

Effect of Digital Strategic Partnerships on Financial Performance of Commercial Banks in Kenya

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Abstract

The study aimed to evaluate the impact of digital strategic partnerships on the financial performance of commercial banks in Kenya. This comes amid declining financial performance among most banks in the country, and a changing market landscape characterised by disruptions in the financial market. While available empirical evidence suggests that the essence of digital strategic partnerships lies in stimulating the performance of modern enterprises, there remains scant evidence in the case of commercial banks, particularly in Kenya. This motivated the study to assess the extent to which commercial banks in Kenya have embraced digital strategic partnerships and how this has influenced their financial performance. The study was grounded in the resource-based view theory. The study employed a descriptive research design, surveying 112 respondents from 39 commercial banks in Kenya. A structured questionnaire was used to collect data, which was analysed using descriptive and inferential statistics. The findings revealed that most of the surveyed commercial banks had embraced digital strategic partnerships, especially with fintech companies. It was also established that a significant and positive relationship exists between digital strategic partnerships and the financial performance of commercial banks in Kenya. The study concluded that the banking industry in Kenya was steadily focusing on digitalising its processes, thus enhancing digital strategic partnerships was a norm in most banks. It is recommended that while most banks have embraced digital strategic partnerships, institutionalising these partnerships is essential to make them more profound and long-lasting, thereby contributing to the continued competitiveness of the banks. Furthermore, banks need to take a step further and invest in digital infrastructure and skills, as well as enter into digital strategic partnerships that incorporate at least the basics, to enhance their competitive advantage in these partnerships.

Keywords: Digital Strategic Partnerships, Digitalisation Strategy, Financial Performance, Commercial Banks

A. INTRODUCTION

The global financial services sector has undergone a rapid transformation driven by technological advancements, shifting customer expectations, and intensified competition from non-traditional players, including fintechs and digital platforms (World Bank, 2023). In response to these shifts, commercial banks have increasingly turned to digitalisation as a strategy to enhance their digital presence and strengthen their competitive edge. As described by (Haretha and Mutegi, 2024), digitalisation strategy is the integration of modern technology into business processes and functions, streamlining the flow of activities both internally and externally for efficiency, adaptability, and overall competitiveness. Among the core dimensions of digitalisation strategy is digital strategic partnerships, which, as expounded by (He et al., 2020), is the formal collaboration between two or more organisations as a way of driving mutual interests for enhanced competitiveness. Commercial banks are embracing digital strategic partnerships that are aimed at enhancing innovation, expanding service delivery, and improving overall financial performance.

According to (Mang'ana, 2022), commercial banks and technology-driven entities, such as fintech firms, telecom operators like Safaricom, or digital service providers, enter into digital strategic partnerships aimed

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at leveraging technology to improve financial products, streamline operations, enhance customer experiences, and tap into new markets. These partnerships are not merely technological integrations; they represent strategic alliances that reshape business models, create new revenue streams, and increase operational efficiency (Modiba & Kekwaletswe, 2020). (Noah, 2025) distinguishes digital strategic partnerships from mere digitalisation by indicating that digital strategic partnerships seek to ensure the buyer-seller framework does not drive the alliance, as is the case with outsourcing digital services. However, he focuses on the exchange of resources, knowledge, skills, and competencies to drive mutual long-term business goals and objectives. As competition in the banking industry intensifies, it becomes crucial for commercial banks to not only adopt digitalisation but also establish strategic partnerships that enhance their digital presence.

In Kenya and other emerging markets, digital strategic partnerships have become a cornerstone of the evolving banking landscape. Local commercial banks have been increasingly partnering with fintech companies and mobile network operators to offer innovative services, including mobile banking, digital lending, agency banking, and payment platforms. One of the notable examples is the strategic digital partnership between Safaricom PLC and most commercial banks such as KCB, NCBA Bank and Cooperative Bank to come up with platforms such as the M-Shwari and KCB-M-Pesa, which are microcredit and savings platforms that have revolutionized the banking industry to a wide range of users across the country (Safaricom PLC, 2019). Other banks, such as Equity Bank and Absa Bank, have also continuously upheld digital strategic partnerships to streamline their operations and leverage technology for enhanced competitiveness. According to (Xadjimuratova, 2025), such digital strategic partnerships play a crucial role in reducing operational costs while simultaneously accelerating market entry and enhancing service delivery to the growing market.

Furthermore, (Haretha and Mutegi, 2024) noted that while there is stiff competition in the banking industry, the demand for digital banking solutions, like other services in various sectors, is on the rise, and this puts digital strategic partnerships at the centre of steering business growth among commercial banks. (Mwenda and Muthimi, 2025) also, it alluded that through shared infrastructure, expertise, and customer bases, banks can overcome the limitations of legacy systems and traditional banking models. Moreover, digital partnerships provide access to data-driven insights that support more informed decision-making, targeted marketing, and better risk management.

