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RISKS HARING PARTNERSHIPS AND PERFOMANCE OF COMMERCIAL BANKS IN KENYA

BY
Karen JEMELIMAIYO[1], Dr. Lawrence Odollo[2], Dr. Rahab Lanoi[3]
The Catholic University Of Eastern Africa (CUEA)

Abstract
Commercial banks operate in an increasingly uncertain financial environment characterized by credit, liquidity, operational, technological, and market risks. Strategic risk-sharing partnerships provide banks with mechanisms for distributing financial and operational risks among partner institutions, thereby strengthening resilience and organizational performance. This study examined the effect of risk-sharing partnerships on the performance of commercial banks in Kenya. The study was guided by Risk-Sharing Theory and supported by Dynamic Capabilities Theory. A positivist research philosophy and cross-sectional research design were adopted. Quantitative data were collected from 130 respondents drawn from commercial banks in Kenya using structured questionnaires. Data were analyzed using descriptive and inferential statistics, including correlation and multiple regression analysis. The findings indicated that respondents strongly agreed that strategic partnerships facilitated the distribution of financial risks between partners ($M = 4.33$, $SD = 0.57$) and improved banks' resilience to market uncertainties ($M = 4.27$, $SD = 0.73$). Regression results established that risk-sharing partnerships had a positive and statistically significant effect on bank performance ($\beta=0.417, t=13.058, p<.001$). Risk sharing emerged as the strongest predictor among the strategic partnership dimensions examined. The findings demonstrate that collaborative risk-management mechanisms can reduce individual exposure to financial and operational uncertainties while strengthening bank resilience and performance. The study concludes that commercial banks can enhance their performance and sustainability by establishing structured risk-sharing arrangements with strategic partners. It recommends that banks strengthen partnership frameworks for syndicated lending, credit guarantees, co-financing, insurance, and other collaborative risk-management mechanisms.

Keywords: Risk sharing, strategic partnerships, bank performance, commercial banks, Kenya, risk management

1.0 Introduction

1.1 Background to the Study

The contemporary banking environment is characterized by rapid technological advancement, evolving regulatory requirements, changing customer expectations, and intense competition. These developments expose commercial banks to credit, operational, technological, liquidity, and market risks, creating the need for collaborative approaches to risk management. Consequently, banks increasingly engage in strategic partnerships to access complementary resources, expertise, technologies, and markets while strengthening their competitive capabilities. Barney (1991) argues that access to valuable and difficult-to-imitate resources can enhance organizational competitive advantage, while Alqararah et al. (2025) demonstrate that digital transformation capabilities can contribute to improved banking performance.

Risk sharing represents an important dimension of strategic partnerships because it enables collaborating institutions to distribute financial and operational exposures associated with their activities. The concept is consistent with Arrow's (1965) theory of risk-bearing, which emphasizes the economic value of allocating risks among parties according to their capacity to bear them. In banking, risk-sharing arrangements may involve syndicated lending, credit guarantees, investment partnerships, and collaborations with FinTech and other financial institutions. Such mechanisms can reduce individual exposure to losses while enabling banks to combine resources and capabilities.

Globally, technological transformation has increased the importance of partnerships within the financial sector. Banks increasingly collaborate with technology firms and other institutions to develop digital services, improve operational capabilities, and respond to changing customer needs (Alqararah et al., 2025). In Ghana, banking partnerships have also been associated with efforts to promote financial inclusion and extend financial services to underserved populations (Amponsah& Boateng, 2022).

In Kenya, commercial banks increasingly engage in partnerships involving FinTech firms, development finance institutions, and other organizations. For example, NCBA's partnership with Proparco supports SME and green financing, illustrating how collaborative financing arrangements can mobilize resources and distribute financial exposure (Alushula, 2024). Therefore, effective risk-sharing partnerships may strengthen bank resilience, profitability, customer satisfaction, and market position. Bank performance can consequently be assessed through financial indicators such as ROA and ROI and non-financial indicators such as customer satisfaction and market share.

Risk sharing is therefore particularly relevant to the performance of commercial banks because it can influence both financial and non-financial out comes. Effective risk-sharing arrangements can help banks reduce individual exposure to financial losses, improve resilience to market uncertainty, strengthen operational stability, and enhance customer confidence. Bank performance can be assessed using both financial and non-financial indicators. Financial indicators include Return on Assets (ROA) and Return on Investment (ROI), while non-financial indicators include customer satisfaction and market share. The use of both categories provides a broader assessment of whether risk-sharing arrangements contribute to the overall performance and competitive position of commercial banks.

1.2 Problem statement

Commercial banks play a critical role in financial intermediation and economic development, yet their performance in Kenya remains vulnerable to various financial and operational risks. The sector experienced a decline in Return on Assets (ROA) from 3.7% in 2022 to 2.9% in 2023, while Return on Investment (ROI) declined from 26.3% to 22.4% over the same period (Malalu & Njoka, 2024). At the same time, the banking sector continues to face credit-risk pressures, with non-performing loans remaining a significant concern. This situation raises questions regarding the effectiveness of mechanisms used by banks to distribute and manage risks. Risk sharing provides one such mechanism by enabling financial institutions to distribute financial and operational risks among strategic partners through arrangements such as syndicated lending, credit guarantees, co-financing, and banc assurance (Maxwell et al., 2023).

