DECLARATION

This research project is my original work and has not been submitted for a degree award in any University or for any other award.

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This project has been submitted for Review with my approval as the university supervisor

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This project has been submitted for Review with my approval as the chairman, school of business.

Signature __________________________ Date __________________________
Dr. S.M.A Muathe
DEDICATION

I dedicate this research study to my late Parents Duba Yaro and Bone Duba for their support, encouragement and inspiration throughout my schooling life. I also dedicate it to my siblings Tallaso, Yattani, Daro, Guyo, Adano and Abudho for support and understanding during this entire project. To my extended Family for love and support throughout my study.
ACKNOWLEDGEMENT

I thank God for giving me opportunity and strength to study up to this level and for enabling me undertake this project. Special thanks to my supervisor Mr. Maende. The support and guidance provided helped me in writing this proposal. I also thank my supervisor for the patience and understanding throughout this work. I Thank Kenyatta University Open Learning staff for standing with me and encouraging me during the difficult times, parklands and Mombasa center team thank you. Also thanks to friends for taking time to read through my work and all the support .I am grateful to my colleagues at Equity Bank Mpeketoni and Kajiado Branches who stepped in for me at work every time I had to run off to school for my entire MBA course period. To my friend Jane Muthike, my mentor during this Course and provider of reading materials and open learning techniques, thank you. I am forever indebted to you.
Operational Definition of Terms

**Strategy**
A method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem.

**Strategic partnership**
is a formal alliance between two commercial enterprises, usually formalized by one or more business contracts.

**Strategic alliance**
is a relationship between two or more parties to pursue a set of agreed upon goals or to meet a critical business need while remaining independent organizations.

**M-banking: M-Pesa**
Safaricom’s mobile money transfer service

**Zap:**
Zain’s mobile money transfer service

**Orange-Money:**
Telkom orange’s money transfer service

**Branchless Banking**
is a distribution channel strategy used for delivering financial services without relying on bank branches.

**Agency**
is a retail or postal outlet contracted by a financial institution or a mobile network operator to process clients’ transactions.

**M-Kesho**
partnership a mobile banking product that allows users to earn interest on their money as well as access to micro-credit and micro-insurance products between safaricom and Equity bank ltd

**Shwari**
M-Shwari is a virtual banking platform that allows Safaricom subscribers to operate savings accounts, earn interest on deposits, and borrow money through M-Pesa using their mobile phones.
# List of Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>ARPU</td>
<td>Average Revenue Per Unit</td>
</tr>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
</tr>
<tr>
<td>CBA</td>
<td>Commercial Bank of Africa</td>
</tr>
<tr>
<td>KCB</td>
<td>Commercial Bank of Kenya</td>
</tr>
<tr>
<td>MFI</td>
<td>Micro Finance Institutions</td>
</tr>
<tr>
<td>SIM</td>
<td>subscriber identity Module</td>
</tr>
<tr>
<td>POS</td>
<td>Point of Sale</td>
</tr>
<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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ABSTRACT

Business environment today has become complex, competitive and demanding. Customers are also increasingly becoming aware and demanding of effective and faster services. Corporate Organizations have positioned themselves in different ways in response to the current demands. Partnership is one of such strategies that have been adopted world over. The dependent variable of the study is partnership between commercial banks and telecommunication companies in Kenya, the independent variables are factors that influence the same. The main objective of this paper is to investigate the influence of strategic partnership between commercial banks and telecommunication companies in Kenya. The specific objectives seeks to finding out the level of influence of desire for profit, social relationships and competitions on the existing partnerships as well as other intervening variables such as technology and human resource. The research will utilize descriptive survey mode of study. The target population will comprise of sixty middle and upper level managers of the nine partnerships out of the seventeen that exist between commercial banks telecommunication companies in Kenya. The study will use representative sample of existing partnerships between commercial banks and Telecommunication/mobile phone companies. The study will rely on both secondary and primary data to attain the information needed. Review of existing literature will be source of the secondary data while questionnaires as research instrument which will be tested and administered by the researcher to collect primary data on the study topic. Data will then be sorted coded and analyzed using the statistical package of social sciences [SPSS]. Researcher will then recommend as per the findings from the data analyzed.
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1.1: Background to the Study

1.1.1: Commercial Banks

A financial institution that provides services, such as accepting deposits, giving business loans and auto loans, mortgage lending, and basic investment products like savings accounts and certificates of deposit. The traditional commercial bank is a brick and mortar institution with tellers, safe deposit boxes, vaults and ATMs. However, some commercial banks do not have any physical branches and require consumers to complete all transactions by phone or Internet. http://en.wikipedia.org

There are forty four licensed commercial banks in Kenya and due to the competitiveness of the banking industry many banks which were doing corporate banking changed to partially or completely to retail banking. This is evident from a lot of advertisements made by banks using various forms and also by use of sales people, who have tried to convince many individuals to open accounts (Banking supervision Annual Report, 2005). Banks which have actually incorporated retail banking in Kenya are Equity bank, CFC, Standard chartered, Barclays, National bank of Kenya, Kenya Commercial Bank, Consolidated bank, NIC bank, Co-operative bank of Kenya (Banking supervision Annual Report, 2005). The year 2010 witnessed the continued growth of the Kenyan banking sector on various key fronts; increase in the number of service providers, advancements in technology which facilitated service-delivery channels, geographical expansion by service providers both within Kenya and regionally and greater product differentiation resulting in niche market growth, among others. These improvements mark an important stage along the path towards a more efficient, stable and accessible banking system with increased improvements in financial performance of all commercial banks.
1.1.2: Telecommunication Companies in Kenya

A telephone company, also known as a telco, telephone service provider, or telecommunications operator, is a kind of communications service provider that provides telecommunications services such as telephony and data communications access. With the advent of mobile telephony, telephone companies now include wireless carriers, or mobile network operators. Most telephone companies now also function as internet service providers (ISPs), and the distinction between a telephone company and an ISP may disappear completely over time, as the current trend for supplier convergence in the industry continues. Huurdeman, Anton

In Kenya Telephone Company was at one time government monopolistic agency which was state-regulated. In recent past however the market on the same have opened up and there are four major telecommunication companies which offer both telecommunications and other services in collaboration with stake holders such as banking sector. According to The World Bank Group report [2009], Mobile phones are becoming widespread in Kenya, with 42 mobile phone subscriptions per 100 people in 2008, compared to an average of 32 per 100 for Sub-Saharan Africa as a whole. The level of access has grown rapidly since 2003, when Kenya was on par with the continent’s average, which at that time was five mobile phone subscriptions per 100 people. Much of the growth has come from the expansion of a single company, Safaricom, which began as part of the state telecommunications monopoly but was partially privatized in 1997 and became a public company in 2002. “Our Heritage,” Safaricom: About Us.

Telkom Kenya partnered with Equity Bank to offer services, providing customers with a revolutionary mobile banking service. Orange Money a money transfer service that is mapped to a bank account allows customers access financial services using their Orange mobile phone numbers. Orange Money Service is hosted on Equity Bank’s mobile banking platform which gives the customers the convenience that comes with a bank account. Mobile money transfer facilitated directly from a bank account, access to financial services through Equity Branches, access to mobile over 550 Equity Bank ATMs. http://money.orange.co.ke/
Third telecommunication airtel has greatly contributed to Kenya's telecommunication sectors growth. According to [http://www.africa.airtel.com](http://www.africa.airtel.com). Airtel was launched in Kenya in 2000 as Kencell and rebranded to Zain in 2008 and finally Airtel in 2010. It also offers valuable range of extras that come as a standard part of mobile phone plans and boasts as a great success story in Kenya with tremendous growth in customer base and network coverage as well as service quality. It runs airtel money - a Mobile Commerce service that allows customers to access services like money transfer from mobile phone to another mobile phone, top up of own mobile phone or another customer's mobile phone, as well as access and manage Bank Account. Airtel money is a revolutionary money transfer service from Airtel. It is accessible 24 hours, 7 days a week from phone menu and is secure, fast and easy to use [www.africa.airtel.com](http://www.africa.airtel.com).