While the potential benefits of digital strategic partnerships are widely acknowledged, their actual impact on financial performance remains a subject of growing interest among academics and industry professionals. According to (Mang'ana, 2022), while companies such as commercial banks may invest in diverse strategies, including digital strategic partnerships, the ultimate success of these investments can be measured by their impact on financial performance. This is also echoed by (Elo et al, 2023), who indicated that the overall essence of digitalisation as a business strategy is not only to avail key services in digital platforms, but to drive business financial health through enhanced profitability, return on assets, cost-to-income ratios, customer acquisition, and revenue growth. While some partnerships have proven to yield strong results by accelerating digital transformation and boosting customer engagement, evidence has also shown that other digital partnerships suffer from strategic misalignment, technological incompatibility, regulatory constraints, and inadequate change management, which ultimately impact the overall results in terms of financial performance.

In Kenya, as much as the regulator of commercial banks (Central Bank of Kenya – CBK) upholds the essence of digitalisation in the banking sector towards driving innovation, it also emphasizes on financial stability of commercial banks as well as consumer protection, which could be at risk if the banks do not effectively and keenly integrate digital strategic partnerships (Mwenda & Muthimi, 2025). Furthermore, the regulatory environment in the banking industry influences and determines the extent to which commercial

banks can engage in digital strategic partnerships. This enables banks to strategically assess how these collaborations affect their operational models, competitive positioning, and financial outcomes before deciding to engage in them.

Statement of the Problem

The banking industry in Kenya plays a pivotal role in promoting the country's economic growth and development. Despite the immense role of the sector in the economy, commercial banks have been facing performance challenges, especially with the increasing disruptions and dynamics in the banking sector, including fluctuating interest rates, unpredictable global financial markets, and changes in foreign exchange rates (Kenya Bankers Association – KBA, 2024). While the sector may appear to be growing, data from the CBK shows otherwise, with only nine banks, equivalent to 23%, controlling over 75% of the market share. With the sector dominated by fewer than 10 banks, the other banks face stagnation in their financial performance indicators, including profitability and overall revenues. On the other hand, the available empirical evidence has shown that digitalisation strategies, especially through digital strategic partnerships, play a significant role in enhancing financial performance (Xie & Wang, 2023; Mutambik, 2024). However, most of these studies have been carried out in diverse contexts and conceptualised digitalisation strategy differently.

Furthermore, despite the proliferation of digital alliances in Kenya's banking sector, a noticeable gap remains in empirical research examining the impact of such partnerships on financial performance. Most available studies have focused either on the role of technology adoption or the impact of digital financial services in general, rather than the specific effects of strategic digital collaborations. Therefore, this study aimed to investigate the impact of digital strategic partnerships on the financial performance of commercial banks in Kenya.

Purpose of the Study

The study's primary objective was to investigate the impact of digital strategic partnerships on the financial performance of commercial banks in Kenya. To achieve this general objective, the study was guided by the following specific objectives:

1. To examine the extent to which commercial banks in Kenya have embraced digital strategic partnerships.
2. To establish the current status of the financial performance of commercial banks in Kenya
3. To assess the relationship between the level of integration of digital strategic partnerships and the financial performance of commercial banks in Kenya.

B. LITERATURE REVIEW

Theoretical Framework

The study was grounded in the resource-based view theory (Barney, 1991). The theory posits that a firm's competitive advantage and performance are determined mainly by the resources and capabilities it controls, especially if these resources are valuable, rare, inimitable, and non-substitutable (VRIN). (Barney, 2001) indicates that in a dynamic market where most resources can be imitated and obtained by competitors, the unique use and realignment of these resources stand between a competitive firm and its rivals. This implies that while every firm can employ key strategies and processes such as digitalisation, the ability to align their digitalisation practices with strategic goals and long-term vision makes the difference in whether they will be competitive or not (Frederico, 2023). By going beyond the normal outsourcing of digital solutions to formulating long-lasting strategic partnerships with digital and technology-based companies, firms like commercial banks can fully integrate digitalisation into their operations and align this

with their overall business strategy for competitive advantage. The Resource-Based View (RBV) theory supports the idea that banks enter into digital partnerships to access strategic resources—such as technical expertise, platforms, and market intelligence—that are otherwise costly to develop internally. Through collaboration, banks enhance their dynamic capabilities, which are crucial for maintaining a sustained competitive advantage (Teece, 2007).