Theoretically, Risk-Sharing Theory suggests that organizations can reduce exposure to uncertainty by distributing risks among multiple parties, thereby improving resilience and performance (Arrow, 1965). In banking, risk-sharing arrangements can reduce exposure tocredit, liquidity, operational, and investment risks and potentially stabilize financial outcomes (European Central Bank, 2023). However, empirical evidence does not consistently support the assumption that risk sharing automatically improves performance. For instance, Ishmail, Memba, and Muriithi (2023) found that partnerships intended to reduce operational risk among microfinance banks in Kenya had a negative effect on Return on Assets, while the effect on Return on Equity was weak and insignificant. This suggests that risk-sharing arrangements may also create challenges related to governance, information asymmetry, coordination, contractual complexity, and dependence on partners (Saci& Mansour, 2023).

Despite the growing importance of collaborative risk management, limited empirical attention has been given to risk sharing as a distinct strategic partnership dimension within Kenya's commercial banking sector. Existing studies have largely examined financial risk, strategic alliances, or partnerships broadly, without adequately establishing how specific risk-sharing mechanisms influence bank performance. The empirical relationship therefore remains inconclusive. This gap necessitates an investigation into the effect of risk sharing on the performance of commercial banks in Kenya, particularly considering financial outcomes such as ROA and ROI and non-financial outcomes such as customer satisfaction and market share.

1.3 Purpose and Objective of the Article

Purpose:

This purpose of this article was to examine the influence of risk sharing on the performance of commercial banks in Kenya.

Objective:

The objective was to examine the influence of risk sharing on the performance of commercial banks in Kenya.

1.4 Significance of the Study

This article is significant because it provides focused empirical evidence on the role of risk sharing in the performance of commercial banks in Kenya. Risk sharing is an important dimension of strategic partnerships because banks face credit, liquidity, and operational risks that can affect their performance. Through arrangements such as syndicated lending and credit guarantees, banks can distribute or mitigate their exposure to such risks.

The findings will be useful to commercial bank managers and strategic decision-makers by providing insights into whether risk-sharing arrangements contribute to improved financial and non-financial performance. The findings may also assist banks in evaluating the effectiveness of mechanisms such as syndicated loan participation, credit guarantees, and strategies for reducing non-performing loans, which were the indicators used to measure risk sharing in the study.

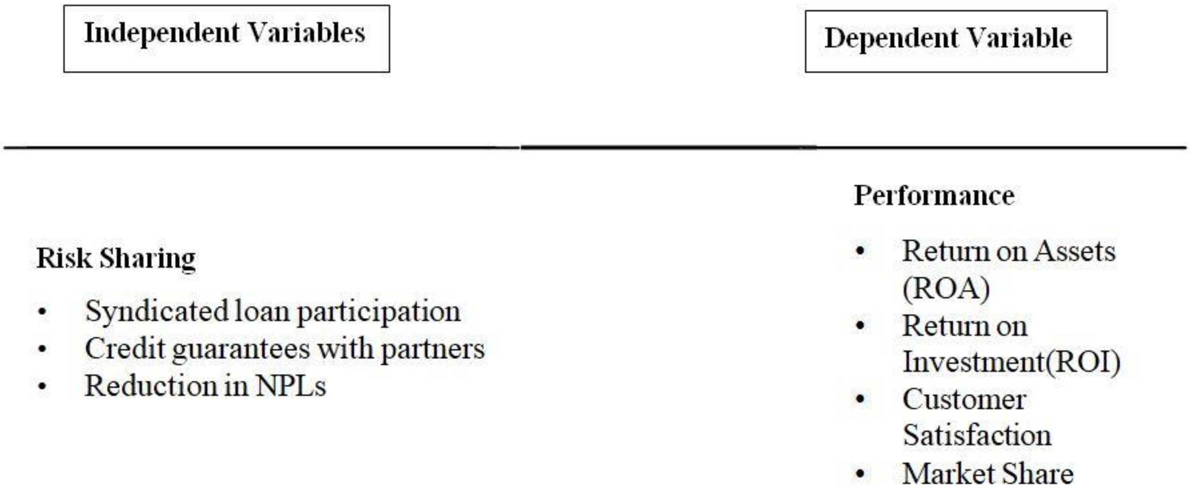
The study is also relevant to policy makers and financial sector regulators because evidence on the performance implications of risk-sharing arrangements can inform policies and regulatory approaches that encourage effective collaboration while maintaining financial stability.

Finally, the article contributes to academic literature by isolating risk sharing from the broader strategic partnership construct and examining it as an independent dimension of bank performance. This provides a more focused understanding of how collaborative risk-management mechanisms relate to bank performance and offers a basis for further research on strategic partnerships within the Kenyan banking sector.

1.5 Theoretical framework

1.6 Conceptual framework

The conceptual framework presents the proposed relationship between risk sharing and the performance of commercial banks in Kenya. The framework is derived from the parent study, which conceptualized strategic partnership as a multidimensional construct comprising joint innovation, resource sharing, market access, and risk sharing. In this article, the analysis is narrowed to risk sharing as the independent variable and commercial bank performance as the dependent variable.



