Why Growth Strategiesare Important in the Performance of Commercial Banks in Busia County, Kenya

**Abstract**

Commercial Banks in Kenya play a bigger role in the growth of our nation. Today, commercial banks have increased their functions from lending to individuals to financing big government projects and connecting countries to the international business community. Dynamic changes by the regulator combined with stiff rivalry have caused several banking institutions in Kenya to experience declining performance. These difficult times led to the closure of Imperial Bank, Chase Bank, and Dubai Bank. A few banks could not maintain a regulated threshold of capital as required by the regulator. These difficulties are demonstrated by the rivalry dynamics in the market, coupled with changes in the regulations. Commercial banks have faced performance challenges as evidenced by the decline in gross profit, liquidity ratios, and asset quality. This research sought to find out how growth strategies influenced commercial banks’ performance in Busia County, Kenya. The theory of performance, Ansoff matrix theory, and strategic choice theory anchored the study. This research employed an explanatory research design. The target population comprised five (5) selected commercial banks in Busia County: National Bank, Cooperative Bank, Family Bank, Sidian Bank, and Kenya Commercial Bank. The research employed a multi-stage sampling design, initially dividing commercial banks into three tiers: tier one, tier two, and tier three. The individual banks were further divided into management and regular staff, where management comprised of branch manager, operations manager, and relationship manager. Out of the 5 selected commercial banks, the study selected 20 staff from each bank; three in management and 17 regular staff, creating a sample size of 100 respondents for the research. Data was collected with the use of structured questionnaires. Data was analyzed using descriptive and inferential statistics and presented using tables, graphs, and charts, with research findings revealing that 76.2% of the performance of commercial banks was influenced by the growth strategies. Performance was measured through gross profits, liquidity ratios, asset quality, and customer satisfaction. Additionally, it was found that Diversification had the biggest impact on firm performance, followed by product development, market penetration, and market development. The conclusion drawn showed that the performance of commercial banks was positively and significantly influenced by the growth strategies. It was recommended that commercial banks should practice growth strategies for better performance. Commercial banks should seek strategic partnerships that would lift the profile of their banks. The government should create infrastructure that supports market penetration. Policymakers to create policies towards the protection of intellectual property rights to prevent unhealthy competition. For further research, it was recommended that scientists investigate the effect of growth strategies on other financial institutions, like insurance firms and mortgage providers.

**Keywords:** Growth strategies, Performance, commercial banks, Diversification, Product development, Market development, Market penetration.

1. **INTRODUCTION**

Dynamic changes by the regulator, combined with stiff rivalry, have caused several banking institutions in Kenya to experience declining performance. The banking sector in Kenya suffered major structural changes from 2015 to 2019 (CBK, 2019). The difficult times led to the closure of Imperial Bank, Chase Bank, and Dubai Bank. These were caused by the rivalry dynamics in the market, coupled with changes in the regulations (Akinbuli & Kelilume, 2014). Organizational performance has been measured differently by different scholars. The balanced scorecard was created to measure performance. It goes further to also incorporate non-financial metrics of performance (Kaplan & Norton, 1992). Venkatraman and Ramanujam (1986), in their work, measured performance approach using a multidimensional framework that includes: Financial Performance, Operational Performance, and Organizational Effectiveness. They used both quantitative and qualitative metrics (e.g., revenue, ROI) and qualitative metrics (e.g., customer satisfaction).

Global-wise, governments and legislatures have progressively acted to ensure financial stability. Changes in the financial landscape have made commercial banks experience challenges (Jelenic, 2016). How big banks are, and their organization, are indicators of the performance of the financial sector in a nation. This has often been debated after the volatile financial performance of the banking industry in the near past (Laeven, Ratnovski, and Tong, 2014). In Malaysia, Public Bank and EON Bank have portrayed an upward trend of Value-added intellectual coefficient (VAIC) from the year 2001 to 2003, showing increased levels of efficiency (Goh, 2005). In the USA, commercial banks entered into real estate, revealing an inclination in bank lending since the 1970s (Boyd and Gertler, 1993).

