commercial banks in Kenya, specifically NCBA Bank; to determine the effect of market development on the performance of commercial banks in Kenya, focusing on NCBA Bank; to establish the effect of product development on the performance of commercial banks in Kenya, with a case study of NCBA Bank; and to determine the effect of market diversification on the performance of commercial banks in Kenya, again with NCBA Bank as the case study. The study adopted a descriptive research design with the aim of identifying the study phenomenon under investigation, specifying the research questions, defining sources and types of data, and clarifying how data was analyzed and interpreted to answer the research questions. The research was conducted at NCBA Bank, based in Nairobi and Upper Hill offices. The target population consisted of 207 employees at NCBA Bank head office. The researcher adopted a random stratified sampling technique, focusing on the target population. Primary data collection involved the administration of research questionnaires. A pilot study was conducted with 13 individuals from NCBA Bank Limited who were not included in the final data collection process. Reliability of the study was assessed to ensure consistent findings, while validity was established to confirm the accuracy of the research instruments. Data analysis was performed using SPSS version 25 and presented in the form of charts, graphs, and pie charts. The study reported a moderately significant positive correlation between market penetration on financial performance, $r(261) = .41, p < .001$. *The findings suggested that enhanced market penetration methods like agency banking and digital financial services significantly boosts financial performance. moderately significant positive correlation between market development and financial performance,* $r(261) = .42, p < .001$. *The finding implied that adoption of financial innovation such as mobile banking, internet banking, and agency banking has positively impacted the performance of commercial banks by Chaudhary and Anand (2022) who narrated that mobile payments ease the payment process and make it faster to make payments, which positively improves financial performance. The computed Pearson Correlation results further revealed a strong significant positive correlation between product development and financial performance of commercial banks,* $r(261) = .62, p < .001$. *There is a strong significant positive correlation between market diversification and financial performance of commercial banks in Kenya,* $r(261) = .65, p < .001$. *This study concludes that both marketing innovation, product diversification innovation, and product innovation and market diversification strategies are integral to the successful in the performance of commercial banks. The study was recommended to the policy makers, practice and areas for further research.*

Key Words: *Growth Strategies, Market Penetration, Market Development, Product Development, Diversification*

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BACKGROUND

The critical factor to always consider in ensuring that a business remains relevant and alive in today's dynamic, fast growing world is the growth strategies and outcome of these strategies. Existence of a competitive environment within the market conditions has greatly increased the importance of commercial institutions to scale their operations (Edwards, 2021). Therefore, an effective growth strategy tends to help the business to improve their competitive status and determine the performance of business in the industry (Hassel, Palier, & Avlijas, 2020). Growth strategy is a critical aspect for financial institutions especially for survival of these organizations. In general, growth is noted to be both a quantitative and qualitative development in a business. Quantitative growth clearly refers to the increment of the current output, sales revenue, and product range while qualitative growth is about developing the quality of business elements. Meanwhile, Mansikkamaki, (2023) clearly highlighted on the fact that growth strategies are purely plans that enable companies tend to implement in order to expand their business in a specific aspect, such as yearly revenue, number of customers, or number of products. Further claimed that successful growth strategies for professional services firms include a focus on utilization, project profitability, and delivery success.

Growth strategy constitute to plans that organizations develop to expand their business in specific aspects such as revenue, market share, customer base, or product offerings (Aaker & Moorman, 2023). Emphasis was on the fact that it involves overcoming current and future challenges to achieve growth goals, which may include increasing market share, acquiring assets, or improving products or service growth. On the other hand, Hakizimana, Muathe, and Muraguri, (2020) to be an intentional and based on a company's strengths, with specific goals and measurable metrices. They should be reviewed and updated regularly to ensure they remain relevant and effective. As a matter of fact, growth strategy is distincy from a marketing strategy, although marketing is one of the tools used to grow a business.

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

Maket penetration focuses on the firms ability to expand into new markets with existing products or services. On the other hand, Tongurai and Vithessonthi, (2023) emphasized on the idea that market development refers to targeting geographic regions, demographic segments, or customer groups (De Haan, Schoenmaker, & Wierts, 2020). As a matter of fact, companies may need to adapt their market strategies, distribution channels, or product features to suit the preferences and needs of the new market. Market development strategies may include entering international market, exploring new distribution channels, or targeting different customers segments. Sendek-Matysiak and Losiewicz, (2021) market development is a strategic growth approach where a company seek to sell its existing products in new markets. The strategy can be effective for businesses looking to expand their reach and tap into new customer bases without altering their current products line.

