

The Influence of Processes Innovation Strategy on the Performance of Commercial Banks in Kenya

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ABSTRACT

The study was conducted to examine the influence of processes innovation strategy on the performance of commercial banks in Kenya given the dynamism in the business environment hence the need for organizations to move with speed and make choices that add value to customers and those which will enable the organization remains relevant in such a dynamic business environment. Diffusion of innovation theory was incorporated in the study since it widely supports the spread of agency banking, mobile technology, and online banking. An explanatory research design was used. Both primary and secondary data were collected. Primary data was collected using a questionnaire while secondary data was collected from relevant literature materials, the organization's annual reports, and the website. Cronbach's Alpha coefficient was used to test the reliability of the data with an acceptable level of 0.7 at a confidence level of 95%. The study targeted tier 2 Commercial Banks in Kenya with the top management bank employees as the key respondents. The target population was 144 top management bank employees. The study employed a census targeting the entire population of 144 top management bank employees. Out of the 144-target population, 120 top management employees responded to the questionnaire hence results from the findings were based on the 120 respondents. Descriptive and inferential statistics were used in analyzing the data. Descriptive statistics entailed the measure of central tendency (mean) and the measure of dispersions (standard deviation). The statistical package for social sciences (SPSS) was used to generate the descriptive statistics. Inferential statistics entailed regression and correlation analysis. Data were presented using tables. The study established that there was a significant influence of process innovation strategy on the performance of commercial banks in Kenya. The findings of the study concluded that mobile banking and internet banking have greatly enabled customers to access essential services in the comfort of their homes or offices and without necessarily having to go to the bank whereas agency banking has significantly reduced the queues in the banking halls and customers do not have to wait for long hours to be served at the bank. The study recommended that banks need to adopt a process innovation strategy in order to enhance performance.

Keywords: Agency Banking, Internet Banking, Mobile Banking, Performance, Processes Innovation Strategy.

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I. INTRODUCTION

Process innovation is a firm's way of presenting new ideas, work processes, strategies, products, and services. Process innovation ought to enhance existing processes, products, and services in order to tackle a challenge or attract new customers. Process innovations should be geared towards adding value to the organization in terms of profit generation as well as to its customers through meeting their demands and the desired level of satisfaction. Kim and Mauborgne (2017) have identified three kinds of value innovation platforms as product platform, service platform, and delivery platform. The item stage is the actual thing; the administration stage is the service level such as support, client assistance, guarantees and packaging and product preparation while the distribution

platform involves coordination and the channel used to hand over the products to clients. The banking sector is not exceptional when it comes to such business innovations and it has embraced a number of product and service innovation strategies such as agency banking, mobile banking and internet banking. The expansion and the growing progress being experienced in the ICT industry has come with a lot of transformation in the way business is carried out today (Chavan, 2013).

Agency banking has the potential of increasing market share by appealing and retaining customers as well as providing a variety of services to them (Mandau, 2013). Agency banking delivers value to customers in form of extended banking hours as well as bringing banking services closer to the customer (Ndungu, 2014). Agents have capabilities of offering wide variety of services such as

payment of fees, rent and other utility bills, funds deposits and withdrawals as well as facilitation of account opening and KYC procedures (Mwando, 2013). Agency banking is expected to bring along big transformations in the financial sector since banks are increasingly introducing new products and services through agent banking channels (CBK 2017).

M-pesa platform has revolutionized the way business is conducted in Kenya. The loans and savings service are under the overall M-pesa service that facilitates clients and individuals to save money as well as borrow loans. Under the same platform, clients are able to cash money from their bank accounts and use it to pay their bills and buy goods and services without necessarily carrying around liquid cash or having to walk to the banking halls (Muisyo *et al.*, 2014). The majority of companies in Kenya have registered with M-pesa and given account and pay bill numbers that clients can use to conduct business with them. With this method of payment in many businesses, transactions have increased significantly, and the process is quick, cheaper, convenient, and efficient (Jack & Suri 2011).

Mobile and internet payments are significant mechanisms employed by persons and entities as a safeguarded and quick means of making payments through mobile phones and through internet usage. There has been an expansion in the utilization of cell phone administrations and usage of the web as another new appropriation channel for banking associations and universal trading (Chavan, 2013). In the banking industry, internet banking is presently succeeding the customary banking practice that involved going to the banks in order to access financial services. Web banking began with basic roles, for example, real-time access to information about financing costs, financial records, and processing credit eligibility. Web banking has been improved to online bill payment, exchange of funds among accounts, and cash organization for corporate associations and people. Chavan (2013) analyzed the advantages and difficulties of web banking in a rising economy. The study concluded that web-based banking has a great deal of advantages that increase the value of clients' fulfillment in terms of quality service offerings as well as enable the banks to acquire superior positions over others.