African regions (south of the Sahara) are not as efficient as global players. The sector demonstrates poor efficiency, which has led to rising costs of operations. They also experienced a relatively declining interest margin. Detragiache, Gupta, and Tressel (2005) opined that corruption and inflation negatively impact banking market efficiency. The lack of stiff competition has enabled banks to levy elevated rates and make huge incomes despite operating in a challenging environment. Commercial banks still achieved higher profitability due to their market power as opposed to other developing countries, given the huge variance in the interest rates they charge on credit and deposit interest paid to their customers. Levels of Non Performing Loans (NPLs) are identical to those of developing countries (Chuling, 2009). Nigeria’s central bank continuously created a favourable banking environment and took care of stakeholders' interests. However, their efforts were not sufficient to court investors, hence the need to bail out the weak banks (Adeolu, 2016)

The banking system connects Kenya’s economy to the global market and is very significant in supporting micro-enterprises, corporates, and SMEs. In their mandate to offer financial solutions, banks counter several risks like fraud, default, and regulatory risk (Namasake 2016). The regulations, by CBK, were coined to give fiscal guidance and policy frameworks (Government of Kenya, 1989). To increase their market share and grow in size, banks try to fight for the limited clientele. There is a need for financial and legal restructuring to make the future of Kenyan banking bright (CBK, 2005).

Growth strategies have been defined differently by different scholars. Ansoff (1957) introduced the concept of the Product-Market Growth Matrix, elaborating growth strategies to be exertions by companies to expand by establishing new markets, developing new products, and entering into other businesses or revenue streams. Kotler and Keller (2006) described Growth Strategies as actions taken by businesses to improve their market share, revenue, and profitability. These strategies can include intensive growth (expanding existing operations) or integrative growth (mergers and acquisitions). Mintzberg, Ahlstrand, and Lampel (1998) described Growth Strategies to be concentrating on organic growth, mergers, or acquisitions to gain a bigger market share. Hax and Majluf (1996) stated that Growth Strategies involve aligning a firm’s capabilities with external opportunities to create a competitive advantage while addressing market demands and client needs.

Scholars have advanced different growth strategies that can be used by organizations to boost how they perform. Scholars often emphasize their unique theoretical and practical approaches. Ansoff, in his book, Strategies for Diversification, listed growth strategies to be Market Development, Market Penetration, Diversification, and Product Development. Porter (1980) acknowledged growth strategies based on competitive advantage and market scope. He zeroed in on Focus, Differentiation, and Cost Leadership. Mintzberg (1988) talked of growth strategies to be Organic Growth (Internal expansion through operational improvements) and Inorganic Growth (Expansion through partnerships, alliances, or acquisitions). Kotler and Keller’s Marketing-Oriented Growth Strategies outlined growth strategies based on market dynamics that include organic expansion and taking over the supplies and distribution channels. The current study used Diversification, Market Development, and Market Penetration to measure the commercial banks’ performance in Busia County.

 **STATEMENT OF THE PROBLEM**

Banking firms are very significant in a nation’s development. Today, commercial banks have increased their functions from lending to individuals to financing big government projects (Roussakis, 1997). Yakubu and Affoi (2014) indicate the existence of a link between a country’s growth in the economy and the role played by commercial banks. Advancements in technology have permitted banks to process data more quickly and efficiently, leading to a progressively cashless society with widespread usage of digital and plastic money (Misati & Kamau, 2017). Kenyan banks have tried to compete by opening new branches, introducing new services, and having a regional presence (Kungu, Desta, & Ngui, 2019). The strategies employed are meant to increase banks’ market shares, grow asset base, grow yearly profits, reduce costs, and gain competitive advantage (Maudos, 2017). The efforts notwithstanding, commercial Banks in Kenya have experienced problems since 1986 with massive bank failures (37 failed banks as of 1998) (Kithinji & Waweru, 2007; Ngugi, 2001).

Many studies have been carried out in the field of firm performance. Persson & Virum (2001) researched how logistics firms grow. This study was facilitated by the Norwegian Research Council. Anyanga & Nyamita (2016) studied the growth strategies of SMEs in Kenya. Additionally, many studies about commercial banks’ performance have been done in Nairobi and other major cities in Kenya, with very few done in the small towns and rural areas. Busia County has not been attractive to commercial banks. In 2022, there were only twelve commercial bank branches. This is a dismal figure when compared to counties like Nairobi with 573, Kiambu with 77, and Mombasa with 108. Even rural counties fare better. Meru had 40 bank branches, Kisumu 39, and Machakos 31. It was also noticed that the bank branches didn’t increase in Busia County by the end of the year 2023, while other counties like Nairobi grew by a further 15 branches (CBK, 2023). This study investigated how growth strategies are important for the performance of commercial banks in Busia County, Kenya.

**OBJECTIVES OF THE STUDY**

The specific objectives of the study were:

i. To analyze the effect of diversification on the performance of commercial banks in Busia County, Kenya.

ii. To establish the effect of market Development on the performance of commercial banks in Busia County, Kenya.

iii. To determine the effect of market Penetration on the performance of commercial banks in Busia County, Kenya.