Risk sharing refers to mechanisms through which financial risks are distributed among partner institutions, thereby reducing the extent to which an individual bank bears potential losses. In the parent study, risk sharing was operationalized using syndicated loan participation, credit guarantees with partners, and reduction in non-performing loans (NPLs). These indicators represent mechanisms through which commercial banks can distribute credit exposure, obtain protection against potential losses, and improve the quality of their loan portfolios.

Commercial bank performance constitutes the dependent variable and is assessed using both financial and non-financial indicators. Financial performance is measured through Return on Assets (ROA) and Return on Investment (ROI), while non-financial performance is measured through customer satisfaction and market share. The inclusion of both dimensions provides a broader assessment of bank performance beyond profitability alone.

The framework is theoretically anchored in Risk-Sharing Theory, which proposes that organizations can reduce their exposure to uncertainty by distributing risks among collaborating parties. In the context of commercial banking, effective risk-sharing arrangements are therefore expected to reduce financial exposure, improve asset quality, strengthen financial resilience, and consequently enhance organizational performance.

2. LITERATU REREVIEW

2.1 Introduction

2.0 Literature Review

This section reviews the theoretical and empirical literature on risk sharing and the performance of commercial banks. The review focuses on how risk-sharing arrangements enable banks to distribute financial and operational risks among strategic partners and how such arrangements may influence bank performance. In the banking sector, risk-sharing mechanisms include syndicated lending, credit guarantees, co-financing arrangements, banc assurance, and partnerships with financial technology firms. These arrangements can enable banks to reduce individual exposure to credit, liquidity, operational, and investment risks, thereby potentially enhancing institutional stability and performance.

The review is organized into three main areas. First, it examines Risk-Sharing Theory, which provides the theoretical foundation for understanding why organizations distribute risks among partners. Second, it synthesizes empirical studies on the relationship between risk-sharing arrangements and commercial bank performance. Finally, it identifies the conceptual, contextual, and methodological gaps in the existing literature and establishes the basis for examining the influence of risk sharing on the performance of commercial banks in Kenya.

2.0 Theoretical Review

2.1.1 Risk-Sharing Theory

Risk-Sharing Theory, associated with Arrow (1963), explains how individuals and organizations can reduce the adverse effects of uncertainty by distributing risks among multiple parties. The theory is based on the proposition that an organization may be more willing and able to undertake investments and growth opportunities when the associated risks are shared rather than borne entirely by one party. Risk sharing therefore provides a mechanism for reducing uncertainty and improving the capacity of organizations to withstand unexpected losses.

The theory is particularly relevant to the banking sector because commercial banks operate in an environment characterized by substantial financial and operational risks. Lending activities expose banks to credit risk, while changes in market conditions can create liquidity, interest-rate, and investment risks. Through risk-sharing arrangements, banks can distribute some of these exposures among strategic partners. For example, syndicated lending allows several financial institutions to participate in a single loan, thereby distributing credit exposure among participating institutions. Similarly, credit guarantees can transfer part of the potential loss associated with loan defaults to guarantee providers, while co-financing arrangements allow financial institutions to jointly provide funding and share associated risks.

Risk sharing may consequently contribute to improved bank performance through several channels. First, distributing credit exposure may reduce the potential impact of individual loan defaults on a bank's financial position. Second, risk-sharing arrangements may improve the bank's capacity to finance larger or more complex investments without assuming the entire risk. Third, effective risk distribution may strengthen financial resilience and reduce the volatility associated with unexpected losses. These outcomes can ultimately contribute to improved financial and non-financial performance.

The relevance of Risk-Sharing Theory to the present study lies in its ability to explain the expected relationship between risk-sharing arrangements and commercial bank performance. The study operationalizes risk sharing through syndicated loan participation, credit guarantees with partners, and reduction in non-performing loans (NPLs). These mechanisms reflect the practical application of risk distribution within banking institutions. Syndicated loans and credit guarantees allow banks to share potential credit losses, while reductions in NPLs indicate improved management of credit exposure and potentially better financial performance.

Despite its relevance, Risk-Sharing Theory has limitations. Its primary emphasis is on the allocation and mitigation of uncertainty and does not fully explain other motivations for strategic partnerships, including technological innovation, market expansion, knowledge acquisition, and access to new resources. In addition, the assumption that risks and rewards can be efficiently distributed may not always apply in practice. Differences in bargaining power, information asymmetry, contractual arrangements, and the reliability of partners may result in unequal distribution of risks and benefits among participating organizations (Saci& Mansour, 2023).

Nevertheless, Risk-Sharing Theory provides an appropriate foundation for the present study because it directly explains why commercial banks may enter into arrangements that distribute financial and operational risks. The theory suggests that effective risk sharing can reduce uncertainty, strengthen institutional resilience, and create conditions that support improved bank performance.

2.2 Empirical Review

Existing empirical literature generally indicates that risk-sharing arrangements have the potential to improve commercial bank performance by reducing credit-risk exposure, controlling non-performing loans, and strengthening financial stability. However, the magnitude and direction of the relationship may vary depending on the specific risk-sharing mechanism, institutional environment, regulatory conditions, and period examined.