Mwando (2013), in his examination of the commitment of agency banking to the financial execution of banking institutions in Kenya. The discoveries of the exploration reasoned that diminished exchange cost through agency banking, impact emphatically on the monetary execution of commercial banks and that agency banking made financial services accessible to customers and this too impact positively on the monetary performance of Commercial Banks in Kenya. Process innovation strategy can impact the performance of Commercial Banks if incorporated in an organization in a manner that is geared towards adding value to customers therefore this study was conducted with the purpose of examining the influence of processes innovation strategy on the performance of commercial banks in Kenya.

II. STATEMENT OF THE PROBLEM

Given the numerous entrants in the financial industry especially from mobile telephony, the changing consumer

demands, and technological and economic dynamics, banks need to reposition themselves and come up with strategies that will enable them to survive and boost their performance in the competitive business environment and consequently adding value to their customers.

The performance trend according to CBK reports shows a decline in profit and income from the Commercial banks in Kenya and a rise in bad debts. For instance, at the end of the financial year, 2015 profit before tax from Commercial banks in Kenya declined by 5% from 141.1 billion in 2014 to 134 billion in 2015. In the financial year, 2017 profit before tax declined by 10% from 147.4 billion in 2016 to 133.2 billion in 2017. The level of loan uptake in the financial year 2017, also decreased by 6% from 2,293.1 billion in 2016 to 2,158.5 billion in 2017. The level of bad debts increased by 36% from 108.3 billion in 2014 to 147.3 billion in 2015. The same negative trend was retained in consequent years with the level of non-performing loans (NPLs) increasing by 23% from 214.3 billion in 2016 to 264.6 billion in 2017 (CBK, 2017). The year 2018 shows a very minimal increase in pre-tax profit from 133.2 billion in 2017 to 152.7 billion in 2018 (CBK, 2018), and the same minimal increase was noted in 2019 where pre-tax profit rose from 152.7 billion to 159.1 billion as well as minimal improvement on the level bad debts by 0.2% (CBK, 2019). The minimal profit and income from the finance segment were a consequence of increased investment in government securities. The rate of lending in the private sector and to individuals was on the decline.

The profitability of Banks in Tier 2 which are the banks with a potential of advancing to the Tier 1 category is on the decline while the level of non-performing loans is on the rise. For instance, Profit before tax of HFC decreased by 72 % in 2017 from 1.4 billion in 2016 to 393 million in 2017 while the level of non-performing loans increased by 33% from 6.2 billion in 2016 to 8.2 billion in 2017. Loss before tax made by HFC in 2018 was 642.7 million and consequently made a loss of 137.8 million in 2019 whereas the asset base decreased from 68 billion in 2017 to 62 billion in 2018 due to decreased borrowing. This declining trend applies to most of the banks in Tier 2. Tier 1 banks accounted for 89.8 % of the total pre-tax profit, whereas the share of total pre-tax profit of Tier 2 banks decreased to 11.2 % from 15.08 % due to National Bank of Kenya Ltd, which made a loss of Ksh.821.2 million in December 2019, as compared to a profit of Ksh.587.5 million in December 2018. The merger between NIC Bank and Commercial Bank of Africa also contributed to the reduced market share and profitability of Tier 2 banks. (CBK, 2019).

The number of Commercial banks went down from 43 to 39 due to capital inadequacy and malpractices (CBK, 2018). Additionally, a number of banks closed down some of their branches due to high operation costs compared to the profit generated. In 2017, a total of 39 branches were closed down by various Commercial Banks in Kenya. For instance, Bank of Africa closed down the majority of branches where it closed down 12 branches followed closely by Eco-bank which closed down 9 branches. This massive closure of branches by various Commercial Banks in Kenya led to a loss of 1,620 jobs whereas, in 2018, 42 branches were closed down leading to a loss of 1,720 jobs (CBK, 2018). The number of bank employees went down. With the

embracement of value innovation strategies, the performance of commercial banks in Kenya is likely to improve significantly.