Essar Telecom Kenya is Kenya's fourth mobile cellular network under the brand "yuMobile", launched in December, 2008. yuMobile achieved the fastest network rollout speed in the region, by achieving countrywide coverage in approximately 10 months from launch and currently, the network has a base of 3 million subscribers and offers best in class rates. yuMobile offers several innovative product and service offerings all targeted at making the subscribers life easier and more convenient. [http://anza.co.ke/business-directory essar-telecorn-kenya-limited](http://anza.co.ke/business-directory essar-telecorn-kenya-limited).

### 1.1.3: Strategic Partnership

A strategic partnership is a formal alliance between two commercial enterprises, usually formalized by one or more business contracts but falls short of forming a legal partnership or, agency, or corporate affiliate relationship. Typically two companies form a strategic partnership when each possesses one or more business assets that will help the other, but that each respective other does not wish to develop internally. Robert M. Grant (2008). Over recent years in Kenya mobile telecommunication companies and banking industry has grown in equal measure in terms of numbers and diversity of services they offer. Usage of mobile phone in Kenya grew from zero in 1999 to 17 million in 2008 surpassing land lines which declined in number from 300000 to 250000 around the same time. In the same way over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly under pinned by; an industry wide branch network expansion strategy both in Kenya and in the East African community region automation of a large number of services and a
move towards emphasis on the complex customer needs rather than traditional ‘off-the-shelf’ banking products. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market. [David Mugwe 2012].

Mugwe 2012, also observed that Deposits made through phone services grew from Sh48 billion between April and June 2011 to Sh56 billion in 2012, representing an increase of 5.9%. Compared to the previous year’s third quarter, the amount that customers deposited grew by 58.6 per cent, indicating that the uptake of the money services by consumers had gathered pace between September 2010 and June 2011. The new data comes as an increasing number of financial services and telecommunication companies and commercial banks announce partnerships that are expected to help them tap into money transfer and plastic money payment systems. Today’s business environment has become increasingly dynamic and Organizations are under pressure to change as fast as their markets do. In some countries, banks are forming partnerships with multiple telecommunications companies. According to Africa Renewal Magazine [2005] the use of mobile money transfers for remittances and small payments, such as school fees and utility bills, has expanded beyond Kenya to other African countries. In South Africa, Vodacom teamed up with Nedbank to offer the service for domestic transfers. Mobile money transactions can offer banks a way to reach people in rural markets without the expense of building new branch offices or agency outlets. By May 2011, nine months after its launch, the Vodacom-Nedbank partnership had signed up 140,000.

T. Michael Testi (2010) notes that In February 2009, Zain launched ZAP M banking service in East Africa, allowing customers to send and receive money directly to their mobile handsets from banks anywhere in the world. It is targeting over 100 million people in Kenya, Tanzania and Uganda. In September 2009, ZAP expanded mobile banking service run in partnership with CitiBank and Standard Chartered Bank. ZAP allows subscribers to withdraw cash, pay for goods and services, and make money transfers to third parties. More than 10 million subscribers are already using these services within East Africa. In January 2010, Zain expanded its ZAP mobile commerce service to Niger, Sierra Leone and Malawi, as it seeks to capitalize on a growing demand for services such as mobile remittances and transfers in Africa. Zain is working with

In October 2010, Safaricom and Barclays Bank of Kenya signed a partnership, which allows Barclays account holders to deposit and withdraw to and from their MPESA accounts. The MPESA agents who bank with Barclays Bank will also be able to purchase e-float for their daily operations. This is the eighth bank, after Family Bank and Kenya Commercial Bank among others, to partner with M-PESA either as an agent or a super agent, denoting the growing cooperation between the mobile money services and mainstream banks. [www.brookings.edu/media](http://www.brookings.edu/media)

Following these Kenya’s banking population has in the recent years been treated to various ways of doing banking business. Mobile phone subscribers across the country are able to enjoy banking services from the comfort of their offices and homes. Purchase of goods from convenience stores as well as withdrawing cash from bank account through a shop in one’s neighborhood is a result of several partnerships witnessed between commercial banks and telecommunication industry in Kenya. Banks are recognizing the potential of the unbanked and are introducing resourceful methods of bringing them into the formal economy on the back of mobile telephony. Telecommunication companies and financial institutions also have interests in making this experiment prosper. Issuing e-money, for one, can be seen as a strategy for telecommunication companies to keep churn rates low and retain customer loyalty (Wishart 2006, Bangens & Soderberg 2008). It can provide them with new potential customers, added sources of revenues such transaction fees, share of foreign exchange spread service sign-up fees and help increase their average revenue per user (ARPU). For financial institutions, mobile banking and mobile money can help increase banking penetration, develop customer loyalty, reduce operational costs and meet government service obligations, (GSMA, 2008a, Wishart 2006).

Joyce W.G and C.Bloor [2009] argue that, in Kenya as is the case in most other developing economies, e-banking facilities have enabled banks to expand their geographical coverage even in areas where they do not have branches by forging alliances with other banks and mobile phones providers allowing them to serve their customers through their partnership thus enhancing customer services. An example of such partnerships exists between co-operative
societies and banks in Kenya where members of the societies access their co-operative savings and/or earnings through a bank’s channels such as the ATMs.

1.2: Statement of the Problem

According to Dan Muhuni 2006, in the past banks had seen mobile money transfer services as a big threat to their business but lately there have been an increasing number of banks partnering with the mobile firms to tap the potential of the whole new market. Whether banks are partnering with telecom firms in order to beat the threat posed by these firms or for the greater interest of customers and business are what this proposal seeks to find out. Much of what has been written about collaboration between banks and telecom firms rotates around existing relationships and launches of partnership that makes headlines. However information on what really motivates the existence of these relationships has not been spelt out. Despite all the rosy headlines about the partnership which was significantly led by Equity bank and Safaricom in Launching M-kesho accounts in 2010 there seem to be new wave of disengagement in 2012 and banks struggle to be independent from Telecommunication companies. According to Paul Wafula [2012] for example in what could herald a new beginning for mobile money transfer and present a headache to telecoms operating such services, KCB has launched a new service offering equal, if not better, convenience. And the public has warmed up to KCB’s service, helping it stake a claim to Safaricom’s Sh2 billion-a-day service. The service, dubbed Mobi bank, demonstrates the length that commercial banks have had to go to claw back revenue generated by mobile money transfer, which, being a financial transaction, they believe to be rightfully theirs. Paul Wafula 2012 urges that this for a bank which In May 2009 became the first local financial institution to embrace mobile money transfer by integrating its operations with M-Pesa It was the easy way out. According to Safaricom’s chief executive officer Bob Collymore safaricom remains bullish that with continued investment in research and development which ensures that M-Pesa remains at the centre of the mobile commerce ecosystem. With such emergence a research to find motive behind existing partnerships between banks and mobile phones companies is paramount.

It is from this premise that this proposal investigates the influences of partnership between commercial banks and telecommunication companies in Kenya. This research proposal seeks to
understand why the banks and telecom companies opt to work together instead of solo engagement in provision of their services to clients and by extension act as source of information for stakeholders and shareholders on expectations from future such partnerships.

1.3: Research Objectives

1.3:1 General Objective of the study

The objective of this study is investigating influence of strategic partnership between commercial banks and Telecommunication companies in Kenya.

1.3:2 Specific objectives of the study

1. To find out the influence of competition on strategic partnership between banks and telecommunications companies.

2. To determine role of profit maximization in strategic partnership between banks and telecommunications companies.

3. To find out how changed customer demand influences strategic partnership between banks and telecommunications companies

1.4: Research Questions

1. Does competition in banking and telecommunication industry contribute to strategic partnership between banks and telecommunication industry?

2. How does desire for profit maximization on partnership between banks and telecommunication companies?

3. What is the level of influence of change in customer demand on partnership between banks and telecommunication companies
1.5: Significance of the Study

The findings of this study are important in giving vital information on which future decision making on strategic partnerships will be based to both commercial banks and telecommunication companies in Kenya. The study will also help the policy makers in government, banks, telecommunication companies and leaders in society to understand and predict success levels of existing partnerships as well as shaping future partnership business strategies. The study will inform Management of both banks and telecommunication companies of other factors that triggered partnership between their business rivals and expose areas that can be explored in terms of business.