Iv. To determine the effect of product development on the performance of commercial banks in Busia County, Kenya.

**2.0 REVIEW OF LITERATURE**

**THEORETICAL REVIEW**

**Ansoff Matrix Theory**

Ansoff Matrix Theory was advanced by Igor Ansoff in 1957. It relates to the Ansoff Matrix, a tool used by organizations to analyze possible strategic growth paths by studying products and markets. The theory provides four different options that companies can use to plan their growth. These options are Market penetration, Market development, Product development, and Diversification. Ansoff Matrix is based on market-product relationships (Drnevich & Schendel, 2020). Ansoff Matrix has found use in decision-making frameworks as it assists top management in comparing risks and rewards. For instance, Market Penetration is considered low risk while Diversification is considered high risk (Kotler & Keller, 2016). Even though the Ansoff Matrix is considered very useful, opponents of the theory have claimed that it has been oversimplified, yet the real environment is very complex. The theory is being criticized for not considering external environment like competition, legislative changes, or changes in the market (Lynch, 2009). Opponents also argue that institutions typically employ a combination of Ansoff strategies, rather than adhering to a single strategy at a time, and this is not explicitly addressed by the Ansoff Matrix (Chernev, 2015). The Ansoff Matrix Theory relates to all of the independent variable (growth strategies).

**The Theory of Performance**

The theory of performance outlines how performance develops over time and the conditions necessary for peak performance. This theory generally refers to frameworks or models that attempt to explain and predict how individuals or organizations perform various tasks or activities. It is often interdisciplinary, drawing on concepts from psychology, management, education, and sociology to understand how performance is influenced and how to optimize it. Various theories of performance have been developed by different researchers, each contributing to our understanding of how performance works in other contexts (individual, team, organizational, etc.). Taylor (1911) is the foundation of performance theory. He introduced the idea of optimizing work processes and breaking tasks into simpler components to enhance performance. The theory was then developed by Elena P. Antonacopoulou and later enhanced by Don Elger in the early 2000s.

Under the Theory of Performance, the current study focused on RBV, Goal Setting, Expectancy, and Balance Scorecard theories. Resource-Based View Theory states that resources and capabilities enhance organizations’ competitive advantage. Those organizations that accumulate resources that are non-substitutable, Valuable, rare, inimitable, and durable will outperform their competition if the external factors are held constant (Gerhart & Feng, 2021).

 Goal Setting Theory was advanced by Edwin Locke. He opined that when goals are clear, specific, and measurable, teams become motivated. (Jeong, Healy & McEwan, 2023). Expectancy Theory, as proposed by Victor Vroom, suggests that when workers believe that their hard work will lead to improved performance, then they will eventually put more effort into their work (Vroom, Porter, & Lawler, 2015). The Balanced Scorecard, advanced by Kaplan and Norton, is used by businesses to gauge both the non-financial and financial aspects of performance (Kumar & Baker, 2022). The theory of performance is the anchor theory as it relates to the dependent variable, performance. The theory’s main strengths are that it is holistic, flexible, and focuses on development. However, the theory has been criticized for being complex and for having limited empirical testing

**Strategic Choice Theory**

The origins of Strategic Choice Theory (SCT) are often attributed to the work of Child (1972), who noted that strategic decisions are fashioned by both internal and external factors, but these decisions are ultimately mediated by the perceptions and preferences of decision-makers. This framework, used in management and organizational theory, emphasizes the importance of decision-making in shaping the strategic direction of organizations. It asserts that organizational decisions are often influenced by the strategic choices made by key decision-makers, rather than by deterministic factors or external pressures alone. Organizations often make strategic choices based on how they interpret and react to environmental conditions, rather than being strictly bound by those conditions. This aligns with the view in SCT that organizations are not simply passive entities influenced by external forces, but are actively involved in shaping their strategic paths through managerial choices (Pfeffer & Salancik, 1978).

According to Simon (1957), strategic choice theory emphasizes managerial cognition and decision-making processes. Mintzberg (1979) links strategic choice to organizational structure. He outlined different organizational configurations that influence strategic decisions. Mintzberg’s work on organizational configurations integrates the idea that strategic choices also involve selecting structural elements (such as hierarchy, decentralization, and formalization) that support or hinder particular strategies.