According to (Utami and Alamanos, 2023), digital strategic partnerships are collaborative agreements between traditional financial institutions and digital entities, typically formed to leverage technological capabilities to create a competitive advantage. Such partnerships, as outlined by (Gerhart and Feng, 2021), enable banks to access innovation without the high costs associated with in-house development, allowing them to scale their digital offerings more rapidly. These partnerships can take various forms, including joint ventures, platform integrations, white-label solutions, co-branded products, and API-based services. RBV theory supports such unique initiatives as strategic resources that put the organisation in a better position to be competitive compared to its peers. The theory was therefore used in this paper to conceptualise how digital strategic partnerships contribute to the financial performance of commercial banks by translating into valuable, rare, inimitable, and non-substitutable (VRIN) resources.

Review of Empirical Literature

Existing research suggests a positive correlation between digital strategic partnerships and bank performance, particularly when these partnerships result in expanded market access, reduced operational costs, or increased customer satisfaction. According to (Modiba and Kekwaletswe, 2020), banks that adopt fintech collaborations can reduce overhead by automating back-office functions, improve loan disbursement turnaround times, and tap into unbanked or underbanked populations, thereby boosting profitability and return on assets. A study by (Vives, 2017) highlights how digital partnerships enhance efficiency through technological integration, particularly in the areas of payments, lending, and customer service platforms. These improvements, in turn, contribute to lower cost-to-income ratios and enhanced revenue streams. Moreover, the partnerships reduce banks' exposure to innovation risk by sharing technical and operational burdens with their partners.

A strategic partnership is a relationship between two or more enterprises with complementary services and products. Organisations will form alliances when they have assets or expertise that will benefit both parties (Sandhu, 2022). The primary objective of these partnerships is to create a competitive advantage, enabling firms to leverage each other's skills and capabilities to serve their customers better. Therefore, digital strategic partnerships focus on enabling companies to take control of the rapidly changing digital landscape, enhancing operations and driving performance.

(Wanjiku, 2016) conducted a study on the impact of strategic partnerships on the performance of commercial banks in Kenya. The research aimed to investigate the impact of strategic alliances on the performance of banks. The study targeted all 42 commercial banks in Kenya, using questionnaires to collect primary data, which was analysed through simple linear regression. An 88% response rate was achieved. The findings revealed that strategic partnerships accounted for 54% of the changes in bank performance, with a unit increase in strategic alliances leading to a 66% improvement in performance. The study concluded that strategic collaborations have a positive impact on the performance of commercial banks.

(Kangogo, 2016) conducted a study examining the impact of strategic partnerships on the KCB Group's performance. The research employed a case study methodology, gathering primary data through interviews with senior managers at KCB, who were asked open-ended questions. To analyse the collected information, a content analysis technique was applied. The findings revealed that KCB has formed partnerships with several organisations, including USAID, Airtel, Safaricom, and General Electric. These collaborations have facilitated the bank's expansion into new markets, led to cost reductions, fostered the development of

innovative services and products, and enhanced brand visibility. The study concluded that these strategic alliances have broadened KCB's customer base and improved retention by delivering superior service and heightened satisfaction, contributing to better financial performance for the bank.

(Mong'are, 2016) focused on how strategic partnerships impacted the performance of information and communication technology (ICT) firms in Kenya. The research employed a descriptive cross-sectional design, targeting ICT companies based in Nairobi. To gather primary data, questionnaires were distributed, and organisational performance was assessed through metrics such as operational efficiency and market share. The findings revealed that the primary motivation for these companies to establish strategic partnerships was to enhance their competitive advantage and improve financial outcomes. As a result, they achieved greater operational efficiency and improved their overall performance.