It will act as frame work upon which competitors in the industry will base their business plans and strategies as a benchmark. It will also inform customers of commercial banks and telecommunication companies and aid in management of their expectations. The study findings will be useful to economic analyst and economic policy makers in order to make useful policies for the industry and stakeholders. The findings of this study will act as source of research data for future researchers as well as add on existing knowledge on the field of strategic partnership. The recommendations from this study will give proposals on which future studies can be based in relation to this study field.

1.6: Scope and limitations of the Study.

The study covers existing partnerships between commercial banks in Kenya and telecommunication/mobile phone companies as at the commencement of this study. The existing partnerships which involve equity bank and safaricom, Equity bank and Essar communications as well as Equity bank and Telcom Orange will be explored in addition to others like Commercial Bank of Africa and Safaricom’s M-shwari. Others also include airtel and Kenya commercial bank, Family bank and safaricom among others as appendixes.

The partnerships between commercial banks and Telecommunications companies are new strategy which emerged in Kenya. This aspect has limited this research study because it was a challenge to establish the exact number of existing partnership since it is an ongoing nature of
business. There was also limitation of choosing study place because all the headquarters of companies engaged were in Nairobi while the researcher was based in Lamu County. There was also limitation of getting to the planners of strategic partnership between companies involved because such ventures are the preserve of top management and CEOs who were not readily available for interviews and research.

1.7: Assumptions of the Study

This study is based on the assumptions that partnerships between corporate organizations are strategically planned and that there are motivators that trigger the need for strategic partnership between commercial banks and telecommunication companies in Kenya.
CHAPTER TWO

LITERATURE REVIEW

2.0: Introduction

This chapter reviews existing literature on strategic partnerships between commercial banks and telecommunications companies including related theories on the subject matter. The chapter recognizes that partnership is closely related to strategic alliance thus occasional reference is made by the researcher to strategic alliance. It is a commonly acknowledged fact that strategic choices are determined by the perceived benefit for future activity. A firm’s strategic decisions are driven not only by evaluations of its present circumstances, but also by expectations about its future outcomes.

According to Lorange and Roos (1993), competitive and strategic advantages now derive from companies’ capacities to cooperate with other firms; to form business networks with suppliers and buyers; to reap economies of scale; and to share costs and benefits with partners in geographically and culturally distant locations. Globalization forces are among the key drivers forcing corporations to explore alternative ways of gaining and preserving competitive advantages. These factors include: rapid technological change; emergence of new competitors; personnel recruitment and placement practices that extend corporate social capital. Long-term strategies based on winwin scenarios enable them to leverage their outputs for a broader commercial application across different locations and market segments.

David K. and E. Toveda (2007) argues that Market Cost, market seeking, cost sharing, pooling of resources, risk reduction and risk diversification as well as obtaining economies of scale, co-specialization Competition, achieving vertical integration; achieving competitive advantage such diversifying into new business, gaining access to new technology and converging technology necessitate collaboration. They as well think that developing new products and technologies, cooperation with potential rivals or pre-emptying competitors, bandwagon effect and following industry trends are some of the reasons companies seek strategic alliance.
2.1: Theoretical framework

Doz and Hamel, 1998 view strategic alliances as a response to globalization and changes in economic activities and Technology. Today, financial sector firms are competing to increase their profit share in the market. Among these firms, banks have radically shifted from traditional banking to branchless mode of banking. Adoption of latest technology has enabled banks to extend their customer base, where electronic banking has proved to be the chief advancement. Mobile banking can be categorized as the latest advancement in electronic banking, which has widened customers’ access to bank accounts through wireless channels. Mobile banking is a financial service where the bank customers perform balance inquiry, credit transfer, and other businesses according to instruction sent through the mobile phone from customers’ perspective adopting mobile banking services benefit in terms of convenience to perform banking transactions anytime and anywhere, with ease to use.

[Zohra Saleem and Kashif Rashid 2011]

Market globalization transforms the nature of corporate operations. Competitive and strategic advantages now derive from companies’ capacities to cooperate with other firms; to form business networks with suppliers and buyers; to reap economies of scale; and to share costs and benefits with partners in geographically and culturally distant locations. Globalization forces are among the key drivers forcing corporations to explore alternative ways of gaining and preserving competitive advantages. These factors include: heightened competitive pressures on a global scale; shorter product life-cycles and rapid technological change; emergence of new competitors; personnel recruitment and placement practices that extend corporate social capital across national boundaries; and increased demand by global firms for systemic solutions. Long-term strategies based on win-win scenarios enable them to leverage their outputs for a broader commercial application across different locations and market segments (Lorange and Roos 1993).
Olin [2004] argues that Partnership operates as a commitment to share profits and pays its threshold employees more than his marginal product. Once one realizes this, it is clear that the equal sharing of profits is not crucial. Indeed, regardless of how the infra marginal partners distribute profits; the partnership will be more selective than a corporation so long as the marginal partner receives more than his marginal Product. Doz and Hamel [1998] believe that companies around the world can’t survive without each other thus join to bring together vital skills, resources and capabilities, that otherwise will be time and cost consuming to obtain. They further argue that creation and management of strategic alliance are essential to one’s success in modern times, when companies are engaged in a race for world and the future.

According to Booz-Allen & Hamilton, 1999 The international business literature has already acknowledged a number of positive outcomes for companies actively engaged in strategic alliances, such as higher return on equity, better return on investment, and higher success rates. According to Barney (1991: 102), “a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously implemented by any current or potential competitors.” The reason such a strategy is not ordinarily implemented by competitors is that they may not possess the appropriate resources. The strategy literature has established the close relationship between resources (or competence) and competitive advantage (Reed & DeFillippi, 1990).

2.1.1. Resource Based Theory

The resource-based view suggests that valuable firm resources are usually scarce, imperfectly imitable, and lacking in direct substitutes (Barney, 1991; Peteraf, 1993). Thus, the trading and accumulation of resources becomes a strategic necessity. When efficient market exchange of resources is possible, “firms are more likely to continue alone” (Eisenhardt & Schoonhoven, 1996) and rely on the market. However, although market transactions are the default mode, efficient exchanges are often not possible on the spot market. Certain resources are not perfectly tradable, as they are either mingled with other resources or embedded in organizations (Chi, 1994). Hence, mergers, acquisitions, and strategic alliances are variously employed.
Thus, the resource-based view considers strategic alliances and mergers/ acquisitions as strategies used to access other firms’ resources, for the purpose of garnering otherwise unavailable competitive advantages and values to the firm. According to I. Mas and K. Kumar (2008), Banks are recognizing the potential of reaching millions of prospective customers, especially the rural population who account for more than 60% of Africa’s total population and have no access to banking services. The rural commercial bank branch network is still underdeveloped. However, since more than 50% of the adult population in Africa has access to mobile telephone, mobile banking could enable the rural population to have access to financial institutions and mobile phone service providers are introducing resourceful methods of bringing these underserved populations into the formal economy using mobile phones. For the banks, the main advantages of the mobile phone lie in its capabilities to reach everywhere. Its power is in transforming the economics of service delivery, especially by reducing the costs of financial transactions. Mobile banking is a powerful way to deliver savings services to the billion people worldwide who have a cell phone but no bank account. It has a number of advantages over traditional banking methods as it breaks down geographical constraints; it also offers other advantages such as immediacy, security and efficiency.