Oguta, Kimwolo, and Cheruiyot (2022) used strategic direction to hypothesize tactical leadership. The researchers noted that strategic direction is effective in organizational leadership, directing workers in a strategic direction, making them attain team goals. Competitiveness is also described as the aptitude of an organization to possess multiple products that are more competitive in a similar market. Okwiri and Muathe (2024), while studying the competitiveness of tier-three Kenyan commercial banks, resolved that banks with strategic leaders have a competitive advantage over their rivals. Some of the strengths of SCT are that it explains variation, it is flexible, and it is useful for strategic planning. However, SCT has been criticized for being difficult to measure, being context-dependent, and for underestimating constraints. Strategic choice theory relates to the independent variable (growth strategy).

**EMPIRICAL REVIEW**

**Market Penetration and Organizational Performance**

Onotu and Yahaya (2016) studied the effect of mergers and acquisitions, as market entry methods, on the financial performance of Nigerian Deposit-taking institutions. They observed that financial performance of deposit taking institutions increased following mergers and acquisitions. The research focused on the market share of selected banks between 2002 and 2008 before and after the consolidation, utilizing various market pointers. Research findings showed a major increase in the performance of the bank's market share due to mergers and acquisitions. The findings demonstrated that acquisitions and mergers had a major consequence on the expansion of market share for Nigerian Banks. The study was done in Nigeria which has a different socio-economic perspective to Kenya. Murguiyia (2018) studied how corporate steel firms in Kenya adopt market penetration strategies. Forty-eight steel firms in Kenya were sampled for the research. Research outcomes disclosed that the steel industry growth in Kenya is impacted by the market penetration strategies used. The discoveries highlighted the importance of market penetration strategies in impacting corporate growth and steel industry performance. Current study was done on commercial banks, a different sector from the steel firms, which are in the manufacturing sector.

Bulle (2020) carried out research to study the impact of market entry strategy employed by Telkom Kenya Limited on their performance. Bulle’s research outcome found a significant positive link between market penetration and business success. This suggests that the adoption of effective market entry strategies, such as market penetration, can contribute to the overall success and performance. The study used operational efficiency and market share to measure performance while the current study used gross profits, growth of asset book and growth of liability book to measure performance. However, there is a gap in the discussion of market penetration strategy in Kenyan banks. Very few studies specifically address this topic. Therefore, there was a need for a new study on the impact of growth strategies and the performance of Kenyan banking institutions.

**Market Development and Organizational Performance**

Onyonyi (2018) researched about the influence of market development on the growth of WEF-funded SMEs in the Kasipul and Kabondo districts in the County of Homa Bay. The research’s main aim was to enhance the overall applicability of Ansoff's growth strategies and provide the government with valuable insights to formulate important laws that support the growth and expansion of SMEs in Kenya. The research showed that there was minimal influence of market development strategies on the growth of SMEs. However, the study was only limited to businesses done by women. Austine (2020) investigated how market development strategies influences the success of Kenyan insurance firms. The study was led by various theoretical frameworks such as Porter's generic strategies, balanced scorecard model, contingency theory, and Ansoff'’s growth matrix model. The research outcome showed that market development strategies had a significant and positive influence on the profitability of Kenyan insurance firms. The study used profitability and market share to measure performance. However, it was not clear on whether gross profits were used or profit after tax.

**Diversification and Organizational Performance**

The research work by Luu, Nguyen, Vu, and Tuan (2019) was done to examine how diversification influences the profitability of Vietnamese commercial banks. Fiscal data of all banks was collected from annual reports. Empirical analysis was used to arrive at the objective of the research. Results indicated proof of the relationship of diversification on profitability of banks but this was dependent on the type of the bank. The results showed that though diversification was beneficial for state-owned international banks, it hurt the profitability of non-state-owned domestic banks. Even though the study established a positive significant relationship between diversification and performance, the conclusion wasn’t clear as the results were not consistent depending on the bank ownership. In Malaysia, Azman, Hon, Xia, and Lee (2020) did research on the diversification and success of large construction companies. Diversification strategies on the profitability and performance of large construction businesses in Malaysia over 14 years were measured using the theory of the generalized method of the moment’s indicator. During the period from 2010 to 2016, unrelated diversification was observed to hurt company performance, whereas related diversification yielded significant benefits. The analyses showed that variations in institutional characteristics had a notable impact on the effect of related diversification. However, this study result is inconsistent with Roca and Alessandri (2023), who established that unrelated diversification increases performance, thus, the need for current research to study the ambiguity.