Profits, growth and expansion are critical in any business and hence need to employ value to avoid unnecessary competition which is causing banks to stagnate in profitability, growth, and expansion. This is clearly noted through big banks such as the National Bank of Kenya, and Housing Finance Corporation among others which have the potential of advancing to the Tier 1 category. Therefore, this study seeks to analyze the influence of processes innovation strategy on the performance of Commercial Banks in Kenya.

III. RESEARCH OBJECTIVE

The objective of this research is to examine the influence of processes innovation strategy on the performance of Commercial Banks in Kenya.

A. Null Hypothesis

H₀₁: There is no significant relationship between processes innovation strategy and the performance of Commercial Banks in Kenya.

IV. THEORETICAL FRAMEWORK

The study is based on the Diffusion of innovation theory a theory that considers various features related to technological advancements and those known to impact the rate of appropriation of the inventions and adoption of innovations (Rogers, 2003). Rogers (2003) considered innovations as knowledge, dealing, or item which is seen as new by a person or an organization. His definition of innovation originated from communication in his attempt to explain how after some time a thought or an item gets dynamism and diffuses through a specific people or social system provoking the reception of the thought or thing.

The way to adoption is that the idea, conduct, or item should be seen as new or inventive. These attributes of innovation are relatively favorable positions which is the level in which an invention is seen as better than the thought, program, or thing it replaces, a likeness which is a proportion of how unsurprising the advancement is with the characteristics, experiences, and needs of the possible adopters, teachability which is a degree of how problematic the development is to appreciate and use, trainability which is the extend the development can be attempted or investigated on various ways before a confirmation to embrace is made, obviousness which is how much the advancement gives generous and perceptible results and security/confidentiality which is the extent to which the innovation cannot be easily imitated (Rogers, 2003). Under this theory, there are five established adopter categories. They include Innovators who comprise those who want to be the first to try the innovation and therefore often they are the first to grow new thoughts, Early adopters who represent opinion pioneers and therefore are willing and ready to embrace change opportunities, and Early majority who must be provided with proof that innovation works before they willingly accept it. Late larger part who are extremely critical

to change and will consequently just receive an advancement after it has been attempted by the lion's share and the Laggards who are so unbending and regular towards development subsequently, they are wary of progress and are the difficult group to influence to come on board (Rosemary, 2017).

This theory stresses the importance of communication of an innovation and innovation adoption in an organization and therefore the organization's ability to adjust to variations in the business setting by being innovators (Rosemary, 2017). The firm's strategies should be capable of responding to the demands of the dynamic business situation. Therefore given the stiff competition and regulations in the banking sector, the strategies in place should be those that are innovative and enhance worth to clients, and are able to address the unique and diversified needs of the target market in order to enhance organizational performance. This theory is relevant in the implementation of processes innovation strategy since customers should be able to see the need of adapting a certain technology through the value it adds to them. The innovation should therefore be perceived by the customer as useful and easy to understand. The innovation should also be one that makes the customer feel secure and valued and eases the transaction process. Rogers (2003), identified knowledge, decision, implementation, and approval as essential aspects of the innovation processes.

V. METHODOLOGY

A. Research Design

An explanatory research design was incorporated into the study. Explanatory research enables the identification of the link between the variable and the phenomenon being studied (Wyk, 2011). It enabled the researcher to create an in-depth understanding of the organization under study as well as establish relationships between processes innovation strategy and performance of Commercial Banks in Kenya which are the study variables and enablers to generalize.

Quantitative and qualitative data were collected. Qualitative information is non-numerical data that is based on content analysis whereas quantitative information is numerical data (Kothari, 2014). The qualitative data was changed into quantitative data by use of a 5 Likert scale. Using the qualitative data the investigator was able to acquire comprehensive facts about the subject under study consequently founding trends and associations from the facts gathered. Information was collected from the top management bank employees since they are viewed to be the most knowledgeable and hence this enabled the investigator to obtain in-depth information about the phenomenon under study.

B. Target Population

The study employed a census targeting the entire population of 144 top management bank employees. The top management bank employees were used as the unit of inquiry as they possess valuable information and are knowledgeable on matters regarding the bank's strategies This enabled the researcher to obtain usefully and the desired information in accordance with the goals of the study.

C. Research Instrument

A research instrument is a measurement tool used by a researcher to obtain information based on the researcher's topic of interest from the respondents of the study (Kothari, 2014). A structured questionnaire was the main research tool. The questionnaire had both open and closed-ended questions. The research instrument contained two main sections. Section A for general assessment, section B for assessment of processes innovation strategy as the independent variable, and also the assessment of organization performance as the dependent variable. Questions in section B were based on a 5 Likert scale.