Conceptual Framework

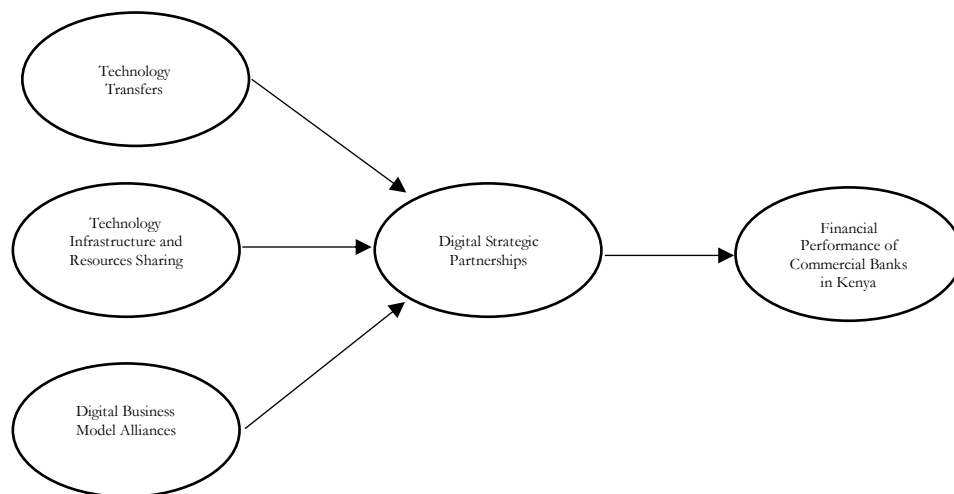


Figure 1. Conceptual Framework

Source: Research data, 2025

C. RESEARCH METHOD

The study used a descriptive research design. The design informed a quantitative methodology employed in this study, which utilised quantitative techniques for data collection and analysis. Through a descriptive research design, the study was able to comprehensively describe the role played by digital strategic partnerships in the financial performance of commercial banks in Kenya. The study targeted commercial banks in Kenya. As of 2025, there are 39 commercial banks licensed to operate in the country by the Central Bank of Kenya. The study specifically targeted senior and middle-level managers from the banking sector. At least four respondents were targeted from each of the banks, totalling 156 respondents. The study was conducted in Nairobi County, which is home to the headquarters of all 39 commercial banks in Kenya. To determine the appropriate sample size for the study, a sampling formula by (Yamane, 1967) was employed. The formula is as shown:

$$n = \frac{N}{1 + N * e^2}$$

Where:

n is the sample size

N is the target population (156)

e is the error margin (0.05)

$$n = \frac{156}{1+156*0.05^2}$$

$$n = 112.23$$

The study therefore sampled 112 respondents in the 39 commercial banks in Kenya. The respondents were picked through stratified random sampling, where the strata were the individual commercial banks. This was done to ensure that all banks were represented.

The study primarily utilised primary data. This data was collected using a questionnaire, which was considered more convenient and practical for collecting adequate data to respond to the research questions. The questionnaire consisted mainly of closed-ended questions, which were in Likert scale format. The questionnaire was administered physically through the drop-and-pick method.

Data in this study were analysed using a quantitative method, comprising descriptive and inferential statistics. Descriptive statistics comprised mean scores, percentages and standard deviations, while inferential statistics comprised a regression model and Pearson correlation. The analysis tool used in the study was SPSS. The data was presented in tables.

D. RESULTS AND ANALYSIS

Response Rate

The study had a sample of 112 who were surveyed using a questionnaire. Out of the 112 questionnaires issued, 82 were duly filled out and returned for analysis. This represented a response rate of 73.2%, which was considered an adequate representation of the sample size.

Digital Strategic Partnerships in Commercial Banks in Kenya

The primary objective of the study was to evaluate the extent to which commercial banks in Kenya have adopted digital strategic partnerships as a digitalisation strategy. The results, as shown in Table 1, revealed that the majority of respondents agreed with statements regarding the integration of digital strategic partnerships, as indicated by an overall mean score of 4.69. This indicates that most banks surveyed have adopted digital strategic partnerships, especially with fintechs, to support their digitalisation efforts and enhance financial performance.

Table 1. Digital Strategic Partnership in Commercial Banks in Kenya

Statements	Mean	Std. Dev.
The bank has effectively engaged in partnerships with fintech companies	4.80	0.429
The bank has allocated financial resources for partnerships with fintech companies	4.41	0.565
There are technology transfers and integrations from partnerships with our bank's partners.	4.79	0.408
Technology transfer from fintechs has improved the bank's operational capabilities and service efficiency	4.63	0.639
The bank has embraced the sharing of digital infrastructure with other technology-based organisations in the market	4.63	0.639
The bank embraces the sharing of technology resources, such as knowledge and skills, with the fintech partners in the industry	4.74	0.517
The bank forms alliances with technology-based enterprises in the sector to develop shared business models	4.79	0.582
The overall digital strategic partnerships our bank has engaged in are adequate to contribute to its continuous success.	4.68	0.564
Average Mean Score	4.69	0.543

Source: Research data, 2025

The findings presented in Table 1 offer significant insights into the extent to which commercial banks in Kenya have adopted digital strategic partnerships as part of their digitalisation agenda. With a high average mean score of 4.69, it is evident that a majority of the surveyed institutions have actively embraced these partnerships, particularly with fintech companies, as a deliberate strategy to drive innovation, efficiency, and financial performance. Most notably, the highest mean scores were recorded for the statements that the bank has effectively engaged in partnerships with fintech companies (mean = 4.80) and that technology transfer and integration from partners have been implemented into the bank's systems (mean = 4.79). These scores indicate that these collaborations are not superficial or merely symbolic, but instead represent active

and impactful engagements that result in tangible technological integration. Such partnerships often include co-development of digital platforms, API integration, cloud infrastructure adoption, and advanced customer data analytics — all of which contribute to operational agility and enhanced service delivery.