Osei-Kuffour and Peprah (2020) researched on diversification and economic stability in private universities, as well as the influence of institutional profile on these factors. The Hayes model and parametric inferential statistics were applied in the study, which was conducted at private universities in Ghana's Greater Accra District. The research findings showed a positive and modest link between diversification and economic stability. Diversification was found to be a predictor of economic stability. The study focused on financial sustainability rather than firm performance. Ondari, Awino, and Machuki (2016) performed a study at NSE to examine in what way the performance of non-financial companies is impacted by diversification. The outcome of the study indicated that diversification had a lesser relationship to how NSE listed, non-financial companies perform. The study was, however limited to corporate diversification and focused on the non-financial firms listed in NSE. The current study focused on Commercial banks in Busia County, Kenya.

The above studies surveyed the effects of growth strategies on the profitability and performance of numerous sectors inclusive of commercial banks in Vietnam, non-financial firms trading at NSE, large construction firms in Malaysia, and private universities in Ghana. However, there was a gap in discussing growth strategies in the commercial banks in Kenya. None of the provided studies specifically focused on the banking industry. Therefore, this study concentrated on examining the association between growth strategies and the commercial banks’ performance in Busia County, Kenya.

**Product Development and Organizational Performance**

A research was done by Lee (2017) on Taiwanese firms dealing in property and accident insurance to establish how they are influenced by the business structure, product diversification, and entity performance. Data from the same respondents was collected over time, along with Ordinary Least Squares regression models assuming the model parameters as random variables, and fixed effects models were employed as the analytical approaches. Lee measured the performance of each insurance company by analyzing their return against the shareholder value and by measuring their profitability in regard to their total assets. It was seen from the results that ratings of products, more so in the marine and fire insurance companies, hugely impact the operational efficiency of accident and property insurance companies in Taiwan. Furthermore, the fiscal performance of major insurance firms had improved as a result of product diversification. Secondary data were used in this research to examine the relationship concerning product diversification and firm performance. The research used indicators such as Return On Asset (ROA), Return On Equity (ROE), profitability, market share, and customer satisfaction. Also, least square regression model and Fixed effect model were used for analysis. Current study employed a multiple regression model

Muchiri (2020) investigated the influence of product development and company attributes on firm outcomes in the NSE. The research’s aim was to examine the relationship in product diversification and the performance of listed firms. A correlation research strategy was used in the study, utilizing a census approach to study the entire target population, which primarily consisted of companies registered on the NSE. Results showed that the main reasons for product development are risk reduction, tax protection, increased borrowing capacity, and access to new markets. Ojwaka and Deja (2018) investigated how market growth influences the effectiveness of firms doing commercialized printing in Nairobi. The research targeted 249 commercial printers enrolled with the Registrar of Firms in Nairobi. A random sampling technique and descriptive research design were employed to select 25 commercial printing businesses in Nairobi, Kenya. The study findings by Ojwaka and Deja (2018) indicated that product development strategy significantly enhances the efficiency of the firms. The study focused on printing firms and not commercial banks. This study addressed the existing gap and provided important findings on the effectiveness of growth strategies in commercial banks and offered guidance for the banking industry in Kenya to improve their growth strategies and overall performance.

**3. RESEARCH Methodology**

The current study adopted explanatory research design. Creswell (2014) defines an explanatory survey as a research design that identifies and explains the relationships between variables within a population by systematically collecting and analyzing quantitative data. The explanatory survey goes beyond simple description by investigating causal or correlational relationships between variables, often to test hypotheses or explore potential influences, while the descriptive survey tries to answer what, who, when, how, and where, associated with a specific research study item. The study design was applicable to this research in pursuing the explanation of the association of independent and dependent variables. This research employed a structured questionnaire to gather data, thus a descriptive study design was also appropriate.

All the group of persons or objects being studied by a researcher is known as Population (Collins & Hussey, 2019). The target population was comprised of one hundred staff, twenty each, selected from five chosen commercial banks in Busia County (National bank, Sidian Bank, Cooperative bank, KCB and Family bank). The target population comprised of a branch management team of a branch manager, an operations manager, and a relationship manager. The other seventeen respondents were picked from the operations team, business team, and sales team. This research employed a multi-stage sampling approach where the commercial banks were first divided into tier one, tier two, and tier three banks. Random sampling was done from the primary clusters. Individual banks were further divided into management comprising of branch manager, operations manager, and relationship managers. A participant was chosen from each management category to make three participants. The other seventeen participants were chosen from regular staff. Hossan & Jaharuddin (2023) describe multi-stage sampling as a random sampling technique where the population is first divided into larger clusters called primary sampling units (PSUs) and then each PSU is further divided into smaller groups.