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

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

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

Meanwhile, Abid, Dhaoui, Goutte, and Guesmi, (2020) noted that successful market diversification strategies can include horizontal diversification, where a company adds products or services not available in its current market, concentric diversification, which involves adding products or services similar to the existing business, conglomerate diversification, introducing new products unrelated to the current business, and vertical diversification, moving up or down the supply chain by combining additional stages of production. Diversification is crucial for company survival and growth, especially in manufacturing, as it allows businesses to mitigate risk, target new customers, and increase revenue

Statement of the Problem

The growth of commercial institutions, particularly commercial banks in Kenya has had a significant impact on the economy. Kariuki and Nasieku, (2023) the development of the banking industry has been linked to the growth of the country's GDP,channeled through net interest revenue and the financing of banks liabilities. Additionally, the growth of commercial banks has been associated with economic development, job creation, and increased access to capital for small and medium enterprises, job creation, ad increased access to capital for small and medium enterprises (Kamun & Olweny, 2023). Furthermore, the role of commercial banks in economic development has been emphasized, with a strong linear relationship found between long- and short-term loans, account deposits, and economic development (Wahinya, Ondiba, & Kariuki, 2023). This implies that the growth of commercial banks and their activities in providing loans and mobilizing deposits have a direct impact on the country's economic development.

The banking profitability of the commercial sector in Kenya fell drastically in 2020. Notably, profits was 140 billion in 2020 but it fell to Ksh.107.3 billion in 2020, reflecting the lowest since 2012 (CBK,2021). The return on assets has decreased from 4.7% in 2013 to 3.86% in 2015 to 3.33% in 2017 whereas return on equity has decreased from 29.2% in 2013 to 24.4% in 2015 to 20.68% in 2017 (Bank Supervision Annual Report). Moreover, high competition in the banking sector has resulted to collapse and receivership of some banks which were unable to adopt growth strategies that would enable them to remain competitive. For instance, Chase Bank experienced liquidity troubls, a case that led to its placemet under receivership. The CBK put two other banks, Dubai Bank of Kenya and Imperial Bank of Kenya into receivership (Ref (Abdulla, 2018). This state of affaire shows the practice problem concerning the financial performance of commercial banks in Kenya.

In the dynamic landscape of Kenya's banking sector, the pursuit of sustainable growth and enhanced financial performance stands as a paramount objective for commercial banks (Miremadi & Ghanadiof, 2021). Within this context, NCBA Bank emerges as a significant player, facing the imperative to navigate challenges and leverage opportunities in pursuit of its strategic goals. However, amidst the evolving market dynamics, the efficacy of NCBA Bank's growth strategejies and their impact on its financial performance warrrant comprehensive examination. The study aims to provide a comprehensive analysis of the growth strategies deployed by NCBA Bank and their impact on its financial performance within the Kenyan banking sector context. By addessing these concerns, the research endeavors to offer insights that can inform strategic decision-making processes within NCBA Bank and contribute to the braoder discourse on banking sector growth and performance in Kenya.

Previous research (Kariuki & Nasieku, 2023; Wahinya, Ondiba, & Kariuki, 2023) has not explicitly examined the case of individual banks such as NCBA Bank, instead concentrating on the overall effect of commercial banks on economic development. Empirical studies that evaluate the effects of particular expansion strategies on the financial performance of individual banks in the industry are required. The connection between banking operations and economic growth has been demonstrated (Kariuki & Nasieku, 2023; Wahinya, Ondiba, & Kariuki, 2023); however, there is still a lack of research on the conceptual framework that connects particular growth strategies like digital transformation, branch expansion, and product diversification to financial performance metrics like return on equity and return on assets (Miremadi & Ghanadi, 2021). To fully comprehend these connections and how they affect the functioning of the banking industry, a thorough conceptual model is required (Kamun & Olweny, 2023). The context of the COVID-19 pandemic and its aftermath has significantly impacted the financial performance of banks. Existing literature highlights a decline in profitability during 2020 (CBK, 2021), but there is a lack of context-specific studies that analyze how banks like NCBA have adapted their growth strategies in response to such unprecedented challenges (Miremadi & Ghanadi, 2021). Previous studies have largely relied on quantitative analysis of financial performance indicators (Bank Supervision Annual Report, 2017). There is a need for a mixed-method approach that combines quantitative data with qualitative insights from bank executives and industry experts to provide a more holistic understanding of the effectiveness of growth strategies (Kamun & Olweny, 2023; Miremadi & Ghanadi, 2021).

Objectives of the Study

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

- To establish the effect of market penetration on financial performance of commercial banks in Kenya; a case of NCBA Bank.
- To determine the effect of market development on financial performance of commercial banks in Kenya; a case of NCBA Bank.
- To establish the effect of product development on financial performance of commercial banks in Kenya; a case of NCBA Bank.

- To determine the effect of market diversification on financial performance of commercial banks in Kenya; a case of NCBA Bank.

The study was guided by the following research questions

- To what extent does market penetration influence the financial performance of commercial banks in Kenya; a case of NCBA Bank?
- To what extent does market development influence the financial performance of commercial banks in Kenya; a case of NCBA Bank?
- To what extent does product development influence the financial performance of commercial banks in Kenya; a case of NCBA Bank?
- To what extent does market diversification influence the financial performance of commercial banks in Kenya; a case of NCBA Bank?