Musau et al. (2018) examined risk-sharing arrangements and commercial bank performance in Kenya and reported that risk-sharing partnerships significantly improved financial performance through reduced credit-risk exposure. The findings suggest that distributing credit exposure among participating institutions can reduce the financial consequences of loan defaults and enhance bank stability. However, the study focused mainly on syndicated lending and relied on secondary quantitative data. Consequently, it provided limited insight into other forms of risk sharing and how such arrangements are implemented and managed by banking practitioners. Furthermore, the study preceded the rapid expansion of fintech partnerships and digital financial platforms that have subsequently transformed Kenya's banking environment.

Similarly, Maina et al. (2019) investigated risk-sharing strategies and commercial bank performance under interest-rate caps in Kenya. Using a descriptive correlational design and secondary data from 41 commercial banks covering the period 2016–2018, the study examined credit guarantees and syndicated lending as measures of risk sharing and used return on assets (ROA) and net interest margin (NIM) as measures of bank performance. The study reported that banks with risk-sharing arrangements covering approximately 15% of their loan portfolios experienced a 5% reduction in NPLs and a 6% increase in ROA. The findings suggest that risk-sharing arrangements can provide an important mechanism for managing credit exposure and maintaining bank performance during periods of regulatory uncertainty.

Taken together, these studies provide evidence of a positive relationship between risk sharing and commercial bank performance. Their findings are consistent with Risk-Sharing Theory, which suggests that distributing risks among participating institutions can reduce the adverse consequences of uncertainty and improve organizational resilience. However, the empirical evidence also indicates that the effectiveness of risk sharing may depend on the particular mechanism adopted and the operating environment in which it is implemented.

The existing literature has concentrated mainly on traditional mechanisms such as syndicated lending, credit guarantees, and insurance arrangements. Comparatively less attention has been given to risk-sharing relationships involving fintech companies, digital lending platforms, and other technology-enabled financial partnerships. This is important in the Kenyan banking sector, where technological developments have substantially changed how banks deliver financial services, manage credit, and collaborate with external partners.

Another limitation of the existing literature is the predominant reliance on secondary quantitative data. While quantitative approaches are useful for establishing statistical relationships between risk-sharing arrangements and bank performance, they provide limited insight into how banks select partners, structure risk-sharing agreements, manage shared risks, and deal with challenges arising from such arrangements. A broader assessment can therefore provide a more comprehensive understanding of the contribution of risk sharing to bank performance.

2.3 Research Gap

The review of existing literature reveals three major gaps that justify the present study.

Conceptual gap: Existing studies have largely examined risk sharing through individual mechanisms, particularly syndicated lending and credit guarantees. This fragmented approach provides limited understanding of risk sharing as a broader strategic partnership dimension. The present study addresses this gap by examining risk sharing through multiple indicators, namely syndicated loan participation, credit guarantees with partners, and reduction in NPLs.

Contextual gap: Some of the existing Kenyan studies were conducted before the rapid growth of fintech partnerships, digital lending, and technology-enabled financial services. The banking environment has subsequently changed considerably, creating a need for contemporary evidence on whether risk-sharing arrangements continue to influence bank performance under the current operating environment.

Methodological gap: Previous studies have relied pre dominantly on secondary quantitative data. Although such data are valuable in establishing relationships between variables, they provide limited understanding of the practical processes through which risk-sharing arrangements are established, implemented, and managed. The present study therefore provides an opportunity to generate a broader understanding of risk sharing and its contribution to commercial bank performance.

Overall, the existing literature supports the argument that risk-sharing arrangements can contribute to improved commercial bank performance by reducing exposure to credit losses, limiting NPLs, and strengthening financial resilience. However, gaps remain regarding the broader conceptualization of risk sharing, the contemporary Kenyan banking environment, and the practical management of risk-sharing arrangements. The present study addresses these gaps by examining risk sharing as a strategic partnership dimension and assessing its influence on the performance of commercial banks in Kenya. By focusing on syndicated loan participation, credit guarantees with partners, and reduction in NPLs, the study seeks to provide empirical evidence on whether and how risk-sharing arrangements contribute to improved financial and nonfinancial performance in the Kenyan commercial banking sector.

3.0 Methodology

3.1 Research Philosophy

The study adopted a pragmatist research philosophy. Pragmatism was considered appropriate because it allows researchers to use methods that best address the research problem and generate relevant evidence. The study sought to establish the relationship between risk sharing and commercial bank performance while also obtaining in sights in to how managers perceive and Implement strategic partnership arrangements. The philosophy therefore supported the integration of quantitative and qualitative approaches.

The quantitative component provided objective evidence on risk sharing and bank performance, while qualitative responses provided contextual information on the benefits and challenges associated with risk-sharing arrangements. This combination enabled the study to examine both the measurable relationship between the variables and the practical experiences underlying that relationship.

3.2 Research Design

A cross-sectional mixed-methods research design was adopted. The quantitative component was used to assess the relationship between risk sharing and commercial bank performance, while the qualitative component provided additional explanations regarding the implementation and management of strategic partnerships.

The cross-sectional design involved collecting data at a single point in time from licensed commercial banks in Kenya. The target population comprised the 38 commercial banks licensed and operating in Kenya as at 31 December 2023. The design was considered appropriate because the study sought to establish the existing relationship between risk-sharing practices and bank performance rather than examine changes over a next ended period. It was also relatively efficient in terms of time and resources.