According to an annual report by Central Bank of Kenya (CBK), the adoption and usage of e-banking has been surpassed by mobile banking (M-banking) in the last few years (CBK 2008). The report further argues that there are about 8 million users of M-banking services compared to 4 million people who hold accounts in conventional financial institutions in Kenya (CBK 2008). The tremendous increase in number of people adopting M-banking has been attributed to ease of use and high number of mobile phone users. This is consistent with the theory of consumer choice and demand as conceptualized in Au and Kauffman (2008) in relation to mobile payments. Based on their observation, customers can choose to adopt a particular banking technology such as M-banking, perceived to offer such advantages as ease of use. There is also a growing partnership in financial institution and non-financial service providers where consumers through use of e-banking and other e-commerce services such as M-banking can transact and clear utility bills through shared banks’ platforms.
According to a quarterly agent news letter publication by safaricom, its customers can conveniently move money from their bank account to m-pesa and from M-pesa to their bank account in 14 of the 44 commercial banks. [http://www.proudlyafrican.info/Kenya/Equity-Bank-Top-Financial-Institution.aspx] According to Equity Bank’s Managing Director and Chief Executive Officer Dr James Mwangi [2010], the convergence of mobile telephony and banking has the potential of bringing over 18 million Kenyans into formal banking and making Kenya the country with the highest number of bank accounts in Africa. [http://www.equitybank.co.ke/](http://www.equitybank.co.ke/) Advances in technology and changing economic conditions have also created impetus for this change as Equity Bank strives to create products for those at the lower ends of the income pyramid. Its partnership with mobile phone operators Safaricom, Telkom and Yu has created mobile money platforms that are unprecedented in terms of size, convenience and efficiency. These products are slowly transforming this financial market into the ‘Silicon Valley’ of East Africa. James further argues that In its 20 years in operation, Equity has demystified banking from the rich-man preserve image it used to have to a necessity for all and sundry.

Equity’s M-Kesho account, which was unveiled in May of 2010, is a partnership between the Bank and Safaricom, East Africa’s leading mobile telephony company. M-Kesho offers Safaricom’s subscribers who use its M-Pesa money transfer service the chance to open and operate a bank account, save withdraw, access loans and microfinancing from their mobile phones. With this service Kenyans can open an Equity account with as little as Sh100 and at no operating cost. The service is convenient, efficient, secure and available and, above all, offers all Kenyans affordable banking solutions. [http://www.proudlyafrican](http://www.proudlyafrican)

Partnership between banks, financial institutions, MFIs and the mobile industry players should be sought out and encouraged. In order to sustain the growth of these success stories in these countries and the rest of African countries, there is need to support a single integrated framework (between financial institutions and mobile industry) to cut costs in order to provide consumers with the convenience of banking from home, the farm or other remove areas. MFIs should upgrade their technology to be able to adopt the new mobile banking emerging technology and should seek solutions that are user friendly and easy to implement. The increased access to cell phones by the unbanked Africans would be the most cost-effective and economically efficient...

2.2: Strategic Partnership and Desire for Profit Maximization

In banking like in other Business cost reduction and enhanced ability to deal with customers are drivers of extreme importance. This argument is supported by Yaklef (2001) who identified cost reduction as an inherent benefit in e-banking. The desire to reduce both operational and administrative costs has driven banks to the electronic world. However, cost reduction is only realizable with an increase in consumer adoption (Bradley and Stewart, 2003). Aladwani (2001) and Bradley and Stewart (2003) found that in the majority of the banks the idea of going electronic comes from the top management. The strategic decision to abandon the legacy systems to accommodate the new systems is the responsibility of senior management. Further, Aladwani (2001) noted that lack of resources can inhibit the development of electronic facilities. Furthermore, this was identified as one of the reasons why banks have resulted to alliances in order to pool resources.

I Mas and K. Kumar (2008), breaks down the importance of mobile business to the banking sector as First, the mobile phone can serve as a virtual bank card where customer and institution information can be securely stored, thereby avoiding the cost of distributing cards to customers. In fact, the subscriber identity module (SIM) card inside most if not all GSM phones is in itself a smartcard (similar to the virtual bank card). Thus, the bank customer’s PIN and account number can be stored on this SIM card to perform the same functions as the bank virtual card. Second, the mobile phone may serve as a point of sale (POS) terminal. As such a mobile phone may be used to transact and communicate with the appropriate financial institution to solicit transaction authorization. This is the same functions of a POS terminal at malls, retail, or other stores. A mobile phone can duplicate this functionality with ease. Third, the mobile phone can also be used as an ATM. A POS is used to pay for goods or services at the store. If we consider cash and access to savings as “good and services” that customers buy at the store, then that POS will also serve as cash collection and distribution point which basically is the function of an automatic teller machine (ATM). Fourth, the mobile phone may be used as an Internet banking terminal.
This providing two fundamental customer services: a) instant access to any account; and b) the ability to make payments and transfers remotely.

As such, the mobile phone device and wireless connectivity bring the Internet terminal into the hands of otherwise unbanked customers. Banking transactions are commission based and all these translate to sale for partners. This rhymes with argument advanced by Charles Wokabi [2013], where in Kenya transactions on the latest mobile banking innovation, M-Shwari, crossed the Sh1 billion mark at the close of 2012 in an overwhelming uptake that could force local banks back to the drawing board. By December 27, barely a month after its launch, M-Shwari customers had borrowed over Sh123 million and deposited in excess of Sh976 million in savings, with the biggest activity recorded among the youth aged between 25 and 30. Quoting CBA’s CEO Jeremy Nzuze, Wokabi further argues that CBA has experienced a significant expansion on its balance sheet since the launch of M-Shwari in addition to numerous accounts being opened every day. Its effect is expected to impact significantly on the bank’s turnover,

2.3: Strategic Partnership for Result of Customer Satisfaction

Bradley and Stewart (2003), who noted that banks have realized that customers are the core to their businesses and thus must respond to their needs, As banks strive to attract customers in an increasingly competitive global market, a superior mobile banking platform can help by enhancing the customer experience. The world is increasingly connected and customers expect to have 24/7 access to their bank via the Web or their mobile device. While virtually every competitive bank provides online services, the quality of a mobile banking platform can help provide differentiation, making customer relationships more intimate and nurturing loyalty and trust. For a truly superior mobile banking platform, many banks worldwide today turn to the Ambit My Money online banking system from SunGard. Ambit’s mobile platform also enables banks to aggregate a rich pool of customer data that can be used to increase understanding of customer needs, refine customer messaging and enhance the overall customer banking relationship.[http://www.sungard.com/banks/bankofthefuture/solutions/retailbanking/customermanagement/mobile-banking-platform]
Customer satisfaction measures how well a product or a service supplied by a firm meets customer expectation. According to T. Dahlberg and N. Mallat (2002), “Ease of use, security, low transaction costs, and wide applicability of the solutions increase perceived customer value and should be managed by mobile payment solution provider”. Numerous researchers have investigated perceived usefulness and perceived ease of use as a valid construct to measure customer satisfaction level H. Amin, R. Baba, and M. Muhammad, [2007], [P. Luarn and H. -H. Lin 2005], and [N. Lewis, A. Palmer, and A. Moll [2010]. Mobile banking is adapted by the banks as means to provide customers swift and easy access to their bank accounts. Customers adopt a technology when they find it easy to understand and implement. According to T. Dahlberg and N. Mallat (2002), and J. Aldas-Manzano, C. Ruiz-Mafe and S. Sanz-Blas [2009] perceived usefulness has a positive effect on the behavioral intention to use mobile banking. W. Chmielar [2002] suggested that functional diversification, service quality and versatility as well as efficiency of customer inquiry service as the key factors of measuring customer satisfaction. Furthermore, research shows that bank’s put in their best effort to sell different products and services to customers. Today’s customers desire quality products and services along value added benefits D. Cohen, C. Gan, H. Yong and E. Choong[ 2006] further added that “improvement in communications efficiency, could have a significant impact on customer satisfaction and consequent behavioral intentions”. Higher level of functional performance associated with mobile banking adoption, leads to higher level of customer satisfaction. “Our mission is to offer inclusive customer focused financial services that socially and economically empower our clients and other stakeholders. By joining hands with Essar Telecoms, we are pursuing our commitment to give our customers choices,” explained Dr Mwangi, commenting on the YuCash solution. [2010]. http://www.proudlyafrican

