INFLUENCE OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF TIER ONE COMMERCIAL BANKS IN NAIROBI COUNTY, KENYA

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DECLARATION AND APPROVAL

Declaration

This research project is my original work and has not been presented for the award of a degree at any other university.

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Recommendation

This research project has been submitted for examination with our approval as university supervisors.

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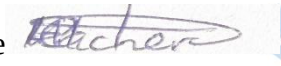
Signature  Date: **08/07/2025**

DEDICATION

I dedicate this research to my parents for their support and my late uncle, Neville, whose unfulfilled academic dreams inspire me to strive for excellence.

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I am incredibly appreciative of my supervisor, Dr. Eunice Gacheri, for her invaluable advice, tolerance, and perceptive criticism during this study process. Through your guidance, I have been able to improve my concepts and make sure that this research is completed successfully.

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ABSTRACT

The study conducted in Nairobi County revealed that tier-one commercial banks can improve their performance and resilience by employing a blend of cost leadership, product diversification, technological innovation, and market innovation. These strategic approaches showed a strong association with increased profitability and operational efficiency, even amidst various challenges. The primary aim of the research was to assess how competitive strategies affect the performance of tier-one commercial banks within Nairobi County. Specifically, the study sought to: evaluate the impact of cost leadership, explore how product diversification influences performance, analyze the role of technological innovation, and assess the effect of market innovation on these banks. The study was underpinned by theoretical frameworks including the Technology Acceptance Model, Resource-Based View (RBV), Porter's Five Forces, and the Dynamic Capabilities Theory, with the RBV serving as the principal foundation. A descriptive survey research design was adopted. The study targeted 492 management personnel across eight tier-one commercial banks located in the county. Data collection was conducted using structured questionnaires. A sample of 220 respondents was drawn, comprising 19 from senior management, 61 from middle management, and 140 from lower management levels. To ensure accuracy and consistency, the questionnaire's validity and reliability were tested using a pilot group of 22 respondents, representing 10% of the total sample. The data gathered was analyzed through both descriptive statistics (frequencies, percentages, and means) and inferential analysis, with findings presented in the form of tables, graphs, and pie charts. The study found that cost leadership significantly enhances the performance of commercial banks, with a strong positive correlation ($r = 0.924$), indicating that cost-reduction strategies improve profitability and financial stability. Product diversification was also positively correlated with bank performance ($r = 0.924$), suggesting that expanding financial products contributes to revenue growth and risk mitigation, although its impact may depend on market demand. Technological innovation showed a strong correlation with bank performance ($r = 0.924$), but its regression results ($\beta = -0.291$, $p = 0.766$) suggest that it does not have a direct impact on financial success. Market innovation was found to be a key driver of competitiveness, with a strong correlation ($r = 0.881$) and a significant regression coefficient ($\beta = 2.199$), showing that banks with innovative market strategies are more likely to perform well. The study recommends commercial banks to prioritize cost leadership strategies by investing in automation and operational efficiency while ensuring that cost-cutting measures do not compromise service quality. Regulators should create policies that encourage product diversification while safeguarding financial stability, enabling banks to expand their offerings in response to market demands. Banks should collaborate with technology providers to implement secure and customer-friendly digital solutions, ensuring technological innovation aligns with operational goals and regulatory requirements. Lastly, banks should invest in market-driven strategies like customer segmentation, digital marketing, and tailored financial products to enhance competitiveness and long-term profitability.

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LIST OF ABBREVIATIONS AND ACRONYMS

DCT	Dynamic Capabilities Theory
Fintech	Financial Technology
ICT	Information Communication Technology
KCB	Kenya Commercial Bank
NACOSTI	National Council of Science, Technology and Innovation
RBV	Resource-Based View Theory
TAM	Technology Acceptance Model
PEU	Perceived Ease of Use
PU	Perceived Utility

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The increasing preferences of consumers, globalization, and advancements in technology are leading to greater competitiveness in the banking sector. Because of this, banks employ a variety of competitive strategies to boost productivity and gain an edge over their rivals (Ayadi et al., 2021). To prosper in the competitive market, banks must comprehend how these techniques affect bank performance. Banks are the foremost and most important part of the financial system; they are intermediators who lend surplus funds to deficit units. As a result, banks often serve as quality controls for successful capital-seeking ventures in well-functioning economies, ensuring higher returns and promoting growth (Buyuran, 2020). Numerous scholarly investigations have examined the connection between global bank performance and competitive strategies.