Both primary and secondary data were utilized. Primary data were obtained from bank managers and officers knowledgeable about strategic partnerships, while secondary information relating to bank performance was used to complement the survey findings. The mixed-methods approach strengthened the study by allowing quantitative findings to be considered alongside respondents' practical experiences.

3.2 Target Population and Sampling

The unit of analysis was the commercial banking sector in Kenya, comprising the 38 licensed commercial banks as at 31 December 2023. The respondents were managers and officers with knowledge or responsibility relating to strategic partnerships and bank operations. These included personnel working in strategy, corporate planning, business development, partnerships, digital banking, innovation, finance, and operations.

A total of 130 questionnaires were distributed to the identified respondents, and all 130 questionnaires were returned and considered usable, giving a response rate of 100%. The respondents were considered appropriate because their roles provided them with relevant knowledge of risk-sharing arrangements and their potential effects on bank performance.

3.4 Data Collection Instrument

Primary data were collected using a semi-structured questionnaire. The questionnaire consisted of both closed-ended and open-ended questions. Closed-ended questions generated quantitative data for statistical analysis, while open-ended questions allowed respondents to explain their experiences and perceptions concerning strategic partnerships.

The questionnaire comprised four broad sections covering demographic and organizational information, strategic partnership dimensions, commercial bank performance, and respondents' views on the benefits, challenges, and management of strategic partnerships.

For purposes of this article, the analysis was restricted to the risk-sharing dimension of strategic partnerships. Risk sharing was assessed using items relating to syndicated loan participation, credit guarantees with partners, and reduction in non-performing loans (NPLs). Commercial bank performance was assessed using financial and non-financial indicators, including Return on Assets (ROA), Return on Investment (ROI), customer satisfaction, and market share.

3.5 Reliability and Validity

A pilot study was conducted with 13 managers from three commercial banks that were excluded from the main study. The pilot test assessed the clarity, relevance, sequencing, and consistency of the questionnaire items and enabled potentially ambiguous items to be identified before the main data collection.

Internal consistency was assessed using Cronbach's alpha. A coefficient of 0.70 or higher was considered acceptable for establishing reliability. The risk-sharing construct produced a Cronbach's alpha coefficient of 0.94, indicating a high level of internal consistency among the measurement items.

Content validity was enhanced by ensuring that the questionnaire items were aligned with the study objectives and the conceptualization of risk sharing and bank performance. The use of Respondents with relevant managerial and operational knowledge also supported the relevance of the information collected.

3.6 Measurement of Variables

The independent variable was risk sharing, while commercial bank performance was the dependent variable.

Risk sharing was operationalized using three indicators: syndicated loan participation, credit guarantees with partners, and reduction in non-performing loans. These indicators were selected because they represent mechanisms through which commercial banks can distribute or mitigate exposure to credit-related risks.

Commercial bank performance was measured using both financial and non-financial indicators. The financial measures included Return on Assets (ROA) and Return on Investment (ROI),while customer satisfaction and market share represented non-financial dimensions of performance. The use of multiple indicators provided a broader assessment of bank performance than reliance on a single financial measure.

3.7 Data Analysis

The quantitative data were analyzed using descriptive and inferential statistical techniques. Descriptive statistics were used to summarize the characteristics and distribution of the study variables. Inferential analysis, particularly regression analysis, was subsequently employed to determine the influence of risk sharing on commercial bank performance.

Before conducting regression analysis, diagnostic tests were undertaken to establish whether the relevant statistical assumptions were satisfied. These included tests for normality, multicollinearity, autocorrelation, and heteroskedasticity. The diagnostic procedures helped assess the suitability and reliability of the regression model.

For the purposes of this article, the statistical analysis was narrowed to the relationship between risk sharing and commercial bank performance. This ensured that the analysis remained consistent with the specific research question addressed by the article rather than covering all dimensions of strategic partnerships examined in the broader study.

The regression analysis was used to determine whether variations in risk-sharing practices were associated with corresponding variations in commercial bank performance. The statistical results were interpreted using the relevant regression coefficients, significance levels, and measures of model fit. The findings were used to determine whether the relationship between risk sharing and bank performance was statistically significant.

Qualitative responses from the open-ended questionnaire items were analyzed thematically. Responses were reviewed and grouped according to recurring themes relating to the benefits, challenges, implementation, and management of risk-sharing arrangements. The qualitative findings were used to complement the quantitative results and provide contextual explanations of how risk-sharing arrangements operate within commercial banks.

3.8 Ethical Considerations

The study observed relevant ethical

principles throughout the research process. Participation was voluntary, and respondents were informed of the academic purpose of the study. Confidentiality and anonymity of respondents were maintained, and information obtained from participants was used strictly for academic purposes. Institutional authorization and the necessary research permissions were obtained before commencement of data collection.

Overall, the methodology provided an appropriate basis for examining the influence of risk sharing on commercial bank performance in Kenya. The cross - sectional mixed - methods design enabled the study to combine statistical evidence with respondents' practical experiences, while the use of multiple measures of both risk sharing and bank performance provided a broader assessment of the relationship under investigation.