2.4: Strategic Partnership and Technology

In recent years profound technological changes among which is the advent of e-commerce or the exchange of products and services and payments through telecommunication systems have been witnessed. Aladwani (2001) identified it as the fastest growing area for businesses. Most industries have been influenced in different ways by ecommerce (Foxall et al. 2003) and that the banking industry has been subject to this technological change (Bradley and Stewart 2003). It is
evident that banks and other financial institutions in developed and emerging markets are embracing e-banking. According to Doz and Hamel [1998], technology driven firms will have the strategic imperatives for forming alliances: building nodal positions in coalitions aimed at creating new markets, creating new opportunities by combining skills resources and building new competencies faster than would be possible through internal efforts. Increasing complexity of technology reduces the adoption of technology and makes it costly for the firm to implement. Higher technological innovation with reduced complexity is profitable for adoption of mobile banking as well as it increases the trust of customers on the service provider thus increasing customer satisfaction J. Pu’schel, J. Mazzon, and J. Hernandez [2010]. Comparatively traditional banking system incorporated tedious authentication and verification methods which required the customer to visit the bank personally. This activity consumed time of the customer as well as the service provider, increasing the cost and complexity and reducing profit. Mobile banking as provides the facility of entity authentication which means “users should be sure that they are communicating with the real bank, before sending sensitive information to it; banks should know the identity of a user before processing its transactions”. N. Lewis, A. Palmer, and A. Moll [2010]

Mobile banking has marked itself as an emerging technology adopted by banks around the globe. Partnerships between bank and telecommunication company enables access for the players to anywhere In Kenya, The product M-Kesho has opened up the agency banking space at no expense to Equity and provided access to a banking licence to Safaricom, without the latter having to go through the regulatory red tape that has been responsible for confining the growth of mobile money in the Kenyan economy. http://www.emeraldinsight.com/journals.htm Banks sometimes rides on the telecommunication company’s technological platform to reach out to more customers. This argument is supported by Muthoki Mumo[ 2012]in reference to the Central Bank of Africa’s Partnership with Safaricom on M-Shwari “We see this as leveraging on technology to provide banking services in the remotest parts of this country without having to set up infrastructure,” Jeremy Nzuze (2012) CEO Central Bank Of africa
2.5: Strategic Partnership and competition.

Competition among financial institutions is intensifying in Africa as more governments relax barriers to entry and open their countries’ banking sectors to new players. The flurry of fresh entrants in some countries is credited with helping to drive down banking charges, improve access to banking services and spark off a wave of new products and services. While corporate banking services are growing strongly, many African consumers are turning to microfinance, mobile phone and retail companies rather than banks for access to financial services, Roothman says. “Micro financiers and other non-banking lenders tend to be more accessible to the man on the street, which is often not seen as bankable. Still, as the purchasing power of Africans grows, there will be more scope and opportunities for banks to service them.”


In Kenya, where less than a quarter of the population has bank accounts, banks have been spurred into action in the consumer market by the success of the mobile money transfer services. This success has galvanized the banks into action. “Banks now have much lower entry fees, which means that less wealthy individuals can now afford to open accounts,” says Shah. Recent changes in legislation has also made it possible to introduce agency banking, which means banks no longer need to follow the traditional ‘bricks and mortar’ model, she says. Banks are now allowed to recruit other businesses – notably telecommunications companies and retailers with a nationwide presence - to offer banking services on their behalf on an agency basis. Shah notes that one of the latest boosts for financial access in Kenya is the partnership between mobile operators and commercial banks which, over and above doing away with account-opening fees and monthly charges, pays interest and offers account holders access to emergency credit and insurance facilities.“As a result of all these changes, the sector has become very competitive,” she says. “Access to banking and financial services has improved greatly and charges are coming down. The greater circulation of money also means more businesses are coming up and helps investors feel a little bit more comfortable about investment prospects.”


According to Charles Wokabi (2013) Mr.Ngunze CBA’S CEO sees the new product as the perfect customer attraction and retention tool especially because it gives the bank access to over
15 million customers who are already on the M-Pesa platform. “We have adopted a different strategy from what other players are applying to increase their footing and reach to potential customers at the grassroots level. We believe this was the right decision because we now have easy access to millions of new customers given the level of mobile penetration Kenya enjoys,” he also notes that according to Mr. Ngunze Many Kenyan banks have resorted to agency banking to rope in more clients and that the phenomenal growth of M Shwari is likely to send jitters in the banking industry since it offers similar products as commercial banks, but with extra convenience because users do not have to queue in a banking.
2.7: CONCEPTIAL FRAME WORK

Conceptual frame work presented in figure 2.1 summaries relationship between independent variable and independent variables used as fundamental basis of the study

Figure 2.1: Conceptual Frame work

<table>
<thead>
<tr>
<th>Competition. Measured by:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Services offered by other banks</td>
</tr>
<tr>
<td>• Number of customers in the market</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profit Maximization. Measured by.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Effect on profit levels</td>
</tr>
<tr>
<td>• Effect of sales on performance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Demand Satisfaction:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lifestyle change</td>
</tr>
<tr>
<td>• Consumer rights awareness</td>
</tr>
</tbody>
</table>

Strategic partnership between commercial banks and Telecommunication companies in Kenya

Social relations
Man power
Technology

21
CHAPTER THREE

RESEARCH METHODOLOGY

3.1: Introduction

This chapter focuses on the data design method of data collection presentation and analysis. Sampling design, target population used in the research is also presented in this chapter.

3.2: Research design

According to Gilbert [2005] a research design is the framework or plan for study used as a guide to collect and analyze data. The study is descriptive type of study and utilizes structured survey where the researcher administers structured questioners in order to generate finding of the study. Babbie (1995) says that survey is a kind of research that is descriptive, exploratory and explanatory. Scutt (1996) defines survey as a kind of research in which information is obtained through responses that a sample of individuals gives questions. Survey design was used to allow for extensive data collection on a large population. It’s aimed at providing an in depth understanding of influence of strategic partnership between commercial banks and telecommunication companies in Kenya.

3.3: Target population

The study population comprised of representative sample from seventeen existing partnerships between commercial banks and telecommunications companies in Kenya. There are 44 commercial banks and four mobile telecommunication companies which comprise of the target population. Out of the entire study population of seventeen partnerships, the study focused on randomly selected nine of the partnerships. The researcher further randomly selected ten top and middle level managers from each identified partnership. This made the study population of 90 respondents.
3.4: Location of the study

The study will be conducted within Nairobi where headquarters of all the banks and Telecommunication companies in Kenya are based.

3.5: Sampling Procedure

The study used simple random sampling method where all members of the population had an equal chance of being chosen for the sample group. Since the study field is evolving thus providing technical challenges on sample size, the researcher settled to target half or nine strategic partnerships as a sample of existing seventeen. This thinking is supported by Mugenda and Mugenda (1999) who advises that if there is no estimate available of the proportion in the target population assumed to have characteristics of interest, 50% should be used as sample size. The study was conducted with aid of research assistants who were instrumental in primary data collection by administering questionnaires. The study targeted to administer questionnaires to ninety senior and middle level managers from nine selected Partnership.

3.6: Research Instrument.

The study utilized questionnaire as major instrument for the study in collecting primary data. Questionnaire is a research tool that gathers data over a large sample [kombo et al.2002]. In collection of secondary data however internet, books and journal readings as well as articles in the daily papers will be used by the researcher. Interviews over Radio and Televisions were also listened in by the researcher with the aim of gathering relevant information on the study topic.

3.7: Pilot testing of the study instrument

The researcher tested the viability of research instrument. Mugenda and Mugenda [1999] define validity as the accuracy and meaningfulness of inferences which are based on the research results. The researcher administered ten questionnaires to selected portion of possible respondent. This aided the researcher to find out the admissibility of the research instrument.
3.8: Data collection Procedure

Research data was collected in form of both primary and secondary data. The researcher made use of books, journals, web, news papers and magazines inform of existing materials in order to relate research objective.

The research assistance then administered semi-structured questioners to a representative of selected respondents. The questioners contained both open and close ended questions in order to accommodate divergent and objective views from the respondents. The questions targeted variable as set out in the study objectives.