Moreover, the findings show strong agreement with the statements related to the sharing of digital infrastructure and technological resources (means = 4.63 and 4.74, respectively), indicating that banks are not only adopting technology from their partners but are also embracing a culture of collaboration and knowledge exchange. In light of the Resource-Based View (RBV) theory, this signifies strategic utilisation of external resources that meet the VRIN criteria — valuable, rare, inimitable, and non-substitutable. Through shared access to technological capabilities, platforms, and expert knowledge, banks can build and sustain competitive advantages that would be difficult to replicate in-house or by competitors. Equally important is the emphasis placed on the development of shared business models (mean = 4.79), which suggests that banks are going beyond transactional or outsourced relationships. Instead, they are co-creating new value propositions with their digital partners — such as mobile microcredit platforms, embedded finance offerings, or subscription-based digital financial services — which represent deeper strategic alignment and long-term collaboration. The item stating that the overall digital strategic partnerships are adequate to contribute to the bank's continuous success (mean = 4.68) reinforces the perception that these partnerships are not simply experimental or reactive. Instead, they are viewed as core strategic instruments contributing to sustainable growth, resilience, and financial stability. This perception reflects a growing maturity among Kenyan banks in terms of digital transformation, where strategic partnerships are no longer seen as optional add-ons but as foundational pillars of competitiveness in a digitally driven financial ecosystem.

From a managerial perspective, the findings suggest that banks should institutionalise digital strategic partnerships within their corporate strategy frameworks. This includes establishing formal governance structures, strategic alignment procedures, and performance evaluation systems to ensure that these partnerships are not only formed but managed effectively to yield optimal results. In Kenya's rapidly evolving fintech landscape, banks must also remain agile by continually scanning for new partnership opportunities, integrating emerging technologies, and scaling successful digital solutions. The data in Table 1 not only reflects a high level of adoption of digital strategic partnerships but also points to a strategic and integrated approach to digitalisation among commercial banks in Kenya. These partnerships are serving as critical enablers of innovation, efficiency, and long-term performance in a competitive and technology-driven banking environment.

Financial Performance of Commercial Banks

The second objective of the study was to assess the financial performance status among commercial banks in Kenya. The respondents' opinions were sought regarding the extent to which their banks performed in terms of key financial performance metrics. Table 2 shows the findings. As the findings portray, an overall mean score of 4.62 was obtained, indicating that the majority of respondents agreed with the statements regarding the financial performance of commercial banks in Kenya.

Table 2. Financial Performance of Commercial Banks in Kenya

Statements	Mean	Std. Dev.
Digital products and services to customers have been among the main drivers of revenue streams in our bank	4.76	0.486
Digitalisation has improved the bank's operational and cost efficiency	4.59	0.520
Digital customer acquisition and retention have significantly increased the banks' market share	4.68	0.518
The bank has diversified its revenue sources beyond traditional banking	4.52	0.707
Our bank has gained a competitive advantage over rivals in the industry because of digital transformation	4.60	0.541
Digital lending solutions have increased the bank's loan portfolio and credit facilities	4.55	0.772
Digital collections and payment solutions have improved the bank's deposits from customers	4.59	0.753
The bank has strengthened its brand presence in the financial sector	4.68	0.564
Mean	4.62	0.608

Source: Research data, 2025

The results outlined in Table 2 provide compelling evidence that commercial banks in Kenya have experienced positive financial outcomes associated with their digital transformation initiatives. With an overall mean score of 4.62, the responses suggest strong consensus among bank managers that digitalisation — particularly through strategic digital partnerships — has been instrumental in driving revenue growth, improving efficiency, and enhancing competitive positioning. The highest rated item, "Digital products and services have been among the main drivers of revenue streams in our bank" (mean = 4.76), illustrates the central role that digital channels now play in modern banking revenue models. This reflects a shift from traditional branch-based services toward mobile apps, digital wallets, online banking, and automated customer interfaces, which not only reduce operational costs but also increase convenience and accessibility for customers. In line with this, banks are now monetising services such as mobile lending, transaction fees from digital payments, and value-added services offered through digital platforms. Similarly, strong agreement with statements such as "Digital customer acquisition and retention have greatly increased the banks' market share" (mean = 4.68) and "The bank has strengthened its brand presence in the financial sector" (mean = 4.68) underscores the brand-building and market-expanding effects of digital innovation. These findings reflect the success of digital onboarding, targeted marketing through data analytics, and personalised customer experiences — strategies often enabled by strategic partnerships with fintechs and digital agencies. Such partnerships provide the technological backbone and innovation culture necessary to reach untapped segments, especially in underserved or remote areas.