LITERATURE REVIEW

Theoretical Review

The study was guided by Porter's Generic Strategies Theory and Agency Theory

Porter's Generic Strategies Theory

The founder of Porter's Generic Strategies Theory is Michael Porter. He first set these strategies in 1985 in his book "Competitive Advantages: Creating and Sustaining Superior Performance," (Miller & Dess, 1993). Porter's Generic Strategies comprises a series of methodologies employed to secure a competitive advantaeg at the business level. The strategies include cost leadership, differentiation, and focus, and they can be applied to any size or form of business. Proponents of Porter's Generic Strategies argue that these strategies provide a clear framework for businesses to achieve competitive advantage and succeed in their respective industries. For instance, Memon, Afshan, Memon, Rajput, and Kumar, (2021) among the proponents of the Theory suggest that these strategies help businesses establish sustainable competitive advantage by either offering products/services at lower costs, offering unique and desirable products/services or catering to the needs of a specific market segment. Jorgensen, (2008) noted that Porter's Generic Strategies provides structured framework, proponents argue that they also allow for flexibility and adaptation tochanging market conditions. Companies can adjust their strategies as needed while still adhering to the fundamental principles outlined by Porters.

The theory also had a number of limitations. For instance, Gurau, (2007) clearly point out that one of the limitation of the theory is that there is difficulty in sustaining competitive advantage. That is, competitive advantages gained through Porter's strategies can erode over time due to limitation by competitors or changes in market conditions. Meanwhile, Kim, Nam, and Stimpert, (2004) argued that the theory lack specificity, that is, Porter's model provides broad strategies (cost leadership, differentiaton and focus), but it doesn't offer detailed guidance on implementation or adaptation to specific industries or contexts. The theory can be highly relevant to the study. Specifically, it can provide a framework for analyzing how bank's chose strategies, whether they focus on cost leadership, differentiation, or focus and impact on competitive position and overall performance in the Kenyan market. In addition to strategies, Porter also emphasizes the importance of aligning strategy with the external environment, such as industry structure and competitive forces. In addition the study should consider fact such as regulatory environment, market dynamics, technological advancements, and competitive landscape in evaluating the effectiveness of growth strategies on financial performance.

The Survival Based Theory

This theory was initially introduced in the field of economics by Schumpeter (1934) which was later backed by Marshall (1949) who introduced the idea of evolutionary thinking and natural selection into the concept of economics. The concept of survival-based theory popular known with the notion of survival for the fittest. The emphasis of the theory was backed by the principle of nature, only the best and the fittest of competitors will win, which in the end would constitute the improvement of the social community as a whole. Herbert Spencer (1985) synthesized Darwin's theory of evolution and natural selection with Adam Smith's invisible hands to come up with the idea of Social Darwinism. Social Darwinism assumed it is normal for the competition to behave in hedonistic ways to produce the fittest business, which survived and prospered by successfully adapting to its environment or becoming the most efficient and economic producer of all. Hence, the need for ruthless business rivalry and unprincipled politics is acceptable under this assumption. However, in the latter part of the 20th century, opponents to the view of Social Darwinism, called Neo-Darwinism slowly emerged. Evidently, the concept of Neo-Darwinism which contrary to Social Darwinism emphasized strongly social solidarity as a fundamental fact of evolution. It is assumed under this view that competition and cooperation are interconnected, and competition will force businesses to be more cooperative. Hence, virtues and values of doing good and ethical business such as friendship, trust, loyalty, and cooperation were encouraged to survive the competitive market (Klein, 2003).

Critics of survival-based theory have emerged due to a shift in the profit maximization theory of the firm, which was influenced by decades of criticism (Jafar, Zainal, & Yasin, 2010). The Survival-Based Theory, developed by Herbert Spencer, emphasizes that only the best and fittest competitors will succeed. This theory has faced scrutiny and critique, leading to discussions on its application and relevance in various fields, including corporate turnaround and firm survival. The concept of survival analysis theory has been applied in different contexts, such as financial risk prediction and credit evaluation systems, showcasing both its potential and limitation.

The application of this theory in the field of corporate turnaround was also quite straightforward. That is, an ailing company usually faces lots of problems simultaneously, such as financial difficulties, failing products, losing key personnel, and many others. These were actually just signs that the company was not running efficiently. Turning around company usually characterized with underperforming sales and under-capacity in factory output and overwhelming size in the human resource department. These characteristics of inefficient organization could explain why such turning around companies usually lay off their workers, repositioning their products, and selling off their under-capacity assets to strengthen their conditions. It is actually the primary objective of such a turning around company to make the organization run efficiently to better adapt to the environment, improving its profitability, and to achieve the ultimate goal in which it operates. The survival-based theory's main argument is that if it is not adapting to the ever-changing environment and becomes efficient, it simply will not survive. Thus, the one that really successfully turned around is the one that operates efficiently and adapting successfully to its environment. In summary, survival based theory offers a comprehensive framework for understanding the dynamics between growth strategies and financial performance in the context of commercial banks in Kenya. By considering the challenges and opportunities inherent in the banking industry researchers can explore how different growth strategies contribute to the survival and success of banks in the Kenyan market.