3.9: Data Analysis and presentation

The researcher perused through and sorted the filled research questionnaires. The data was then recorded in order of the findings on each research question. The data collected was presented by ranking and coding the data in order of the findings. The researcher used Basic statistical techniques to analyze various items of the questionnaire and draw conclusions from the findings and made predictions based on the findings as well as use of statistical package for social sciences SPSS where necessary to analyze and interpret the data. For purpose of clarity, explanations and comparison data was presented in frequencies, pie charts, percentages and a number of tables. This was then tallied to establish frequencies, which was converted to percentage of the total number. Summary, conclusion and recommendations was made as cumulative products of fieldwork and data analysis.
CHAPTER FOUR
DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.1 Introduction

This chapter provides the findings of the study based on the data collected from the field and analyzed using appropriate descriptive statistics and presented in charts, tables and graphs. The first section covers the bio data such as Gender, profession and level of education. The second section covers background information of the respondents such as organization of work, period of service and one's position in the organization. The third part of the study presents respondents' views or opinions on the influence of strategic Partnerships between telecommunications companies and commercial banks in Kenya.

4.2 Respondents' Bio data

4.2.1: Response Rate

A total of 90 respondents were identified as comprising the sample of the study. Questionnaires were self-administered with the help of a research assistant to the 90 respondents and 84 responded translating to 93 percent response rate. As shown in Figure 4.1 below the 46 of respondents (55 percent) were male while 38 (45 percent) were female.

![Respondents' Gender](image)

Figure 4.1: Respondents' gender

Source: Survey Data 2013
4.2.2: Respondents’ Age

The research sought to establish the age bracket of the respondents. The findings as shown on Table 4.1 below indicate that majority - 50% of the respondents were aged between 26 to 35 years, 29.76% were between 46 to 65 years and 20.24% were 19 to 30 years. There were no respondents within the age bracket of 46-65 in the group that responded to the administered questioner.

<table>
<thead>
<tr>
<th>Age bracket</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>19-30</td>
<td>17</td>
<td>20.24%</td>
</tr>
<tr>
<td>26-35</td>
<td>42</td>
<td>50.00%</td>
</tr>
<tr>
<td>46-65</td>
<td>25</td>
<td>29.76%</td>
</tr>
<tr>
<td>46-65</td>
<td>00</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data 2013

4.2.3: Respondents’ profession

The research sought to find out the profession of the respondents. The findings as shown on Table 4.2 below indicate that 41.67% of the respondents were bankers, 33.33% communications experts, 21.43% accountants and others who were social scientists computer scientist and actuarial scientists were 3.57%

<table>
<thead>
<tr>
<th>Profession</th>
<th>Frequency</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banker</td>
<td>35</td>
<td>41.67%</td>
</tr>
<tr>
<td>Communications expert</td>
<td>28</td>
<td>33.33%</td>
</tr>
<tr>
<td>Accountant</td>
<td>18</td>
<td>21.43%</td>
</tr>
<tr>
<td>Others</td>
<td>03</td>
<td>03.57%</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey Data 2013
4.2.4: Respondents' level of education

The findings indicated by the table 4.3 below shows that majority of the respondents comprising of 55.95% had university degree as their level of education while 26.19% had college diploma. 9.53% were master's graduate with 3.57% having only secondary education. The remaining 4.76% of the respondents had other level of education mainly being certificate from tertiary colleges and technical skills.

Table 4.3: Respondents' Level of Education

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Frequency</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary</td>
<td>03</td>
<td>3.57%</td>
</tr>
<tr>
<td>Masters degree</td>
<td>08</td>
<td>9.53%</td>
</tr>
<tr>
<td>College Diploma</td>
<td>22</td>
<td>26.19%</td>
</tr>
<tr>
<td>University Degree</td>
<td>47</td>
<td>55.95%</td>
</tr>
<tr>
<td>Others</td>
<td>04</td>
<td>04.76%</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Survey Data 2013

4.3 Respondents' Background information

4.3.1: Respondents' employment organization

Figure 2 on the next page is an indication of the findings on the question about respondent's employment organization. 53% of the respondents were employees of a bank while 47% were employed in the telecommunication companies.

Figure 4.2: Respondents' employment organization
4.3.2: Respondents' Length of service

The research sought to find out the number of years the respondent has worked in the organization. From the findings indicated on figure 3 below 44% of the respondent worked for 3 to 5 years while 33% worked for 6 to 9 years. 5% of the respondent said that they were 0 to 2 years in service while 2% had 10 years and above in service.

Figure 4.3: Respondents' Length of service

Source: Survey Data 2013

4.3.3: Respondents' position in the organization

Figure 4.4 indicates finding on the research question that sought to establish position held by the respondents. 59% of the respondents were middle level managers while 41% were senior managers. These levels of managers were targeted for the research because they were thought to be most involved in decision making at the organizations.
4.3.4: whether respondents' organization was partnership

The research sought to establish whether respondents' organization had an existing partnership with either commercial bank or Telecommunication Company which ever that was relevant. The findings are indicated by figure 4.5 on next page as 100 percent of the respondents acknowledge that their organization had an existing partnership. This trend was expected because the research targeted senior and middle level managers of companies known as engaging in partnerships. This target group thus indicates that they are best suited to answer the questions that followed on the influence of strategic partnership between telecommunication companies and commercial banks in Kenya.

Source: Survey Data 2013
4.4 Main issues

4.4.1: Respondents thought on if partnership is strategically planned

Figure 4.6: If partnership is strategically planned

From the figure 4.6 below 98.3% of the respondents say that partnerships between commercial banks and telecommunications in Kenya are strategically planned while a minute portion of 1.7% think otherwise.

![Pie chart showing 98.3% yes and 1.7% no for partnership strategy.]

Source: Survey Data 2013

4.4.2: Respondents thought on if partnership between commercial banks and telecommunication companies is factor motivated.

Figure 4.7 below shows that 99.60% of the respondents acknowledge that partnerships between commercial banks and telecommunication companies in Kenya are factor [s] motivated. While 0.4% think otherwise.
4.4.3: Respondents level of agreement with the statement that companies engage in partnership for desire for profit maximization.

Figure 4.7 below summarizes the respondent’s thoughts on level of influence desire for profit maximization has on strategic partnership between commercial banks and telecommunication companies in Kenya. From the graph majority of the respondents concur that companies engage in strategic partnership to minimize operational cost. This is evidence by 64% who strongly agreeing with the statement and the 13% who agree with the statement. 20% are neutral on this parameter while only 3% do not agree that operational cost minimization have any influence on strategic partnership under study.

82% strongly agree and other 9% agree to the question on whether desire to increase income by increasing customer base influences strategic partnership. 2% are neutral on the parameter with 6% disagree with this opinion. The other 1% strongly disagrees to the hypotheses that increase in customer base to increase income influences strategic partnership.

Telecommunication companies are indicated as getting into strategic companies with commercial banks in order to earn customer loyalty thus increased income. From the figure 50% strongly agree with the statement and other 42 % agrees. 5% is neutral while the remaining 1% disagrees with 2% strongly disagreeing with the statement. A total of 91% of the respondents feel that it is
true that partnership increases delivery channels thus income streams. This is evidenced by 71% who strongly agree and the 20% who agrees. 5.8% were neutral in opinion while a total of 3.3% disagrees out of which 2.2% disagrees and 1% strongly disagrees.

