

**EFFECTS OF FINANCIAL INNOVATIONS ON FINANCIAL PERFORMANCE OF  
COMMERCIAL BANKS IN KENYA**

**(A CASE OF EQUITY BANK)**

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## ABSTRACT

The commercial banking industry in Kenya has in the last ten years involved itself in financial innovations, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges. Despite the recognized importance of financial innovation and an extensive descriptive literature, there have been surprisingly few empirical studies. There had no studies that had focused on effect of financial innovation on performance of commercial banks and Equity bank in particular. The main objective of the study was to investigate the effect of financial innovation on financial performance of the commercial banks where the focus was the Equity bank. The study was guided by the following specific objectives; to examine the effect of mobile banking on the financial performance of commercial banks in Kenya, to determine the influence of agency banking on profitability in financial performance, to determine the influence of internet banking in financial performance, establish whether credit cards affect the financial performance of commercial banks in Kenya; This research problem was studied through the use of a descriptive research design. The target population included the 240 staffs from the Equity Bank of Kenya in the NCBD and its environs of the west, east and south as well as in the Head Office. A sample of 20% (48 respondents) was selected using stratified random sampling from within each group in proportions. The researcher made use of a survey questionnaire which was self-administered through drop and pick later method.. Quantitative data collected was analyzed by the use of descriptive statistics and presented through percentages, means, and frequencies. Correlation analysis was used. The information was displayed by use of bar charts, pie charts and graphs.

From the findings, the researcher concludes that adoption of financial innovations by banks affect their financial performance. Internet banking, use of mobile banking, agency banking, and use of both credit cards and debit cards affects financial performance in the Bank. The researcher recommends that for banks to be highly competitive, they need to employ modern financial innovations such as internet based banking services. The critical role of financial innovation in the development of a company and its contribution on the economic growth of firms has been widely documented. The researcher found that some banks in Kenya e.g. KCB banks, Cooperative banks had adopted some financial innovations such as credit cards, mobile, internet and agency banking. The financial innovations had great impact on the financial innovations had great impact other financial of performance.