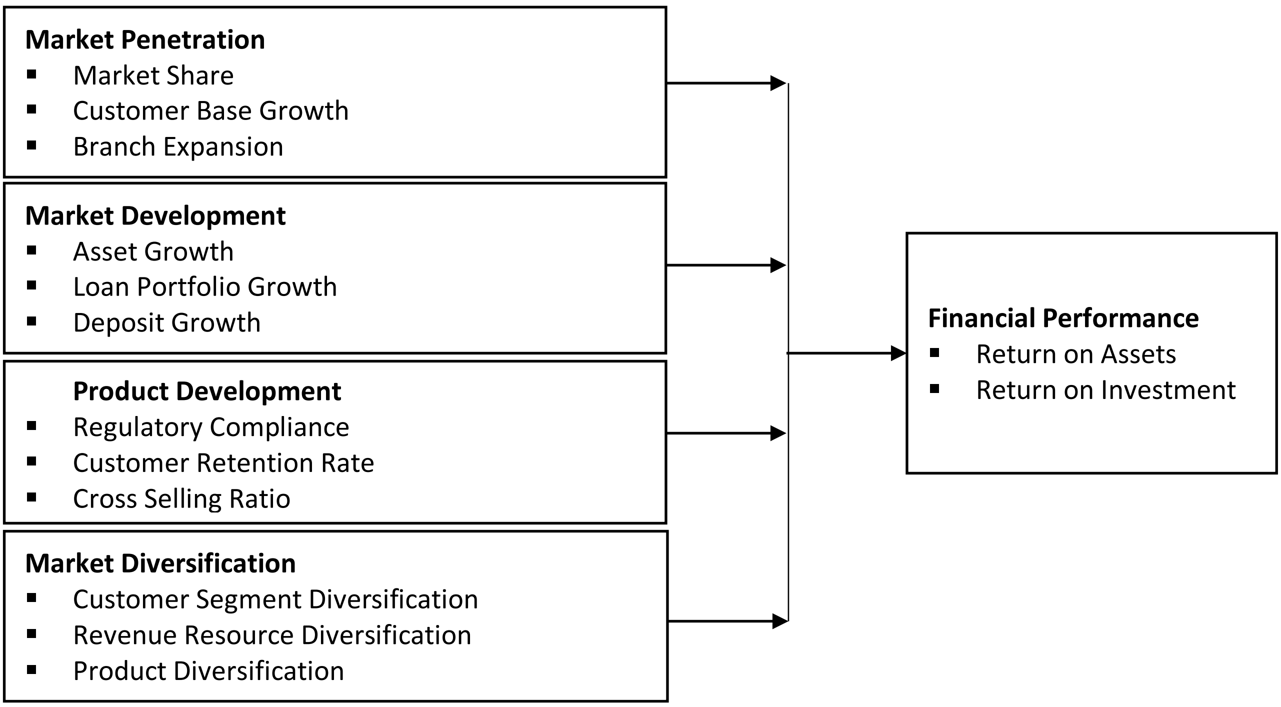
Resource-Based Theory

Resource Based Theory (RBT) was first proposed by Edith Penrose in 1959. The idea was mainly described firms as coordinated bundles of resources and identified unused managerial resources and identified unused managerial resources as the primary driver of growth. The theory suggests that resources that are valuable, rare, difficult to imitate, and non-substitutable best position a firm for long-term success. The RBT provides a framework to explain and predict the fundamentals of a company's performance and competitive advantage. Barney and Arikan, (2005) the proponent noted that strategic management who has made significant contributions to Resource Based Theory. Notably, emphasis was that RBV the importance of firm resources in achieving a sustainable competitive advantage. It is based on the idea that for a firm to achieve a sustained competitive advantage. It must have resources that are valuable , rare, inimitable, and non-substitutable.

Critics of the Resource-Based Theory have raised several key points. One critique is that the Resource-Based View (RBV) focuses solely on internal resources and competencies, potentially overlooking external factors that could impact a firm's competitive advantage and performance (Bromiley & Fleming, 2002). Additionally, scholars have pointed out various conceptual deficiencies and logic problems within the RBV framework, such as the Value Conundrum, Tautology Problem in Resource Identification, Absence of a Chain of Causality, Uniqueness Dilemma, Cognitive Impossibility Dilemma, and an Asymmetry in Assumptions about Resource Factor Markets

Mahoney and Qian, (2013) explicitly identified as a proponent of the RBT who focused on the generate nature of Penrose's (1959) has discussed the contributions of Penrose to modern resource based within strategic management. This theory suggests that a firm's internal resources and capabilities are key drivers of its competitive advantage and subsequent performance. In its application, growth strategies, such as expansion into new markets, product diversification, or strategic alliances, resource-based theory provides valuable insights into how these strategies can create value and improve financial outcomes.