4.0 RESULTS AND FINDINGS

This section presents the findings on the influence of risk sharing on the performance of commercial banks in Kenya. The results are presented using response rate, descriptive statistics, correlation analysis, and regression analysis. The presentation and interpretation of findings are guided by the objective of the article, which sought to examine the influence of risk sharing on the performance of commercial banks in Kenya.

4.1 Response Rate

A total of 130 questionnaires were administered to respondents drawn from commercial banks in Kenya. All the 130 questionnaires were fully completed and returned, representing a 100% response rate. The high response rate provided adequate data for analysis and enhanced the reliability of the study findings.

4.2 Descriptive Statistics

Descriptive statistics were used to examine respondents' perceptions of risk sharing as a dimension of strategic partnerships among commercial banks in Kenya. The questionnaire items were measured using a five-point Likert scale ranging from Strongly Disagree (SD) to Strongly Agree (SA). The responses were summarized using frequencies, means, and standard deviations.

Table2:Risk Sharing

Risk Sharing Items	Mean	Std. Dev.
Partnerships help distribute financial risks between parties.	4.33	0.57
Collaborations reduce regulatory and compliance risks.	3.40	1.34
Strategic alliances improve our resilience to market uncertainties.	4.27	0.73
The bank relies on partnerships to manage technological risks.	3.84	1.15

Source: Researcher (2026)

Table 2 presents respondents' perceptions regarding risk sharing as a strategic partnership practice among commercial banks in Kenya. The findings indicate that respondents generally agreed that strategic partnerships facilitate risk sharing, although the level of agreement varied across the different forms of risk.

The statement “Partnerships help distribute financial risks between parties” recorded the highest mean score of 4.33 with a standard deviation of 0.57. The finding indicates a high level of agreement among respondents that strategic partnerships provide mechanisms through which financial risks can be distributed among participating institutions. The relatively low standard deviation further indicates considerable consistency in respondents' perceptions.

The statement "Strategic alliances improve our resilience to market uncertainties" recorded the second-highest mean score of 4.27 and a standard deviation of 0.73. This finding suggests that respondents generally perceived strategic partnerships as an important mechanism for strengthening commercial banks' capacity to withstand market uncertainty. The relatively low standard deviation indicates that respondents' views were reasonably consistent.

The statement "The bank relies on partnerships to manage technological risks" recorded a mean of 3.84 and a standard deviation of 1.15. Although the mean indicates general agreement, the relatively higher standard deviation suggests greater variation in respondents' perceptions. This may reflect differences among commercial banks in technological infrastructure, cyber security capabilities, and the nature of partnerships established to address technological risks.

The statement "Collaborations reduce regulatory and compliance risks" recorded the lowest mean score of 3.40 and the highest standard deviation of 1.34. Although respondents generally tended towards agreement, the comparatively lower mean and higher variation indicate that respondents had differing experiences regarding the contribution of strategic partnerships to regulatory and compliance risk management. This suggests that regulatory and compliance responsibilities remain substantially dependent on individual banks' governance structures and internal control mechanisms.

Overall, the findings indicate that respondents perceived risk sharing positively, particularly in relation to the distribution of financial risks and resilience to market uncertainties. The overall mean for risk sharing was 3.96, with an average standard deviation of approximately 0.95, indicating moderate variation in respondents' perceptions.

4.3 Correlation Analysis

Pearson correlation analysis was conducted to establish the nature and direction of the relationship between risk sharing and the performance of commercial banks in Kenya. The results are presented in Table 3.

Table3: Pearson Correlation between Risk Sharing and Commercial Bank Performance

	Performance of Commercial Banks	**Risk Sharing**
Performance of Commercial Banks	1	Positive and significant
Sig.(2-tailed)	—	<.001
N	130	130
Risk Sharing	Positive and significant	1
Sig.(2-tailed)	<.001	—
N	130	130

Source: SPSS Output (2026)

Table 3 illustrates the relationship between risk sharing and the performance of commercial banks in Kenya. The analysis established a positive and statistically significant relationship between risk sharing and bank performance ($p < .001$). This finding indicates that increased application of risk-sharing practices is associated with improved commercial bank performance.

The positive relationship suggests that mechanisms through which banks distribute and manage financial and operational risks may enhance organizational resilience and stability. The parent study similarly established that risk sharing had a positive and statistically significant relationship with bank performance.

4.4 Regression Analysis

Regression analysis was conducted to determine the influence of risks haring on the performance of commercial banks in Kenya. The parent study specified a regression model for risk sharing and bank performance as:

$$Y=\beta_0+\beta_4X_4+\varepsilon$$

Where **Y** represents bank performance, X_4 represents risk sharing, β_0 represents the constant, β_4

Represents the regression coefficient, and ε represents the error term.

Table4: Regression Coefficient for Risk Sharing

Variable	B	Std. Error	Beta(β)	t	Sig.	Tolerance	VIF
Risk Sharing	0.033	0.002	0.417	13.058	<0.001	0.691	1.446

Source: SPSS Output (2026)

The results in table 4 indicate that risk sharing had a positive and statistically significant influence on commercial bank performance ($\beta = 0.417$, $t = 13.058$, $p < 0.001$). The positive standardized coefficient indicates that higher levels of risk sharing were associated with higher levels of bank performance. The unstandardized coefficient ($B = 0.033$) indicates that a one-unit increase in risk sharing was associated with a predicted increase of 0.033 units in bank performance, holding the other variables in the model constant.