Furthermore, the responses affirm that digitalisation has improved operational and cost efficiency (mean = 4.59), which aligns with broader global trends in the banking sector where automation, self-service platforms, and digital workflows reduce staffing needs and improve service turnaround times. These operational efficiencies translate into improved cost-to-income ratios, a key metric for financial health in banking. A key insight also emerges from the statement "The bank has diversified its revenue sources beyond traditional banking" (mean = 4.52). This suggests that banks are now leveraging digital infrastructure not just for efficiency, but to create new business models — such as embedded finance, digital insurance, and merchant services — which reduce dependency on traditional interest-based income. Notably, the response to "Digital lending solutions have increased the bank's loan portfolio and credit facilities" (mean = 4.55) indicates a trend toward the adoption of automated credit scoring and app-based loan disbursement systems. These tools allow banks to expand their lending to small and medium enterprises (SMEs) and individuals who may not meet the stringent documentation requirements of traditional credit lines. This expansion supports financial inclusion while also growing banks' interest income streams.

Another significant indicator is the strong mean score for "Digital collections and payment solutions have improved the bank's deposits from customers" (mean = 4.59). This highlights the efficiency of digital wallets, bill-pay services, and mobile transfer platforms in increasing customer transaction volumes and, by extension, deposit mobilisation. Such systems often rely on seamless integrations made possible through APIs and partnerships with telecoms and fintech companies, again emphasising the interdependence between digital strategy and financial performance. The consistently high scores across all performance indicators suggest that digitalisation — and by extension, digital strategic partnerships — have contributed meaningfully to the financial resilience and growth of commercial banks in Kenya. These benefits are not merely operational but translate into measurable improvements in core banking metrics, including revenue, profitability, market share, brand equity, and loan portfolio size. From a strategic standpoint, these findings reinforce the importance of continuous investment in digital capabilities, talent development, and partnership management. Banks that fail to capitalise on digital momentum may find themselves at a competitive disadvantage as the sector becomes increasingly shaped by digital-first strategies and consumer expectations for seamless, tech-enabled financial services.

Relationship Between Digital Strategic Partnerships and Performance of Commercial Banks

The third objective of the study was to establish the relationship between digital strategic partnerships and the financial performance of commercial banks in Kenya. This was assessed using correlation analysis and regression model analysis.

Correlation Analysis

A correlation analysis using the Pearson correlation was conducted to determine the relationship between digital strategic partnerships and the financial performance of commercial banks in Kenya. The results, as shown in Table 3, revealed a Pearson correlation coefficient (r) of 0.894 at a significance level of $0.000 < 0.01$. This implies that there was a strong, positive, and significant correlation between digital strategic partnerships and the performance of commercial banks in Kenya. The strong correlation confirms that digital collaboration is not just a passing trend, but a critical strategic tool for banks seeking sustainable financial growth and competitive advantage.

Table 3. Correlation Results on Digital Strategic Partnerships and Financial Performance

Variable		Financial Performance of Commercial Banks	Digital Strategic Partnerships
Financial Performance of Commercial Banks	Pearson Correlation	1	.894
	Sig. (2-tailed)		.000
	N	82	82
Digital Strategic Partnerships	Pearson Correlation	.894	1
	Sig. (2-tailed)	.000	
	N	82	82

Source: Research data, 2025

The correlation analysis presented in Table 3 reveals a firm and statistically significant positive relationship between digital strategic partnerships and the financial performance of commercial banks in Kenya. The Pearson correlation coefficient ($r = 0.894$), with a significance level of $p < 0.001$, indicates that as the extent of digital strategic partnerships increases, so does the financial performance of banks, and the strength of this relationship is exceptionally high. From a statistical standpoint, this coefficient (r) approaches the upper bound of +1.0, signifying near-perfect positive linear correlation. This means that commercial banks that have made greater strides in forming and operationalising digital strategic partnerships — such as alliances with fintechs, mobile money operators, and technology service providers — are much more likely to report improvements across key performance metrics, including revenue, profitability, cost efficiency, loan portfolio growth, customer acquisition, and market share. Such a strong correlation also implies that digital strategic partnerships are not just marginally beneficial but are foundational drivers of bank performance in today's rapidly digitalising financial ecosystem. The strategic nature of these partnerships — focusing on co-creation, joint platform development, and infrastructure sharing — allows banks to access technology, talent, and market reach that would be costly or time-consuming to develop internally.

The implications of this finding are multifaceted. First, it validates the notion that digital transformation strategies anchored in collaborative partnerships are more effective than those that are siloed or internally focused. Partnerships offer speed, scalability, and innovation — all critical components in navigating the rapidly changing landscape of customer expectations, regulatory shifts, and technological disruptions. Second, the strength of this correlation provides empirical support for the Resource-Based View (RBV) Theory, which underpins this study. According to RBV, firms achieve sustainable competitive advantage by acquiring and leveraging resources that are valuable, rare, inimitable, and non-substitutable (VRIN). Digital partnerships, when structured strategically, become a source of such resources, enabling banks to outperform peers who lack similar capabilities or fail to structure their partnerships for long-term value.