Conceptual Framework



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

METHODOLOGY

This chapter outlined the methodology that the study was considered at every stage of the study to determine the purpose of the study. As such, the descriptive design for this study denotes a detailed plan that the study lays out to integrate various parts of the investigation logically so as to yield the desired outcome. A good research design identifies the study phenomenon under investigation, specifies the research questions, defines sources and types of data, and clarifies how data was analyzed and interpreted to answer the research questions. And so, this descriptive study seeks to demonstrate the effect of market penetration, market development, product development and market diversification as the independent variables and financial performance as the dependent variable of the study. Target population refers to the entire group of individuals or elements that the researchers is interested in studying (Kazdin, 2021). The target population of the study was 207 employees in the NCBA head office. This comprised of Management and Marketing Staff. These are expected to have information on the effect of growth strategies on financial performance of NCBA Bank.

Accurate and systematic data collection was critical to establishing the purpose of this study. Data collection methods allowed the study to develop an appropriate tool and procedure to collect data from the identified sample of the study. This study seeks to collect quantitative primary data – data that can be measured using a numeric scale. A questionnaire survey tool, thus, was adopted. To ensure that the questionnaire tool is appropriate for data collection, the study ensured that each question contributes to testing the stated research questions. The questions took the form of semi-structured (closed-ended) questions that takes the form of Likert-scale choice. The questions required the participants to demonstrate their level of agreement with each statement on a scale of 1-5 where 1 – strongly disagree, 2 – disagree, 3 – neutral, 4 – agree, and 5 – strongly agree. Likert-scale questions are advantageous to this kind of study in that they easily understood by the respondents, easily quantifiable by the researcher, and easily analyzed for generalizing the results (Mishra & Alok, 2022).

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

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

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

Where; Y = Financial Performance
α = the constant (intercept)
$\beta(_{1,2,3,4,})$ = Coefficient of the independent variables
X_2 = Market Penetration
X_2 = Market Development
X_3 = Product Development

X_4 = Market Diversification

ε = Error value

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

FINDINGS

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

Table 1: Market Penetration Descriptive Findings

Statement	Strongly Agree F, %	Agree F, %	Neutral F, %	Disagree F, %	Strongly Disagree F, %	Mean	Std. Dev
To what extent do you agree that market penetration significantly impacts the financial performance of commercial banks in Kenya.	53, 34%	84, 54%	19, 12%	1, 1%	-	4.20	.667
How strongly do you agree that increasing market penetration leads to enhanced profitability for commercial banks in Kenya?	40, 26%	56, 55%	29, 18%	2, 1%	-	4.04	.701
Do you believe that market penetration plays a crucial role in boosting the revenue streams of commercial banks in Kenya?	41, 26%	84, 54%	29, 18%	3, 2%	-	4.04	.724
To what extent do you think effective market penetration strategies contribute to overall performance of commercial banks in Kenya?	31, 20%	86, 55%	36, 22%	4, 3%	-	3.92	.725
How much do you agree that successful market strategy efforts are correlated to the overall financial stability of commercial banks in Kenya.	43, 27%	77, 49%	30, 19%	6, 4%	1, 1%	3.99	.824
How much do you agree that successful market penetration efforts are correlated with improved market share for commercial banks in Kenya?	45, 29%	79, 50%	24, 15%	8, 5%	1, 1%	4.01	.840
Composite Mean/SD						**4.03**	**.747**

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

*F = Frequency, % = Percentage frequency

Market Development on Financial Performance

The study also performed descriptive analysis to show participants' level of agreement with the six items measuring perceived mobile payment transaction time. The findings exhibited a higher mean (*M = 4.18*) and a lower mean (*M = 3.75*), which are above 3.0 with an average mean (*M = 3.92*) and standard deviation (*SD = .822*) among the six items. Particularly, the results indicated that 45% of the respondents agreed that market development "Market development initiative positively impacts the financial performance of commercial banks in Kenya?" (*M = 4.18, SD = .747*) while over 48% also agreed that it "significantly do you consider market development strategies in improving the profitability of commercial banks in Kenya?" (*M = 3.75, SD = .903*). The results implied that participants highly agreed that market development significantly impacts the financial performance of commercial banks in Kenya through various mechanisms explained in Table 2. The results supported earlier findings by Wilson-Oshilim, and Ifurueze (2020) even with the overall dynamic market environment, characterized by regulatory shifts, varying ownership structures and rapid technological advancements, requires banks to continuously adapt their strategies to sustain and enhance their financial performance.