After obtaining a research letter from Kenyatta University, pilot testing of the questionnaire was done. Research permit and authorization letter were then delivered to the five selected commercial banks in Busia County, which are National Bank, Cooperative Bank, Sidian Bank, KCB, and Family Bank. The researcher presented himself to the participants of the selected banks through their branch management. The researcher then proceeded to introduce the study objectives, took the respondent through the questionnaire, and demonstrated the response criteria. The questionnaires were then left, and the response time indicated. Follow up calls and guidance were given on need basis to ensure compliance. The researcher left his contact for any clarity that was to be sought. Filled questionnaires were later collected. Data gathered was input into the Statistical Package for Social Sciences after cleaning. Before analysis, descriptive and inferential figures were calculated. Descriptive calculations involved percentages, standard deviation, frequencies, and means. Regressive and correlational computations were done to test the study objectives.

**4.** **Research Findings and Discussion**

The main objective of the study was to establish the influence of growth strategies on the performance of commercial banks in Busia County, Kenya. The study's specific objectives were to establish the influence of market penetration, market development, product development, and diversification on the performance of commercial banks in Busia County, Kenya. The study had a coefficient of correlation R of 0.874, an indication of strong positive correlation between the variables and a coefficient of adjusted determination R2 was 0.762.

Correlation analysis results showed that market development had the highest influence on performance of commercial banks at 0.7. This was followed by market penetration at 0.65, product development at 0.60 and finally diversification strategies at 0.50.

**Table 1: Correlation analysis of results**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Firm Performance**  | **Market penetration****strategies**  | **Market development strategies**  | **Diversification strategies**  | **Product development strategies**  |
| **Firm****performance**  | Pearson Correlation  | 1  |   |   |   |   |
|  | Sig. (2-tailed) N  |  100  |    |    |    |    |
| **Market penetration****strategies**  | Pearson Correlation  | .65  | 1  |   |   |   |
|  | Sig. (2-tailed)  | .000  | .000  |   |   |   |
|  | N  | 100  | 100  |   |   |   |
| **Market development strategies**  | Pearson Correlation  | .70  | .073  | 1  |   |   |
|  | Sig. (2-tailed)  | .000  | .000  | .000  |   |   |
|  | N  | 100  | 100  | 100  |   |   |
| **Diversification strategies**  | Pearson Correlation Sig. (2-tailed)  | .50 .001  | .113 .001  | .334 .000  | 1 .000  |    |
|  | N  | 100  | 100  | 100  | 100  |   |
| **Product development strategies**  | Pearson Correlation Sig. (2-tailed)  | .60 .000  | .479 .000  | .290 .000  | .207 .000  | 1   |
|  | N  | 100  | 100  | 100  | 100  | 100  |
|  | \*. Correlation is significant at the 0.05 level (2-tailed). \*\*. Correlation is significant at the 0.01 level (2-tailed).  |  |  |  |

**Source: Survey Data (2025)**

**Market Penetration**

The findings revealed a moderate positive association between the commercial banks’ performance in Busia County and market penetration (r=0.65). The figure implies the occurrence of a moderate positive correlation between market penetration and the performance of commercial banks. The results corroborate Bulle's (2020) study that recognized a positive and significant relationship between market penetration and business performance. Furthermore, another study by Mwania (2017) indicated a positive and significant relationship between market penetration and commercial banks’ performance in Kenya.

**Market development**

The research outcome indicates a strong positive relationship between commercial banks’ performance in Busia county and market development (r=0.70). This implies the existence of a strong positive correlation between market development and the performance of commercial banks. These findings are consistent findings by Mbithi, Muturi, and Rambo (2015), who, while studying the impact of market development on the performance of the Kenyan sugar industry, established that there was a strong positive correlation between market development and firm performance.

**Diversification**

The findings revealed a modest positive association amongst the Kenyan commercial banks’ performance and diversification (r=0.50). This shows the occurrence of a moderate positive correlation between diversification and Kenyan commercial banks’ performance. The research findings are consistent with Miller's (2006) study, which showed that related diversification gives firms the capacity to leverage existing resources and capabilities, hence improving performance. Also, a study by Bhatia and Thakur (2018) showed that related diversification generally leads to improved performance. However, they observed that unrelated diversification didn’t show a consistent positive effect on performance.

**Product Development**

Research outcome showed a moderate positive link between the performance of Kenyan commercial banks and product development (r=0.60). This indicate the occurrence of a moderate positive correlation between product development and Kenyan commercial banks’ performance. The results are in tandem with the findings by Nwokah, Ugoji, and Ofoegbu (2009) that showed that product development has a significant positive influence on firm performance, a study done on the Nigerian brewing industry. Another study by Gemser and Leenders (2001) revealed that assimilating industrial design in the product development procedure positively influence firm performance.