D. Pilot Study

The pilot test was conducted to test the legitimacy and dependability of the investigation instrument. According to Saunders *et al.* (2009), pilot testing enables the establishment of what amount of time was required to respond to the questions, how clear the guidelines were, whether there was any unclear question and whether the format was clear and appealing. The pilot test enabled the researcher to refine the questionnaire to enable the respondents to answer the questions without difficulty hence facilitating data collection and recording. The pilot study was done by picking respondents from one of the 9 tier 2 banks in Kenya. 14 respondents from one of the Tier 2 banks were considered for the pilot test through the conventional method. As indicated by Etikan *et al.* (2015), the convenience method permits an assortment of information from members who are easily accessible hence making it quick and affordable. The pilot respondents were excluded from the main study.

E. Validity and Reliability of the Research Instrument

Validity is the level at which the outcomes acquired from the examination of the information really address the phenomena under investigation (Sekaran, 2014). The validity of this study was the degree to which research tools that were used to collect the information, measured what it was intended to measure. Validity is the level at which inferences drawn from the research findings can be said to be accurate and meaningful. Validity is about the excellence of information collecting tools or techniques that allow the tool to measure what it is designed to measure (Kumar, 2009). A pilot test was done to test the content validity of the questionnaire. The respondents for the pilot study were drawn from one of the 9 tier 2 commercial banks in Kenya. Validity is the level at which inferences drawn from the research findings can be said to be accurate and meaningful.

Reliability is the level to which a study tool provides steady findings continuously time and again (Sekaran, 2014). A reliability test was carried out to measure the internal constancy among the study variables. Cronbach's alpha coefficient was worked out to measure the reliability. Processes' innovation strategy had a coefficient of 0.709. The findings meant that the main instrument used in this study was very reliable. As clearly explained by Mugenda and Mugenda (2003), as a rule of thumb, reliability of 0.7 and above is considered sufficient and therefore recommended.

A. Data Analysis

The data was examined using both descriptive and inferential statistics. Descriptive statistics involved the

measures of central tendency, measures of dispersion, and variability for Likert scale variables in the questionnaire. In this regard, the calculation of the mean is a measure of central tendency and the calculation of standard deviation is a measure of dispersion (Sekeran & Bougie, 2011). The results of the descriptive statistics were presented in tables and percentages. Furthermore, normality was measured to define the symmetrical and steepness characteristics of a distribution. The normal distribution has a skewness of zero whereas kurtosis is the flatness of a curve.

Inferential statistics entailed correlation and regression analysis. Correlation was used to analyze the strength and direction of association between two variables. It ranges from -1.0 to 1.0 (Sekeran & Bougie, 2011). A correlation coefficient of 0.7 was acceptable at a confidence level of 95%. Hypothesis testing was done at a confidence level of 95% where, if the P-value was ≤ 0.05 the null hypothesis was rejected. P-value ranges from 0-1. Regression analysis was done to examine whether an independent variable predicts a given dependent variable. Regression analysis was used to analyze the data after it has been checked for consistency and then coded. The ANOVA statistics (F-test) were used to present the regression model significance (1).

$$Y = \beta_0 + \beta_1 x_1 \quad (1)$$

Where:

Y= Performance of Commercial Banks in Kenya

β_0 = Regression constant. Constant or intercept which is the value of the dependent variable when all the independent variables are zero.

β_1 = Regression coefficient for the independent variable.

x_1 = Processes innovation strategy

VI. RESULTS AND DISCUSSION

A. Processes Innovation Strategy and Performance of Commercial Banks

The study sought to determine the influence of process innovation strategy on the performance of commercial banks in Kenya. Processes innovation was in terms of mobile banking, internet banking, and agency banking as the parameters of measure.

B. Descriptive Statistics

Mean and standard deviation was used for descriptive analysis. The respondents were given a number of statements related to mobile banking, internet banking, and agency banking against which they were to indicate their level of agreement based on a 5-Likert scale. Using their responses the results for the mean and standard deviation were shown in Table I.

On whether the adoption of mobile banking has enabled customers to access essential services at the comfort of their homes and offices there was a strong agreement with a Mean=4.700, SD 1.0571). The study also found that there was strong agreement that the adoption of mobile banking had doubled the numbers of customers who access bank services using mobile device (Mean=4.712, SD 0.5845).