Table 2: Market Development Descriptive Findings

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

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

*F = Frequency, % = Percentage frequency

Product Development on Financial Performance

Likewise, the study displayed descriptive findings regarding participants' level of agreement with all the items related to perceived product development on financial performance of commercial banks in Kenya. As shown with an average mean (*M = 3.90*) and standard deviation (*SD = .885*), the items independent recorded a higher mean (*M = 4.29*) and a lower mean (*3.710*), which are above *3.0*. The findings demonstrated participants' agreement with the items where more than 45% of the respondents agreed that product development " influences the financial performance of commercial banks in Kenya? " (*M = 4.29, SD = .709*). More than 43% also agreed that product development "product innovation is essential for sustaining long-term financial success for commercial banks in Kenya?" (*M = 3.71, SD = .908*). The results indicated that investment in new product development often drives the adoption of new technologies, fostering digital transformation within the bank," as comprehensively highlighted in Table 3. The results were aligned by a study by Wambaka and Adegbuyi, (2021) on how product development has significantly resulted to growth in most financial institutions in Uganda.

Table 3: Product Development Descriptive Findings

Statement	**Strongly Agree F, %**	**Agree F, %**	**Neutral F, %**	**Disagree F, %**	**Strongly Disagree F, %**	**Mean**	**Std. Dev**
To what extent do you believe that product development influences the financial performance of commercial banks in Kenya?	67, 43%	71, 45%	17, 11%	2, 1%	-	4.29	.709
How much do you agree that innovative product development strategies contribute to increased revenue generation for commercial banks in Kenya?	53, 34%	71, 45%	26, 16%	4, 3%	3, 2%	4.06	.882
Do you think that an expanded product portfolio enhances the competitiveness of commercial banks in Kenya's financial market?	37, 24%	66, 42%	35, 22%	17, 11%	2, 1%	3.76	.977
To what extent do you perceive that effective product development positively impacts customers retention and loyalty for commercial banks in Kenya?	39, 25%	59, 38%	41, 26%	13, 8%	5, 3%	3.74	.1.009
Do you believe that ongoing product innovation is essential for sustaining long-term financial success for commercial banks in Kenya?	30, 19%	68, 43%	43, 27%	15, 10%	1, 1%	3.71	.908
To what extent do you think effective product development contribute to attracting new customers to commercial banks in Kenya?	32, 20%	73, 47%	42, 27%	10, 6%	-	3.82	.823
Composite Mean/SD						**3.90**	**.885**

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

*F = Frequency, % = Percentage frequency

Market Diversification on Financial Performance

Likewise, the study displayed descriptive findings regarding participants' level of agreement with all the items related to market diversification on financial performance of commercial banks on Kenya. As shown with an average mean (*M = 3.93*) and standard deviation (*SD = .816*), the items independent recorded a higher mean (*M = 4.22*) and a lower mean (*3.71*), which are above *3.0*. The findings demonstrated participants' agreement with the items where more than 51% of the respondents agreed that market diversification "market diversification enhances the resilience of commercial banks to economic fluctuations in Kenya?" (*M = 3.85, SD = .846*). More than 47% also agreed that market diversification "contribute to increased revenue streams for commercial banks operating in Kenya?" (*M = 3.71, SD = .868*). The results indicated that market diversification enhances sustainability of financial institutions in Kenya as comprehensively highlighted in Table 4.

Table 4: Market Diversification Descriptive Findings

Statement	Strongly Agree F, %	Agree F, %	Neutral F, %	Disagree F, %	Strongly Disagree F, %	Mean	Std. Dev
To what extent do you believe that market diversification positively impacts the financial performance of commercial banks in Kenya?	59, 38%	78,49 %	19,12%	1,1%	-	4.22	.708
Do you think that a diversified market presence enables commercial banks in Kenya to mitigate risks of uncertainties effectively?	43, 27%	74, 47%	33, 21%	6, 4%	1, 1%	3.99	.778
In your opinion, does market diversification contribute to increased revenue streams for commercial banks operating in Kenya?	36, 23%	75, 47%	34, 22%	11, 7%	1, 1%	3.71	.868
How much do you think market diversification enhances the resilience of commercial banks to economic fluctuations in Kenya?	37, 24%	80, 51%	35, 22%	5, 3%	-	3.85	.846
Do you believe that market diversification allows commercial banks in Kenya to be better cater to the diverse needs and preferences of customers?	60, 38%	58, 37%	33, 21%	6, 4%	-	3.88	.882
Composite Mean/SD						**3.93**	**.816**

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

*F = Frequency, % = Percentage frequency

Financial Performance

As the outcome variable, the study performed descriptive analysis to demonstrate participants' level of agreement with various items measuring financial performance benefits as a result of perceived growth strategies. The results outlined an overall mean (*M = 4.10*) and standard deviation (*SD = .782*) together with a higher mean (*M = 4.42*) and a lower mean (*M = 3.80*) among the items, which are above a set mean cut-point of *3.0*. The results exhibited participants' high level of agreement where over 51% strongly agreed that "financial stability of commercial banks in Kenya is determined by consistent in profit margins." (*M = 4.42, SD = .661*) (see Table 5). Also, more than 44% agreed that "Commercial banks in Kenya demonstrates resilience in adverse economic condition" (*M = 3.80, SD = .853*).