**Model Summary**

Model of fitness summary is given in the table below, which was used in defining the effect of growth strategies on performance.

**Table 2: Regression Model Summary**

|  |
| --- |
| **Model Summary** |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .874a | .764 | .762 | .351 |
| **Source: Survey Data 2025** |

Consistent with the interpretations of the SPSS results, Table 2 presents R, representing Pearson’s correlation (Frankfort-Nachmias & Leon-Guerrero, 2020), as 0.874. Therefore, in line with Field's (2018) recommendation, it can be concluded that there’s a strong positive relationship between the dependent variable and the independent variables and it is significant. Again, Table 2 shows R-Squared (R2), which, according to Field (2018) and Frankfort-Nachmias and Leon-Guerrero (2020), provides information regarding the entire regression model. From the R-squared value of 0.764, we can conclude that 76.4% of the dependent variable is explicated by the independent variables. In this regard, the value of R-squared means that the growth strategies positively influence the Kenyan commercial banks’ performance.

Again, Table 4 shows Adjusted R-Squared (R2), which, according to Field (2018) and Frankfort-Nachmias and Leon-Guerrero (2020), provides information regarding the entire regression model with some adjustments computed R-Squared (R2). From the Adjusted R-squared value of 0.762, we conclude that 76.2% of the dependent variable (firm performance) is described by the independent variables.

In this regard, the value of Adjusted R-squared means that growth strategies positively impact the performance of Kenyan commercial Banks.

**Regression Analysis of Variance (ANOVA)**

In line with Frankfort-Nachmias and Leon-Guerrero’s (2020) recommendation, ANOVA was conducted in this study to examine the overall significance of the regression model. Primarily, ANOVA tested the significance of the model in envisaging the influence of independent variables on the dependent variable (See Table 2).

**Table 3: ANOVA Test**

**Model Sum of Squares df Mean Square F Sig.**  Regression 29.154 4 7.289 4.815 .001

1 Residual 143.806 95 1.514

 Total 172.960 99

**Source: Survey Data 2025**

As per the findings in Table 3 from the ANOVA analysis done at 0.05 level of significance, the Calculated F is 4.815 while the F critical is 2.47. This shows that the calculated F (4.815) is greater than F critical (2.47), indicating that the regression model is fit and ideal for this research. Also, the P value of 0.001 is below the conventional alpha (α) value of 0.05, showing that the growth strategies studied influence the performance of commercial banks in Busia County, Kenya.

 **Regression Coefficients**

**Table 4: Regression coefficients**

|  |
| --- |
| **Coefficientsa** |
|  |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 1.679 | .437 |  | 3.845 | <.001 |
| Market Penetration | .330 | .102 | .260 | 3.231 | .002 |
| Market Development | .200 | .073 | .243 | 2.753 | .007 |
| Diversification | .997 | .127 | .705 | 7.853 | <.001 |
| Product Development | .325 | .076 | .413 | 4.291 | <.001 |
| **Source: Survey Data 2025** |

From Table 4, the regression model is:

 **Y = 1.679+ 0.260X1 + 0.243X2 -0.705X3-0.413X4**

Where, ***Y*** = Firm Performance, ***X1***= market penetration, ***X2*** = market development, ***X3***= Diversification, and ***X4*** = Product development.

The constant of the regression model is 1.679. In line with Field (2018) and Frankfort-Nachmias and Leon-Guerrero's (2020) recommendation on interpretation of a constant, the regression line of firm performance (dependent variable) and growth strategies meets the Y-axis at a point 1.679 units of scale. This means that if all the independent variables are zero, the performance of commercial banks would be 1.679 units.

Variable ***X1***is the market penetration. The coefficient value of market penetration is 0.260. From this perspective, and with consideration of Field's (2018), Frankfort-Nachmias and Leon-Guerrero's (2020) recommendations on how to read regression coefficients, it can be interpreted that in each unit of input towards market penetration, firm performances increase by 0.260 units on average. In the same vein, the significance value of market penetration is 0.002. Therefore, and as Frankfort-Nachmias and Leon-Guerrero (2020) recommended on the interpretation of significance levels, at about a 95% significance level, we can conclude that market penetration and firm performance have a statistically significant relationship. These results corroborate Bulle's (2020) study recognizing a positive and significant relationship between market penetration and business performance. Furthermore, another study by Mwania (2017) indicated a positive and significant association between market penetration and the performance of Kenyan commercial banks.