TABLE I: PROCESSES INNOVATION STRATEGY

Descriptive Statistics			
	N	Mean	Std. Deviation
Customers can access essentials services cash withdrawals, bills payment and cash deposit in nearby agent outlets	120	3.241	0.8312
Customer's transactions are not restricted to the bank's hours and days of operations due to agency	120	3.489	0.7123
Customers using agency banking are more than those who visit the bank	120	3.229	0.9080
Customers can access essentials services cash withdrawals, bills payment and cash deposit at the comfort of their homes or offices because of Internet banking	120	4.420	0.9020
Customers no longer have to queue for long hours in the banking all	120	4.175	1.2996
Customers transactions are not restricted to the bank hours and days of operations	120	4.320	1.2996
Customers can access essentials services cash withdrawals, bills payment and cash deposit at comfort of homes and offices because of mobile banking	120	4.700	1.0571
Customers using mobile banking are more than those who visit bank	120	4.712	0.58458
Customers transactions are not restricted to the bank hours and days of operation	120	4.616	1.058
Valid N (listwise)	120	-	-

TABLE II: CORRELATIONS

Correlations			
		Bank Performance	Process Strategies
Bank Performance	Pearson Correlation	1	0.623*
	Sig. (2-tailed)		0.000
	N	120	120
Process Innovation Strategies	Pearson Correlation	0.623*	1
	Sig. (2-tailed)	0.000	0.623*

TABLE III: MODEL SUMMARY FOR PROCESSES INNOVATION STRATEGY

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.873 ^a	0.762	0.749	2.14817

a. Predictors: (Constant), processes innovation strategy

Similarly, there was a strong agreement that as a result of the adoption of mobile banking customers transactions are no longer restricted to the banking hours and days of operations (Mean 4.616, SD=1.058). On internet banking, most respondent were in strong agreement that internet banking has improved accessibility of essential services such as online payment as shown by a mean of 4.4201 and SD 0.9020, Respondents similarly agreed that the adoption of internet banking means that customers no longer have to queue for long hours in banking halls as denoted by Mean of 4.175 and SD 1.2996 as well as an agreement that adoption of internet banking has ensured that customers are not restricted to bank's hours and days of operation Mean 4.320 and SD of 1.2996.

Most respondents' feedback was moderate on the extent of adoption of agency banking. accessibility of essential services such as cash withdrawal, bill payment and cash deposits through agency banking had Mean of 3.241 and SD of 0.8312, whether the adoption of agency banking has placed less restriction to bank hours and days of operation had a Mean of 3.489 and SD 0.7123, as well as that customer using agency banking, are more than those who visit the bank had a Mean 3.229, SD=0.908.

Generally, the overall mean of adoption of processes innovation strategies was strongest at mobile banking, followed by internet banking and lastly agency banking. The findings are in Table I. The study established that there was a significant influence of processes innovation strategy on the performance of Commercial Banks in Kenya. It was established that agency banking was the least adopted process innovation strategy.

In the correlation coefficient, 'r' measures the strength and

direction of a linear relationship between two variables. The value of 'r' is always between +1 and -1. Where +1 shows a strong positive relationship and -1 shows a strong negative relationship.

The results of Table II suggest that there was a strong positive and significant relationship between processes innovation strategy and performance of commercial banks ($r = 0.623$, $P < 0.05$).

Table III shows the regression analysis results for processes innovation strategy as the independent variable and the performance of commercial banks as the dependent variable. The findings show the value of R² as 0.762. This means 76.2 % of the total variance in the degree of association between processes innovation strategy and performance of commercial banks in Kenya. R² is always between 0 and 100%, where 0% indicates that the model explains none of the variability of the independent variable and 100% indicates that the model explains all the variability of the independent variables. In general, the higher the R-squared, the better the model fits the data. In this study, 76.2 % of the performance of commercial banks in Kenya can be accounted by variation in the adoption of processes innovation strategy.

C. Inferential Statistics

Correlation and regression analysis were used for inferential statistics.

Table IV shows the results of ANOVA test which reveal that processes innovation strategy has a significant influence on the performance of commercial banks. The Analysis of Variance (ANOVA) provided information about levels of variability within the regression model which formed the basis for hypothesis testing using P-value at 95.0% confidence interval (0.05). In this study, an alpha of 0.05 was

used as the cut-off for evaluating the significance of the relationship between dependent and independent variables. The P-value was used to decide whether processes innovation had a statistically significant predictive capability to the performance of commercial banks at 95.0% confidence interval given the study hypothesis below. The p-value $0.000 < 0.05$ makes the coefficient of processes innovation strategy significant in the model.