Table 5: Financial Performance Descriptive Findings

Statement	Strongly Agree F, %	Agree F, %	Neutral F, %	Disagree F, %	Strongly Disagree F, %	Mean	Std. Dev
The financial stability of commercial banks in Kenya is determined by consistent in profit margins.	80, 51%	64, 40%	12, 8%	1, 1%	-	4.42	.661
Commercial banks in Kenya effectively manage their risk, contributing to their overall financial health**.**	55, 35%	77, 49%	21, 13%	4, 3%	-	4.17	.750
The level of transparency in financial reporting by commercial banks in Kenya is satisfactory.	53, 34%	66, 42%	34, 21%	4, 3%	-	4.07	.810
Commercial banks in Kenya demonstrates resilience in adverse economic condition.	34, 21%	67, 44%	46, 29%	10, 6%	-	3.80	.853
The regulatory framework governing commercial banks in Kenya, adequately safeguards against financial instability?	53, 34%	62, 40%	39, 24%	2, 1%	1, 1%	4.04	.835
Composite Mean/SD						**4.10**	**.782**

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

*F = Frequency, % = Percentage frequency

Correlation Analysis

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

Likewise, the correlation findings in Table 5 also exhibited a moderately significant positive correlation between market development and financial performance, $r(261) = .42, p < .001$. The finding implied that adoption of financial innovation such as mobile banking, internet banking, and agency banking has positively impacted the performance of commercial banks by Chaudhary and Anand (2022) who narrated that mobile payments ease the payment process and make it faster to make payments, which positively improves financial performance.

The computed Pearson Correlation results as shown in Table 5 further revealed a strong significant positive correlation between product development and financial performance of commercial banks, $r(261) = .62, p < .001$. The results suggested that the adoption of mobile payment systems increases financial accessibility, which then improves financial performance. The results agree with Kalbuana et al. (2022) who reported that financial accessibility is one of the factors why people and businesses adopt cashless payments, thus, better performance.

Table 5: Correlation Analysis Findings

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

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

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

The computed Pearson Correlation results as shown in Table 5 further revealed a strong significant positive correlation between market diversification and financial performance of commercial banks in Kenya, $r(261) = .65, p < .001$. The results suggested that the adoption of market diversification enhances financial performance of commercial banks in Kenya. The results agree with Kalbuana et al. (2022) who reported that financial accessibility is one of the factors why people and businesses adopt cashless payments, thus, better performance.

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DISCUSSIONS

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

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

First, the study determines the effect of market penetration on financial performance of commercial banks in Kenya. Regression results that was tested showed that the hypotheses revealed that market penetration has a significant and positive effect on the performance of E-Claims Systems in Kenya. The study, thus reject the null hypothesis and rejected the null hypotheses. The findings were further supported by descriptive results in which nearly all the respondents agreed that market penetration significantly impact the performance of commercial banks in Kenya with (*M=4.20, SD=0.667*). Additionally, most of the respondents agreed that success market penetration efforts are correlated with improved market share for commercial banks in Kenya with (M*=4.01 SD=.840*).

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

The second objective of this study was to determine the effect of market development on financial performance of commercial banks in Kenya; a case of NCBA Bank. Generally, the study results indicated that there is a significant and positive effect of market development on financial performance of commercial banks in Kenya. Particularly, findings reported that market development initiatives positively impact the performance of commercial banks in Kenya with *(M=4.18, SD=0.747*). The study also established that market development efforts lead to better brand recognition and customer loyalty for commercial banks in Kenya (*M=3.93, SD=.914*).

The results concur with Mugisha, Omagwa, and Kilika, (2021) examined a study on capital structure, market development and financial performance of small and medium enterprises in Buganda Region, Uganda. Small and Medium Scale Enterprises (SMEs) continue to be major players in the economic growth of Uganda as well as many of the emerging economies. Findings indicated that Market conditions had a positive and significant moderating effect on the capital structure-financial performance relationship. It was however concluded that market conditions can strengthen/ weaken the effect of capital structure on the financial performance of SMEs. The study recommend that SMEs should evaluate the market conditions during the process of deciding the financing mix for their operations to optimize the impact of capital structure on financial performance.