Variable ***X2*** is the market development. The coefficient value of market development is 0.243. From this perspective, and with consideration of Field's (2018), Frankfort-Nachmias and Leon-Guerrero's (2020) recommendations on how to read regression coefficients, it can be interpreted that in each unit of input towards market development, firm performance increases by 0.243 units on average. In the same vein, the significance value of market development is 0.007, a value lesser than the conventional alpha (α) value of 0.05. Consequently, and as Frankfort-Nachmias and Leon-Guerrero (2020) recommended on the interpretation of significance levels, we can conclude that market development and firm performance have a statistically significant relationship. These findings are consistent findings by Mbithi, Muturi, and Rambo (2015), who, while studying the impact of market development on the performance of the Kenyan sugar industry, found the existence of a strong positive correlation between market development and the performance of an organization.

Variable ***X3***is the diversification. The coefficient value of diversification is 0.705. From this perspective, and with consideration to Field's (2018), FrankfortNachmias and Leon-Guerrero's (2020) recommendations on how to interpret regression coefficients, it can be interpreted that for each one unit of input towards product development, firm performances increase by 0.705 units on average. In the same vein, the significance value of product development is less than 0.001, a figure below the conventional alpha (α) value of 0.05. Consequently, and as Frankfort-Nachmias and Leon-Guerrero (2020) recommended on the interpretation of significance levels, we can conclude that diversification and firm performance have a statistically significant relationship. These findings corroborate Miller's (2006) research showing that related diversification enables organizations to leverage prevailing resources and capabilities, hence enhancing performance. Another study by Bhatia and Thakur (2018) showed that related diversification generally leads to improved performance.

Variable ***X4***is the product development. The coefficient value of product development is 0.413. From this perspective, and with consideration to Field's (2018), Frankfort-Nachmias and Leon-Guerrero's (2020) recommendations on how to read regression coefficients, it can be interpreted that for each one unit of input towards diversification, firm performance increases by 0.413 units on average. In the same vein, the significance value of diversification is <0.001. Therefore, and as Frankfort-Nachmias and Leon-Guerrero (2020) recommended on the interpretation of significance levels, we can conclude that diversification and firm performance have a statistically significant relationship at a 95% confidence level. These results agree with the findings by Nwokah, Ugoji, and Ofoegbu (2009) indicating that product development has a significant positive influence on firm performance, a study done on the Nigerian brewing industry. Another study by Gemser and Leenders (2001) revealed that assimilating industrial design in the product development procedure positively influences firm performance.

**5. CONCLUSION**

The study concluded that there exists a positive and significant relationship between growth strategies and the performance of commercial banks in Busia County, Kenya. All the aspects of growth strategies studied, market penetration, market development, product development, and diversification, had a positive influence on the performance of commercial banks in Busia County, Kenya. Growth strategies, when applied correctly, led to increased customer satisfaction, improved gross profits, growth of both asset and liability book, and improved loan book quality.

**POLICY RECOMMENDATIONS**

The study recommends that commercial banks should embrace growth strategies for improved customer satisfaction, growth of the balance sheet, and improved profits. Policymakers and government authorities should create infrastructure that supports market penetration, both physical and non-physical. They should create ICT hubs that promote the creation and innovation of product development. Government authorities should create policies for the protection of intellectual property rights to avoid unhealthy competition. Finally, they should encourage commercial banks to diversify into non-mainstream banking products by making it easy for them to acquire permits and licenses for both banking-related and unrelated businesses. The study also recommended that researchers and scientists should investigate further the effectiveness of growth strategies on the performance of other financial industries like insurance firms and mortgage providers. They should explore the impact of growth strategies on performance across various geographical regions to better understand their dynamics.

**Limitations and Future Research Direction**

The current study only focused on growth strategies applicable at the branch level, leaving those centered on policies, as such are made from head offices of respective banks and thus out of the scope of our current study. The study proposed that future investigations should encompass a wider range of financial institutions in Kenya, such as insurance, accounting, and mortgage firms, to enable comparative analysis and obtain a more comprehensive understanding of growth strategies across different industries. The current study employed a multi-stage sampling design, which, although valuable for providing initial insights, may have limitations in terms of offering in-depth and nuanced information about the phenomenon under investigation. Therefore, a census sampling method for future research studies on commercial banks, as they usually have a small number of staff (small population), making a census feasible. A census sampling will capture all the feedback from all the respondents, providing a wholesome and more accurate look at the growth strategies across the commercial banks. A census will also eradicate errors and biases caused by various sampling methods

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