Moreover, this correlation indicates a strategic alignment between partnership efforts and financial outcomes. In other words, banks that treat partnerships not merely as technical collaborations but as part of

their core strategy are reaping measurable financial benefits. This highlights the need for banks to integrate digital partnership goals into their broader business and financial planning and to develop metrics to track the performance of these alliances. In practical terms, these findings suggest that senior management in commercial banks should prioritise the cultivation of structured digital ecosystem strategies, formal partnership governance frameworks, and agile operational models to scale and adapt their collaborative ventures continuously. Furthermore, banks must enhance their internal capabilities in technology integration, data sharing, cybersecurity, and compliance to maximise the returns from such partnerships fully. The correlation analysis strongly reinforces the hypothesis that digital strategic partnerships play a critical role in shaping the financial health and competitiveness of commercial banks in Kenya. This result also lays a strong foundation for the subsequent regression analysis, which further explores the predictive power of these partnerships on financial performance.

Regression Analysis

Regression analysis was conducted to examine the relationship between digital strategic partnerships and the financial performance of commercial banks in Kenya. The results, as shown in Table 4, revealed that digital strategic partnerships had a coefficient of 0.500, indicating that a unit increase in digital strategic partnerships would result in a 50% improvement in the financial performance of commercial banks in Kenya. It was also noted that the P-value for digital strategic partnerships was 0.000, which is less than the 0.05 significance level, indicating that digital strategic partnerships were a significant predictor. This implies that digital strategic partnerships have a significant and positive impact on the financial performance of commercial banks in Kenya.

Table 4: Regression Coefficients for Digital Strategic Partnerships and Financial Performance

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	1.606	.346		4.649	.000
1 Digital Strategic Partnerships	.500	.160	.387	3.128	.002

a. Dependent Variable: Performance of Commercial Banks in Kenya

Source: Research data, 2025

The regression analysis results presented in Table 4 provide further empirical confirmation of the significant and positive influence of digital strategic partnerships on the financial performance of commercial banks in Kenya. The model reveals an unstandardized coefficient (B) of 0.500, indicating that for every one-unit increase in the extent or effectiveness of digital strategic partnerships, there is a 50% increase in the financial performance index of a commercial bank, holding all other factors constant. This result is not only statistically meaningful but also strategically compelling. It demonstrates that digital strategic partnerships are not peripheral or secondary initiatives, but rather key predictors of financial success in the Kenyan banking sector. The p-value of 0.002, which is well below the 0.05 threshold for statistical significance, confirms the robustness of this relationship. Therefore, the null hypothesis—that digital strategic partnerships have no effect on financial performance—can be confidently rejected. From a strategic management perspective, this finding suggests that banks that invest in forming and nurturing high-quality, purpose-driven digital alliances are likely to experience tangible financial benefits. These may include increased revenue from digital product lines, cost savings from streamlined operations, broader customer reach via digital platforms, and improved agility in responding to market changes.

In terms of standardised coefficients (Beta = 0.387), the result reflects a moderate-to-strong influence of digital strategic partnerships relative to other potential predictors in the model. Although this analysis focuses solely on one independent variable (digital strategic partnerships), the strength of this beta coefficient supports its relevance in a multivariate context, meaning that even when other financial or strategic variables are considered, digital partnerships would still likely retain a notable share of explanatory power. From the

standpoint of the Resource-Based View (RBV) theory, this regression finding gives empirical weight to the argument that digital partnerships represent strategic assets. As articulated in RBV, firms that can access and leverage unique external resources — such as fintech expertise, proprietary technologies, data platforms, or customer analytics tools — through strategic alliances are better positioned to outperform competitors. These partnerships effectively extend a bank's resource base beyond its internal capabilities, enabling rapid innovation, customer-centric digital offerings, and operational efficiencies that are difficult to replicate.

Moreover, the positive regression result also signals the presence of value realisation: banks are not just forming digital partnerships for symbolic or compliance reasons; they are translating these alliances into measurable financial outcomes. This reinforces the idea that the structure, depth, and alignment of the partnership — including factors such as governance models, data integration, co-branding, and product innovation — are essential to unlocking the full financial value of digital collaborations. It is also important to recognize the broader strategic implication for bank leadership and policymakers: the findings underscore the need to integrate digital partnerships into core corporate strategies, rather than treating them as isolated projects. Strategic alignment, capacity-building, and continuous performance tracking of such partnerships should be prioritized to ensure sustained financial benefits. The regression analysis validates the hypothesis that digital strategic partnerships are a statistically significant and impactful driver of financial performance in Kenya's commercial banking sector. These results strengthen the case for banks to adopt a structured, data-driven, and value-oriented approach to partnership formation, as a means of gaining and sustaining a competitive advantage in the digital age.