Market development often leads to an expansion in customer base and sales opportunity. As firms tap into new markets or segments within Nigeria. A study that was done by Odubuasi, Wilson-Oshilim, and Ifurueze, (2020) examined a study on market risk developments on the financial performance of firms in Nigeria. Further claimed that business operations are surrounded by different degrees of uncertainties (risks) ranging from market risks, financial risks and operating risks. The study focus on Oil and Gas firms while the current study surrounds the commercial banks in Kenya. Overall, the impact of market development on the financial performance of firms in Nigeria depends on various factors including the effectiveness of the strategy, the competitive landscape, regulatory environment, and the firm’s ability to execute and adapt to changing market dynamics.

Wanjohi, Gathenya, and Kihoro, (2019) established that product market development strategies and the performance of Retail Supermarkets in Nairobi City County, Kenya. The study found that product-market growth strategy has a significant influence on the performance of retail supermarket in Nairobi City County, Kenya. Product diversification had the highest impact on performance, followed by collaborative networks strategy and finally, market penetration.

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

The third objective, was to establish the effect of product development on financial performance of commercial banks in Kenya. Precisely, the study reported a significant and positive effect of product development on financial performance of commercial banks in Kenya. The regression results were supported by descriptive results which demonstrated participants' level of agreement that product development influences the financial performance of commercial banks in Kenya with a (m=4.29, SD=.709). Moreover, the respondents noted that product development strategies contribute to increased revenue generation for commercial banks in Kenya's financial market. The results compare to various studies;

Moradian and Aghajani, (2020) the study established the role of organizational factors and green new product development effects on financial performance of Iran Nanotechnology firms. Today, organizations have to accept environmental responsibilities in providing products and services in order to paint a desirable social image of themselves. Therefore, they should be able to improve their environmental performance, promote moral and social values in their organization and at the same time be able to ensure the economic and financial success of their enterprise. The findings suggest that organizational factors include environmental commitment, environmental benchmarking, cross-functional integration and R & D strength has a positive impact on the success of green new product.

According to Eshiett and Eshiett, (2022) conducted a study on new product development and organizational performance in Nigeria. The idea of New Product Development (NPD) has its origin from constant changes in consumer preference and choices based on available products. The changing trend in customer accessibility to information on product availability and performance driven by Information and Communications Technology (ICT); has emboldened manufacturing firms to modify their NPD process in line with customers' needs and wants for the ultimate purpose of satisfying the end users of their products. The aim objective of the study is to examine the effect of new product development on organizational performance, additional challenging issues include; the far-reaching effect of market research, specific allocation of budget for NPD by manufacturing firms and effective training and re-training of personnel for Research and Development (R&D). The result of the study revealed that there was a significant relationship between New Product Development and organizational performance. The study recommended that key towards outstanding performance by manufacturing firms 'lie in their ability to effectively train their personnel to conduct effective market research to identify the preferences of the consumer, and deliver products that satisfy their exact need, as a pre-requisite for sustainable performance.

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

The fourth and final objective of this study was to determine the effect of market diversification on financial performance of commercial banks in Kenya. The results reported a significant and positive effect of market diversification on financial performance of commercial banks in Kenya. The results regression results was supported by descriptive results which demonstrated participants' level of agreement that market diversification positively impacts the financial performance of commercial banks in Kenya with (M=*4.22, SD=.708*). Also, the results indicated that diversified market presence enables commercial banks in Kenya to mitigate risks of uncertainties effectively with (*M=399, SD=.708*). The results were supported by studies by

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

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

CONCLUSIONS

The subsequent conclusions were made from the findings and discussion of this study.

This study concludes that both marketing innovation, product diversification innovation, and product innovation and market diversification strategies are integral to the successful in the performance of commercial banks. As such, NCBA Bank need to frequently conduct market-oriented activities that assist in identifying market segments and market research so as to identify consumer preferences with regard to the need for new subscribers. Establishing better ways to meet consumer needs so as to boost growth. In particular, this study concludes that a product innovation strategy is necessary for every real estate company, especially, in a sector that is currently using technology to leverage more sustainable growth approaches. Product innovation strategy can assist NCBA businesses to improve the structural designs of their housing units, thus, making it easy for the companies to access the market and grow their businesses. Additionally, a product innovation strategy gives the company ability to continuously improve on their core real estate business products or services and make incremental innovations towards enhancing marketability of its services.

RECOMMENDATIONS

On the first part on recommendations on policy, the discussion of the study established the significant need for growth strategies in enhancing the financial performance of commercial banks in Kenya. Specifically, there is a need for policy makers to support the development and evaluation of promising practices and models that states the mechanisms of market penetration, market development, product development and market diversification. The policy makers should align the growth strategies to facilitate performance and sustainability. As such, there is a need for policy makers it aligns with emerging trends about market penetration, market development, product development, and market diversification.

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

Areas for Further Research

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

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