The study rejected the null hypothesis.

H₀₁: There is no significant relationship between processes innovation strategy and performance of commercial banks in Kenya.

Table V shows the beta coefficient and t-test, which are the degree of change in the outcome variable for every 1-unit of change in the predictor variable examined, indicates there was a positive gradient which reveals that when a bank engages on processes innovation strategies including the adoption of agency banking, mobile and internet banking it improves its performance as indicated by the fact that a unit adoption of process innovation leads to 2.877 improvements on the performance of commercial banks in Kenya as shown in Table V.

Particularly the study sought to establish how each of process innovation had influenced the performance of commercial banks in terms of influencing banking accessibility, rate of customer's transactions, and the customer base through process innovations.

Mobile banking was found to be the most widely used process innovation strategy and the one that had been adopted by most of the banks as it facilitated transactions without customers necessary having to visit the bank, hence customers can either withdraw cash, deposit cash as well as settle other bills at the comfort of their houses without having to queue for long hours in the banks and had an of Mean=4.700, SD 1.06. This agrees with the study by Chavan (2013) which revealed that due to mobile and internet banking, most banks have improved performance in terms of increased transactions, improved accessibility and flexibility in terms of ability to access banks services beyond working hours.

TABLE IV: MODEL ANOVA PROCESSES INNOVATION STRATEGY

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	5200.400	1	5200.40	52.99	0.000 ^b
Residual	22100.200	118	61.162	–	–
Total	27300.600	119	–	–	–

- a. Dependent Variable: Performance of Commercial Banks
b. predictors: (Constant), processes innovation strategy

TABLE V: MODEL ANOVA PROCESSES INNOVATION STRATEGY

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	–
(Constant)	35.478	9.816	–	3.614
1 Processes Innovation Strategy	2.877	2.513	0.641	8.446

Therefore the regression model is (2).

$$Y = \beta_0 + \beta_1 x_1$$

$$Y = 35.478 + 2.877X_1 \quad (2)$$

Internet banking was also a popular process innovation strategy in a number of banks as it enabled customers to carry out transactions in the comfort of their homes and this agrees with the study by Chavan (2013), which concluded that internet banking is presently succeeding the customary banking practice that involved going to the banks in order to access financial services. The study concluded that agency banking was a less popular process innovation strategy in most of the banks. Ndungu (2014) established that agency banking delivers value to customers in form of extended banking hours as well as bringing banking services closer to the customer. The three process innovation strategies were found to contribute significantly towards the performance of commercial banks in Kenya.

VII. CONCLUSION

The study findings showed that processes innovation strategy had a significant influence on performance of commercial banks in Kenya hence need for the banks to adopt the strategy in order to enhance performance. The strategy had value addition to customers in that it facilitated transactions in the most convenient, quick and easy way for them. Mobile and internet payments are significant mechanisms employed by persons and entities as a safeguarded and quick means of making payments through the mobile phone and through internet usage. Mobile banking was found to be the most widely used processes innovation strategy and the one that had been adopted by most of the banks as it facilitated transactions

Without customers necessarily having to visit the bank, hence customers can withdraw cash, deposit cash as well as settle other bills in the comfort of their houses. Internet banking was also a popular process innovation strategy in a number of banks as it enabled customers to carry out transactions without necessarily having to go to the banking halls. Agency banking has the potential of increasing the bank's market share by providing a variety of services to the customers at their doorstep as well as decongesting the banking hall hence a need for the banks to adopt this strategy to a greater extent in order to enhance performance.

VIII. RECOMMENDATIONS

1. It is paramount that the banks' top management implement Innovative strategies such as mobile and internet banking in order to enhance performance and add value to target customers.
2. This study recommends commercial banks accelerate the adoption of agency banking, especially in places that are on the outskirts of the town to assist the customers to get the services closer to where they are hence enhancing the market share of the specific bank. This is because this can decongest the main banks and have customers served within a short time.
3. Policymakers to come up with favorable policies that will facilitate the adoption of processes and innovation strategy geared towards improving the performance of commercial banks.
4. A further study to be done on challenges in the

adoption of agency banking by commercial banks in Kenya. This is because the study established that agency banking was not a popular strategy in most commercial banks.

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