The VIF of 1.446 and tolerance value of 0.691 indicate that multicollinearity was not a concern for the risk-sharing variable in the regression model.

Table 6: Coefficients

Model	B	Std. Error	Beta (β)	t	Sig.
(Constant)	.944	.015	—	62.000	<.001
Joint Innovation	.018	.002	.336	10.100	<.001
Resource Sharing	.024	.005	.259	4.873	<.001
Market Access	.020	.006	.171	3.294	.001
Risk Sharing	.033	.002	.417	13.058	<.001

Dependent Variable: Bank Performance

The coefficient results indicate that all four strategic partnership dimensions had positive and statistically significant effects on bank performance. Risk sharing emerged as the strongest predictor of bank performance ($\beta=.417, t=13.058, p<.001$), followed by joint innovation ($\beta = .336$, $t = 10.100$, $p < .001$), resource sharing ($\beta = .259$, $t = 4.873$, $p < .001$), and market access ($\beta = .171$, $t = 3.294$, $p = .001$).

The findings demonstrate that risk-sharing partnerships made the largest unique contribution to commercial bank performance when the effects of the other strategic partnership dimensions were controlled. The positive standardized coefficient indicates that greater implementation of risk-sharing mechanisms was associated with higher levels of bank performance. The unstandardized coefficient further shows that a one-unit increase in risk sharing was associated with a predicted increase of 0.033 units in bank performance, holding the other variables constant. Similarly, one-unit increases in joint innovation, resource sharing, and market access were associated with predicted increases of 0.018, 0.024, and 0.020 units in bank performance, respectively.

The findings therefore demonstrate that risk sharing was particularly important in improving the performance of commercial banks in Kenya. By distributing financial and operational risks among strategic partners, banks can reduce individual exposure to losses, strengthen resilience to market uncertainties, improve stability, and support sustainable performance. The findings are consistent with the study's Risk-Sharing Theory, which proposes that organizations can reduce their exposure to uncertainty by distributing risks among collaborating parties.

4.5 Hypothesis Testing

The study tested the following null hypothesis:

H_0: Risk sharing has no significant influence on the performance of commercial banks in Kenya.

The regression results showed that risk sharing had a positive and statistically significant influence on bank performance ($\beta = 0.417$, $t = 13.058$, $p < 0.001$). Therefore, the null hypothesis was rejected. The findings provide evidence that risk sharing significantly influences the performance of commercial banks in Kenya.

4.5 Qualitative Insights from Open-Ended Responses

To complement the quantitative findings, open-ended responses were analyzed thematically to provide additional insights into strategic partnerships and their contribution to commercial bank performance. Responses from 17 participants were analyzed following the thematic approach of Braun and Clarke (2006). The findings identified regulatory and compliance requirements, operational challenges, organizational differences, and market-related constraints as key challenges affecting the effectiveness of strategic partnerships. Respondents particularly highlighted delays in regulatory approvals, technology integration difficulties, and differences in organizational practices.

Regarding risk sharing, the findings suggest that partnerships provide commercial banks with mechanisms for distributing financial and operational risks and strengthening resilience to market uncertainties. However, respondents indicated that the effectiveness of such arrangements depends on appropriate partner selection, trust, communication, technological compatibility, and supportive regulatory frameworks. These findings complement the quantitative results, which demonstrated a positive and statistically significant relationship between risk sharing and commercial bank performance.

4.6 Analysis of Secondary Data

Secondary data were reviewed to provide additional evidence on commercial bank performance and to complement the primary survey findings. The analysis considered key performance indicators, including Return on Assets (ROA), Return on Investment (ROI), market share, and non-performing loans (NPLs). The data indicated fluctuations in bank profitability and an increase in sector-wide NPL levels during the study period. At the same time, banks engaged in strategic partnerships, including digital and risk-management collaborations, demonstrated greater capacity to manage operational and financial uncertainties.

The findings are consistent with Musau et al. (2018), who established that risk-sharing arrangements strengthened financial stability by reducing banks' exposure to credit risk. The secondary evidence therefore provides contextual support for the primary finding that risk sharing contributes positively to commercial bank performance.

4.7 Integration of Primary and Secondary Findings

The integration of primary and secondary findings indicates convergence between respondents' perceptions and the available evidence on commercial bank performance. The primary findings established that risk sharing has a positive and statistically significant influence on bank performance, while the secondary evidence demonstrates the continuing importance of risk management in maintaining financial stability amid credit, operational, and market uncertainties. The findings further suggest that risk-sharing arrangements can enhance bank resilience by distributing exposure to potential losses and supporting more effective management of financial risks. However, the qualitative findings indicate that the success of such arrangements depends on effective governance, regulatory compliance, partner compatibility, communication, and technological integration. Overall, the evidence supports the conclusion that risk sharing is an important strategic partnership mechanism for enhancing the performance and resilience of commercial banks in Kenya. This finding is consistent with Musau et al. (2018), who reported that risk-sharing arrangements improve financial stability by reducing exposure to credit risk.