**Figure 4.8: bar graph showing Desire for profit maximization variables in percentage form**

```
Source: Survey Data 2013

4.4.4: Respondents level of agreement with the statement that companies engage in partnership for customer demand satisfaction.

The research sought to find out if customer demand satisfaction influences strategic partnership between telecommunication companies and commercial banks in Kenya. As indicated on figure 4.9, on examining the extent to which increased level of awareness on consumer rights necessitates partnership between commercial banks and telecommunication in Kenya, 14% strongly agree with that it does influence, 52.2% agree 13% are neutral while 20% disagree and 0.8% strongly disagree.

Research also sought to find out whether change in consumer taste and lifestyle had influence on strategic partnership between commercial banks and telecommunication companies in Kenya. A large percentage of respondents’ things that it does influence. 15% strongly agrees, 42% agrees
28.9% are neutral. A smaller percentage of 4.1 disagrees that it does and another 10% strongly disagrees.

On asked if the partnership is the only way for the banks to reach the unbanked population, the larger proportion of 42% of the respondents agrees, 37% strongly agrees 7% Neural, 11.7% disagrees and 1.3% strongly disagrees. On customer demand satisfaction, the research also sought to know if customers’ consider diversity and convenience of services offered before they open a bank account large percentage of the respondent say no with 46% disagreeing with the statement, 17 strongly disagreeing with 17% neutral. 14 agree and 6% strongly agrees. However 80% of the respondents strongly agree that before subscribing to services of telcomm Company customers consider diversity and convenience of the services.16% agree and 4% disagree. None of the respondents are neutral on this.

Figure 4.9: bar graph showing customer demand satisfaction variable in percentage form

Source: Survey Data 2013
4.4.5: Respondents level of agreement with the statement that Technology is an influence in banks and Telkom companies’ strategic partnership.

In terms of if technology influences strategic partnership between commercial banks and telecommunication companies in Kenya, the respondents majorly says it does. When asked if technological advancement necessitated mobile banking, a whopping 61.1% strongly agree, 21% agree and 17.9% are neutral. None of the respondents’ disagrees in the influence of technology on strategic partnership between telecommunication companies and commercial banks in Kenya.

In terms of cost of infrastructure, when asked of their opinion on the statement that cost of technological infrastructure makes it hard for companies to thrive alone, majority 73% agrees, 5% strongly agrees, 27% neutral with only 10% disagreeing.

To the hypotheses that global technological advancement has opened up diversity in market, 20% strongly agrees, 46% agrees, 27% neutral, 5% disagree and 2% do not agree at all. Majority of the respondents 49% as indicated on figure 10 below disagrees that skills and competency to manage advance levels of technology in Kenya is limited. 17% strongly disagrees, 17% neutral while only 14% only agrees and 2% strongly agreeing. These distributions is shown on figure 4.10 on the next page.
4.4.6: Respondents level of agreement with the influence of competition on strategic partnership between commercial banks and telecommunication companies in Kenya.

The research sought to establish respondents' level of agreement with the hypothesis that competition had influence on strategic partnership between commercial banks and telecommunication companies in Kenya. Bar graph below referenced as figure 4.11 shows that 79% strongly agree, 13% agree while six respondents were neutral only 2% of the respondents said that they disagree that competition was a direct motivator of partnership.

On competition from money transfer services 36% of the respondents' strongly agree that it forces banks to join hands with the telecommunication companies. Similarly 38% agrees and 20% neutral. 3.8 disagree and 2.2 strongly disagree. When asked if banks form partnerships to be ahead of other banks in m-banking, a whopping 94% responding to the affirmative. 65% strongly agreed and 29% agreed while only 6% being neutral. None of the respondent had a negative opinion on the opinion.
Figure 4.11: competition variables in percentages

Source: Survey Data 2013
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions and recommendations as per the purpose of the study and research objectives. The purpose of this study was to establish influences of strategic partnership between commercial banks and telecommunication companies in Kenya. The researcher set out to achieve the following objectives.

1. To find out the influence of competition on strategic partnership between banks and telecommunications companies.

2. To determine role of profit maximization in strategic partnership between banks and telecommunications companies.

3. To find out how changed customer demand influences strategic partnership between banks and telecommunications companies.

In addition to the stated objectives the research also was keen on other intervening variables influence on strategic partnerships. Such variables included technology and human resource or man power.

5.2: summary of the findings.

The research has unfolded the influence of strategic partnership between commercial banks and telecommunication companies in Kenya. On the basis of findings presented in chapter four, The research respondents feel that strategic partnership between commercial banks and telecommunication companies are as are result of influencing factors such as desire by companies to maximize profit, customer demand satisfaction, advancement in technology and need to bit competition. 100% of the respondents agreed to the existence of strategic partnerships between their company and either bank or Telecommunication company. They also agree that partnerships are strategically planned and are factor motivated.
Desire for profit maximization came out as an influence for commercial banks and telecommunication companies to form partnership. Independent variables such as minimization of operational cost, increase in customer base, need to earn customer loyalty thus increase transactional income and need to increase delivery channels to maximize on income streams were confirmed as greatly contributing to strategic partnership between commercial banks and telecommunication companies in Kenya.

As much as respondents’ agree that demand for customer satisfaction is an influence in the partnership under study, they disagree that customers consider diversity and convenience of services offered before opening bank account. Asked differently the respondents opinions were that customers consider cost of service and customer services offered as compared to variety and convenience. The research however found out that when it comes to telecommunication companies’ consumers consider diversity of services and convenience before subscribing. The research also established that customers played an integral role in partnership between commercial banks and telecoms by demanding convenience especially from the telecommunication companies.

Technology has been found by this research as contributing to existence of partnership between telecommunication companies and commercial banks in Kenya. From the structured questions it is evident that there is increase in mobile banking due to advancement in technology. Cost of technological infrastructure and global technological diversity pushes companies into strategic partnerships. This implies that Commercial banks and telecommunication companies get into strategic partnerships to minimize on the cost of IT infrastructure and to conform to global demand of advancement in technology. The research has however established that Kenya is not limited in skills and competency when it comes to use of technology. 62% of the respondents refuted the statement that companies partner to overcome the limited skills and competency in technology. Availability of existing platform with telecommunication companies that banks can use to sell their product and services was also fronted as a motivator.

Competition came out as direct motivator of partnerships. Banks strive for partnerships with telecommunication companies in order to benefit from money transfer services offered by telecommunication companies and to be a head of counter parts in M-banking.
5.3: Conclusion

The main objective of this study was to establish influence of strategic partnership between commercial banks and telecommunication companies in Kenya. Insightful examinations of the research results lead to the following conclusion. First, strategic partnership is a vital organ in a business with continuing interest. As noted from the research findings technological advancement which is costly affects businesses and companies cope by aligning their businesses to be at par with competition. Competition in the industry understudy is rive and companies aim at moving towards M-banking and maximization of value for share and stake holders.

Second, general consumers are constantly becoming aware of their rights and demand services of their choice and convenience. This is why despite the cost customers of telecommunication company will prefer a company that gives them convenience and diversity of services. These customers desires according to the research finding is what telecommunication companies strive for as they engage in partnerships with commercial banks.

It is also evident that m-banking is a business that earns banks income without much effort because presented with convenience consumers transacts the business without having to appear in the banking halls as traditionally been done in banking. This increases income channels thus maximize profit for companies share holders in addition to putting banks ahead of their competitors in terms of customer base.

5.4: Recommendations

The most important finding of this study is the research evidence that strategic partnership is a reality that helps business cope with developing global business environment amidst global technological advancement and increased consumer demands. The researcher therefore recommends that policy guideline should be put in place and enhanced in order to further protect consumers from corporate organizations that mostly rush to cope with competition and profit maximization. Organizations should invest in technology and manpower that will negotiate and establish lasting partnerships.