Discussion

The findings of this study provide robust empirical evidence that digital strategic partnerships have a significant and positive impact on the financial performance of commercial banks in Kenya. This relationship is not only statistically supported through both correlation and regression analyses, but it is also consistent with strategic management theories, particularly the Resource-Based View (RBV), which underpins the conceptual framework of this study. The high correlation coefficient ($r = 0.894$) demonstrates a strong positive linear relationship, indicating that as banks intensify their digital collaborations — especially with fintechs, telecom operators, and other digital service providers — their financial performance indicators, such as revenue, operational efficiency, loan portfolio growth, and market share, also improve. The regression coefficient ($B = 0.500$) further supports this by indicating that a one-unit increase in the strength or depth of digital strategic partnerships results in a corresponding 50% increase in financial performance. These findings support the RBV theory's proposition that sustainable competitive advantage arises from the firm's ability to acquire and deploy strategic resources that are valuable, rare, inimitable, and non-substitutable (VRIN). In this context, digital strategic partnerships enable banks to access cutting-edge technologies, innovative service delivery models, customer data analytics, and new market channels — resources that are typically costly or slow to develop internally. These partnerships also offer agility and scalability, two essential attributes in the rapidly changing financial services landscape.

Furthermore, the high mean scores across survey items confirm that Kenyan banks are not merely experimenting with digital alliances but are actively integrating them into their operational and strategic processes. Respondents strongly agreed that digital partnerships have led to technology transfer, shared infrastructure, co-development of digital solutions, and enhanced organisational learning. These collaborations have enabled banks to diversify their revenue sources, improve service efficiency, expand customer acquisition, and strengthen their market presence. A particularly noteworthy insight is the growing role of co-created digital ecosystems in driving performance. For instance, joint ventures like KCB-M-Pesa and M-Shwari, developed through partnerships between commercial banks and Safaricom, have

reshaped banking models by making financial services more accessible and digitally embedded into consumers' daily lives. Such alliances not only expand a bank's footprint but also position it at the centre of digital financial ecosystems.

However, the study also acknowledges that the mere presence of a partnership does not automatically translate into financial success. The quality, structure, governance, and alignment of these partnerships with the bank's strategic goals are critical success factors. Strategic misalignment, technological incompatibility, regulatory risks, and poor integration can limit the financial impact of such partnerships. Therefore, banks must adopt a strategic partnership management approach that involves selecting partners, allocating resources, managing risk, and monitoring performance. Additionally, from a policy perspective, the study's findings highlight the importance of a supportive regulatory environment that encourages digital innovation while ensuring financial stability and consumer protection. Regulators, such as the Central Bank of Kenya (CBK), play a critical role in creating frameworks that facilitate innovation through partnerships, without compromising systemic stability. This study confirms that digital strategic partnerships are no longer optional innovations, but rather strategic imperatives for banks operating in emerging markets. They provide both a pathway to financial sustainability and a defence mechanism against disruption by agile fintech players. The Kenyan banking sector stands to gain significantly by institutionalising digital partnerships as part of a long-term strategy, supported by investments in digital infrastructure, human capital, and partnership governance frameworks.

E. CONCLUSION

The study concluded that digital strategic partnerships made a significant contribution to the financial performance of commercial banks in Kenya. This suggests that banks that engage in strategic collaborations with fintech companies, mobile service providers, and other digital solution providers tend to experience substantial improvements in their financial metrics. These include enhanced revenue, reduced operational costs, and improved customer service delivery. It is inferred that strategic alignment and execution of digital partnerships are essential in the banking sector, where the positive impact of digital partnerships on financial performance hinges on how well these alliances are structured, managed, and integrated with core banking processes. From the study, it can therefore be concluded that in the rapidly evolving banking environment, failure to adopt or optimise digital strategic partnerships could result in competitive disadvantages, customer attrition, and revenue stagnation.

Based on the conclusions drawn, the study recommends that commercial banks' management needs to strengthen digital partnership strategies by developing and institutionalising digital partnership frameworks that align with their overall strategic goals. These strategies should identify potential partners, define partnership models, and establish governance mechanisms.

Commercial banks should also invest in digital infrastructure and talent to enable partnerships that yield financial value. Banks must invest in robust IT infrastructure, integration capabilities, and digital talent development to enhance internal readiness and ensure successful collaboration with digital partners. There is also a need to leverage partnerships for market expansion and financial inclusion, where banks, through their management, capitalise on digital alliances to reach underserved populations through mobile platforms, agent banking, and digital lending solutions, thereby expanding their customer base and boosting revenues.

Furthermore, as digital partnerships expand, it is recommended that banks collaborate closely with regulators to ensure compliance with data protection, cybersecurity, and financial integrity standards. Proactive engagement with regulators can also influence policy development in support of digital financial innovation. Banks should also implement performance tracking systems to assess the financial impact of

their digital partnerships regularly. This will help optimise partnership models and reallocate resources to the most effective alliances.

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