5.0 DISCUSSION OF FINDINGS

5.1Risk Sharing and Bank Performance

The objective of the study sought to establish the effect of risk sharing on the performance of commercial banks in Kenya. The findings showed that respondents generally agreed that strategic partnerships facilitate the sharing of financial and operational risks, improve resilience to market uncertainties, and support effective risk management. Risk sharing recorded an overall mean score of 3.96, with an average standard deviation of approximately 0.95, indicating a generally positive perception of risk-sharing practices, although respondents' views showed slightly greater variation compared with some of the other strategic partnership dimensions.

The Pearson correlation analysis established a positive and statistically significant relationship between risk sharing and bank performance, indicating that increased risk-sharing practices were associated with improved performance of commercial banks. This finding suggests that partnerships that enable banks to distribute financial, operational, technological, and strategic risks can strengthen institutional resilience and contribute to improved organizational outcomes. The positive association further implies that banks that effectively collaborate with strategic Partners in managing and distributing risks are better positioned to with stand uncertainties within the banking environment.

The regression analys is provided further evidence of the importance of risk sharing. Risk sharing emerged as the strongest predictor of bank performance, with a standardized co efficient of β

=.417, at-value of 13.058, and a significance level of p<.001. The positive coefficient indicates that an increase in risk-sharing practices was associated with an increase in bank performance, holding the other strategic partnership dimensions constant. The unstandardized coefficient of B
= .033 further indicates that a one-unit increase in risk sharing was associated with a predicted increase of 0.033 units in bank performance, all other factors being held constant.

The strong statistical effect of risk sharing demonstrates that collaborative risk management is an important mechanism through which commercial banks can enhance stability and performance. Risk-sharing arrangements can enable banks to distribute potential losses and exposures among strategic partners, thereby reducing the level of risk borne by an individual institution. In the Kenyan banking sector, such arrangements may include syndicated lending, credit guarantees, banc assurance partnerships, and other collaborative mechanisms for managing financial and operational risks.

The findings are consistent with the Risk-Sharing Theory, which explains that organizations enter into collaborative arrangements to distribute risks associated with uncertainty. The theory is particularly relevant to commercial banks because banking institutions are exposed to credit, liquidity, operational, technological, and regulatory risks. Strategic partnerships provide mechanismsthroughwhichsuchriskscanbedistributedwhileallowingbankstopursuebusiness opportunities without bearing the full burden of potential losses.

The findings are also consistent with previous empirical evidence cited in the study. For instance, Zhang and Wu (2023) found that syndicated lending and insurance partnerships reduced bad loans and enhanced profitability among Chinese banks. Similarly, Akinola and Ojo (2022) reported improvements in return on assets and financial stability among Nigerian banks participating in risk-sharing partnerships. Kenyan evidence cited in the study also indicates that syndicated loan facilities can reduce exposure to credit risk and improve profitability, while risk-sharing mechanisms can help banks manage regulatory pressures and enhance financial performance.

Therefore, the study establishes that risk sharing has a significant and positive influence on the performance of commercial banks in Kenya. The finding that risk sharing was the strongest predictor among the strategic partnership dimensions demonstrates its strategic importance in strengthening bank resilience, reducing exposure to uncertainty, and supporting sustainable organizational performance. Consequently, commercial banks should incorporate effective risk-sharing mechanisms into strategic partnership arrangements to enhance financial stability and long-term performance.

6.0 Conclusion

In conclusion, risk sharing significantly influences the performance of commercial banks in Kenya. The findings established that risk-sharing practices were generally adopted by the banks studied, particularly through mechanisms that facilitate the distribution of financial, operational, technological, and strategic risks. Risk sharing was found to enhance organizational resilience, reduce exposure to uncertainty, strengthen institutional stability, and positively contribute to overall bank performance. The regression results further established that risk sharing was the strongest predictor of bank performance (β = .417, t = 13.058, p <

.001).

Moreover, the findings demonstrate that effective risk-sharing partnerships provide commercial banks with a stronger foundation for managing credit, liquidity, operational, and other business risks while pursuing growth and innovation. The findings are consistent with Risk-Sharing Theory, which emphasizes collaboration as a mechanism for distributing risks and managing uncertainty. At the same time, the findings highlight the need for banks to strengthen and formalize risk-sharing arrangements to ensure that the benefits of partnerships are sustained over the long term.

7.0 Contribution of the Study

The study contributes to theoretical knowledge by supporting the Resource-Based View, Resource Dependence Theory, Market Power Theory, Risk-Sharing Theory, and Dynamic Capabilities Theory in explaining strategic partnerships and bank performance.

Practically, the findings provide bank managers with evidence to strengthen risk-sharing arrangements, innovation partnerships, resource sharing, and market expansion strategies. Overall, the study adds to Kenyan banking literature by examining these four strategic partnership dimensions within one integrated framework, which explained 91.2% of the variation in bank performance.

8.0 Recommendation

Commercial banks should strengthen risk-sharing mechanisms within their strategic partnerships by incorporating clear and proportional risk-allocation arrangements in partnership agreements. Banks should develop mechanisms such as shared liability arrangements, credit guarantees, syndicated lending, shared cyber security measures, and contingency reserves to reduce exposure to financial and operational uncertainties. In addition, bank management should provide training and awareness programmes for managers and partnership teams on the strategic importance of risk sharing and conduct regular reviews of partnership risks to ensure that the arrangements remain effective and aligned with organizational objectives.

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