It would be interesting to know if the same factors motivate partnerships in other countries within Africa and Outside Africa in developed world. A follow up research would also be necessary to establish if established partnerships last and if not what cause the break up.
Reference


Amin H., R. Baba, and M. Muhammad, [2007] “An analysis of mobile banking acceptance by Malaysian customers,” Sunway Academic Journal 4, Universiti Malaysia Sabah,


Ivatury, Gautam and Mark Pickens [2006]: “Mobile Phone Banking and Low-Income Customers: Evidence from South Africa,” Consultative Group to Assist the Poor, Washington DC.


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Robert M. Grant [2008] Contemporary Strategy Analysis,


Hallo Respondent,

My name is Teresa Q. Duba, an MBA student at Kenyatta University. I am doing Research on influence of Strategic partnership between commercial banks and Telecommunication companies in Kenya. I request for your input on this by answering questions below to the best of your knowledge. Follow guide lines given in every section and do not indicate your name to ensure confidentiality of your answers. Thank You.

SECTION 1: BIODATA-Please tick as appropriate.

1: Gender
[a] male [b] female

2: state your age bracket.
[a] 19-30 Years [b] 26-35 Years [c] 36-45 Years [d] 46-65 Years [e] Above 65 Years

3: what is your profession?
[a] banker [b] communications expert [c] accountant [d] other

4: What is your highest level of education?

SECTION B: BACKGROUND INFORMATION. Tick as appropriate

5: where do you work?
[a] in a bank [b] telecommunication company

6: How long have you worked in this organization?
[a] 0-2 [b] 3-5 [c] 6-9 [d] 10 and above

7: What position do you hold in this organization?
[a] Senior Manager [b] Middle level manager [c] Employee
8: Does your organization have an existing partnership with a telecommunication company or a bank? (Which ever relevant)

YES ( ) NO ( )

SECTION C: MAIN ISSUES

1) Is partnership between commercial banks and telecommunication companies strategically planned?

YES ( ) NO ( )

2) Is Partnership between Commercial Banks and telecommunication companies in Kenya factor (s) motivated?

YES ( ) NO ( )

What is your level of agreement with the following statements that relate to influence of mentioned factors to strategic partnership between commercial banks and telecommunication companies in Kenya? Use a scale of 1 – 5 where 5= strongly agree and 4 =Agree 3=Neutral 2= Disagree 1= strongly disagree

DESIREE FOR PROFIT MAXIMAZATION

<table>
<thead>
<tr>
<th>1</th>
<th>Companies enter into partnerships to minimize operational cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Banks take into partnership with telecommunication to increase on customer base</td>
</tr>
<tr>
<td>3</td>
<td>Telecommunication companies enter into partnership with banks to earn customer loyalty thus increased income.</td>
</tr>
<tr>
<td>4</td>
<td>Partnerships increase delivery channels thus income streams</td>
</tr>
</tbody>
</table>

CUSTOMER DEMAND SATISFACTION

<table>
<thead>
<tr>
<th>5</th>
<th>Increased level of awareness on consumer rights necessitates partnership between commercial banks and telecommunication companies to meet customer needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Change in consumer taste and lifestyle forces branchless delivery of banking service</td>
</tr>
<tr>
<td>7</td>
<td>Partnership with telecommunication companies is the only way for the banks to reach the unbanked population</td>
</tr>
<tr>
<td>8</td>
<td>Customers consider diversity and convenience of services offered before they open a bank account</td>
</tr>
<tr>
<td>9</td>
<td>Customers consider diversity of services offered by telecommunication companies before subscribing to their services.</td>
</tr>
</tbody>
</table>

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10. What role do you think have customers played in partnerships between commercial banks and telecommunication companies in Kenya? if any

TECHNOLOGY

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Technological advancement necessitated mobile banking</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>12</td>
<td>Cost of technological infrastructure makes it hard for companies to thrive alone</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Global technological advancement has opened up diversity in market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Skills and competency to manage advance levels of technology in Kenya is limited</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

15. In your opinion how has technology influenced partnerships between commercial banks and telecommunication companies in Kenya?

Competition

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Competition is a direct motivator for banks and telecommunication companies in Kenya to partner</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>17</td>
<td>Competition from telecoms money transfer services forces banks to join hands with the telecommunication companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Banks form partnerships to be ahead of other banks in m-banking</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

19. Please give your opinion on performance of partnerships between commercial banks and telecommunication companies in Kenya.

20. What other influences have necessitated partnerships between commercial banks and telecommunication companies in Kenya in your opinion?
Appendix 2: List of Figures

Figure 1: Example of Partnership between a telecom and commercial banks in Kenya
Airtel's AirTel money and banks in Kenya.

<table>
<thead>
<tr>
<th>Bulk Payment Accounts</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFC Stanbic</td>
<td>Batch payments</td>
</tr>
<tr>
<td>Citibank</td>
<td>Batch payments</td>
</tr>
<tr>
<td>Diamond Trust Bank</td>
<td>Batch payments</td>
</tr>
<tr>
<td>Family Bank/Mumias Sugar</td>
<td>Batch payments</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>Batch payments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Super Dealers</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative Bank</td>
<td>Deposit and withdrawal services to Airtel money agents</td>
</tr>
<tr>
<td>Equity Bank Limited</td>
<td>Deposit and withdrawal services to Airtel money agents</td>
</tr>
<tr>
<td>Faulu Kenya Limited</td>
<td>Deposit and withdrawal services to Airtel money agents</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>Deposit and withdrawal services to Airtel money agents</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Large Agent Chains</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Bank Limited Agencies</td>
<td>Deposit and withdrawal services for customers</td>
</tr>
<tr>
<td>Faulu Kenya Limited</td>
<td>Deposit and withdrawal services for customers</td>
</tr>
</tbody>
</table>

Source: [http://www.africa.airtel.com](http://www.africa.airtel.com)
Table showing existing partnerships between commercial banks and telecommunication companies in Kenya

<table>
<thead>
<tr>
<th>TELECOMMUNICATION</th>
<th>NO. RELATIONSHIPS</th>
<th>COMMERCIAL BANKS</th>
<th>RELATIONSHIPS</th>
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<tbody>
<tr>
<td>SAFARICOM</td>
<td>9</td>
<td>CO-OPERATIVE BANK</td>
<td>M-banking, Float management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>KCB, BARCLAYS BANK, EQUITY BANK, CBA</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>FAMILY BANK, NATIONAL BANK</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>STANDARD CHARTERED BANK, I&amp;M BANK</td>
<td></td>
</tr>
<tr>
<td>AIRTEL</td>
<td>4</td>
<td>CO-OPERATIVE BANK, STANDARD CHARTERED</td>
<td>M-banking, float Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EQUITY BANK, KCB,</td>
<td></td>
</tr>
<tr>
<td>YU/ESSAR</td>
<td>3</td>
<td>co-operative bank, KCB, Equity Bank</td>
<td>M-banking, float Management</td>
</tr>
<tr>
<td>ORANGE</td>
<td>1</td>
<td>Equity Bank</td>
<td>M-banking, float Management</td>
</tr>
<tr>
<td></td>
<td>17</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix II: Budget Estimates (In Kshs)

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Typing, photocopying</th>
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<tbody>
<tr>
<td><strong>Stationary</strong></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>• Notebooks</td>
<td>300</td>
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<td></td>
<td>• Stencils</td>
<td>1,500</td>
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<td></td>
<td>• Foolscaps</td>
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<td></td>
<td>• Duplicating Paper</td>
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<tr>
<td><strong>Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Computer services</td>
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</tr>
<tr>
<td></td>
<td>• Research Assistants</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Travelling</strong></td>
<td></td>
<td>60,000</td>
</tr>
<tr>
<td><strong>Subsistence</strong></td>
<td></td>
<td>40,000</td>
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<tr>
<td></td>
<td>Food and Accommodation</td>
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<tr>
<td><strong>Miscellaneous</strong></td>
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<td>40,000</td>
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<tr>
<td></td>
<td>Other unforeseen Expenditures</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td>10% of the total expenditure</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>222,800</td>
</tr>
<tr>
<td>Month</td>
<td>Activity</td>
<td>Venue</td>
</tr>
<tr>
<td>-----------</td>
<td>-----------------------------------------------</td>
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<td>Jan. 2012</td>
<td>Presentation of Synopsis for Approval by MBA coordination office.</td>
<td>Kenyatta University</td>
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<tr>
<td>Feb &amp; Mar. 2013</td>
<td>Presentation of Proposal to supervisors And Correction</td>
<td>Nairobi</td>
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<tr>
<td>May 2013</td>
<td>Appearance for Defence of the Proposal</td>
<td>Nairobi</td>
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<tr>
<td>May</td>
<td>Collection of Secondary Data</td>
<td>Nairobi</td>
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<tr>
<td>June 2013</td>
<td>Data Analysis</td>
<td>Nairobi</td>
</tr>
<tr>
<td>June 2013</td>
<td>Presentation of Thesis</td>
<td>Kenyatta University</td>
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<tr>
<td>TOTAL TIME REQUIRED</td>
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