STRATEGIC INFLUENCE OF TECHNOLOGICAL INNOVATIONS ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

(A Survey of Commercial Banks in Nakuru Town Sub- County)

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ABSTRACT

The dynamic nature of global business environment which results from technological advancements, economic restructuring, labor movements, and public demands for better products and services have forced organizations to reconsider their business strategies in order to achieve a sustained competitive advantage. The ability to innovate therefore is increasingly viewed as an important factor in developing and sustaining competitive advantage. However the relationship between the growing investment in technology based bank technological innovations and bank financial performance in Kenya needs to be studied. This study sought to fill the existing research gap by conducting a study on how the technological innovations have contributed to the financial performance of commercial banks in Kenya. Specifically, the study was guided by four independent variables; internet banking, mobile banking, agency banking and credit reference bureau. The dependent variable for the study was financial performance of commercial banks. The study was carried out in commercial banks in Nakuru town sub-county, Kenya. Descriptive research design was used, but a cross-sectional research survey method was applied. The target population comprised of 58 managers drawn from the 29 banks hence a census was conducted. Structured questionnaires were used to collect primary data from the respondents. Prior to the main study, the research instrument was pilot tested in order to determine both its reliability and validity. The reliability of the instrument was tested using the Cronbach's alpha (α) where $\alpha \geq 0.7$ was accepted. On the other hand, content validity of the instrument was determined by seeking expert opinion of the University supervisors. The Statistical Package for Social Sciences version 20 software was used to process and analyze the data collected. Data analysis was in form of descriptive and inferential statistics. Study findings were presented in form of tables that reflected summary statistics. The study findings showed that internet banking, mobile banking, agency banking and the credit reference bureau have a positive ($r>0$) influence on the financial performance of the commercial banks thus the four study hypothesis were rejected. The study recommends that the commercial banks should improve the internet banking systems to serve their customers more effectively without delays occasioned by system failure, commercial banks keep adopting and using mobile banking in their operations because the number of people with access to mobile hand set is increasing every day, financial institutions should continue offering low transaction rates within their local agency points. CRB should continue furnishing commercial banks with relevant information on the credit worthiness of borrowers to help eliminate bad and non-performing loans which will see the banks lower the insurances levy there by encouraging more people to borrow and thus improve financial performance of the banks.