The global banking industry has evolved significantly, driven by technological advancements, globalization, and changing consumer preferences. These dynamics have prompted banks to adopt various competitive strategies to maintain profitability and operational efficiency. According to Berger and DeYoung (2019), diversification and technological innovation are key strategies for enhancing banks' market share and productivity. For instance, global fintech integration has revolutionized financial services, expanding accessibility and customer satisfaction (Karthika et al., 2022). However, despite these advancements, issues including the increase in non-performing loans and inefficiencies persist, underscoring the requirement for strong strategies to ensure financial stability and competitiveness. Thus, global trends highlight the critical role of strategy in navigating the evolving financial landscape.

In Africa, the banking sector's performance is heavily influenced by economic conditions, regulatory frameworks, and financial inclusion levels. Ayadi et al. (2021) observed that African banks face unique opportunities and challenges that necessitate tailored competitive strategies. Furthermore, Amoako-Adu et al. (2019) demonstrated that market concentration and diversification significantly affect bank performance across the continent. For example, the rise of mobile money services in Africa has expanded financial inclusion, transforming traditional banking models. However, the sector still grapples with high operational costs and regulatory constraints, requiring strategic positioning to enhance profitability and customer satisfaction.

In East Africa, the banking industry exhibits significant growth, driven by technological innovation and regional integration. Studies show that the adoption of mobile banking and fintech solutions has transformed financial services, boosting customer accessibility and operational efficiency (Muthinja & Chipeta, 2018). Specifically, countries like Uganda, Tanzania, and Rwanda have leveraged competitive strategies to enhance financial inclusion, especially among rural populations. However, despite these advancements, the region faces challenges such as inadequate infrastructure and regulatory bottlenecks, necessitating continuous innovation to sustain growth and competitiveness in the banking sector.

Kenya's banking sector, characterized by rapid growth and innovation, plays a pivotal role in the country's economic development. As of 2021, the sector comprises 40 commercial banks, including eight tier-one banks, which account for the majority of assets and market share (Kenya Bankers Association, 2021). Competitive strategies such as product diversification, cost leadership, and technological innovation have been integral in shaping the sector's performance (Ngugi et al., 2021). However, challenges such as declining profitability, high operational costs, and the collapse of some banks highlight the need for strategic alignment to enhance resilience and competitiveness in Kenya's dynamic financial environment.

In Nairobi County, tier-one banks face intense competition due to the concentration of financial services and high customer expectations. Research indicates that these banks have adopted strategies such as cost leadership, market innovation, and product diversification to maintain market share and profitability (Mwangi & Muiruri, 2021). For instance, the integration of fintech solutions has reduced operational costs and improved service delivery, aligning with global trends. However, persistent issues such as declining returns on assets and equity highlight the need for continuous strategic adjustments to sustain growth and competitiveness in the county's banking sector.

This study seeks to address the gap in understanding the influence of competitive strategies on the performance of tier-one commercial banks in Nairobi County. While previous research has explored individual strategies, limited attention has been given to their combined impact on bank performance in this context. By examining strategies such as cost leadership, product diversification, technological innovation, and market innovation, this study aims to provide insights into optimizing performance in Kenya's banking sector. The findings will inform policymakers, bank managers, and researchers on effective strategies to enhance resilience and competitiveness in the dynamic financial landscape.

For example, a study by Berger and DeYoung (2019) emphasizes the significance of diversification tactics in raising bank market share and profitability. In a similar vein, Claessens and Laeven's (2020) study highlights the contribution of cost leadership tactics to enhancing banks' productivity and competitiveness. The aforementioned results highlight the critical role that strategic positioning plays in attaining a durable competitive edge within the international banking sector.

From the African perspective, different factors such as economic conditions, regulatory frameworks, and degrees of financial inclusion determine how competitive strategies affect bank performance in the African context. Ayadi et al. (2021) look at how innovation strategies

affect African banks' performance and highlight the necessity for flexible approaches to take advantage of the continent's opportunities and problems. Furthermore, Amoako-Adu et al.'s (2019) research illuminates the dynamics of competition in the region by investigating the connection between market concentration and competitive behavior across African banks.

In Kenya, an economy that is expanding quickly and has a vibrant banking industry, it is critical to comprehend how competitive strategies affect bank performance. Research like that by Ngugi et al. (2021) and Kinyua and Njagi (2020) examines the strategic decisions taken by Kenyan banks and how they affect performance. These studies demonstrate how important it is to shape competitive advantage and propel exceptional performance in Kenya's banking sector through elements like cost leadership, product diversification, technology innovation, and market innovation. Therefore, it is a strategic necessity for banks to consistently innovate and optimize their competitive strategies to prosper in an increasingly competitive world, even when unique market conditions and strategic priorities may cause findings to vary.

With the completion of I&M Holdings' acquisition of Diamond Trust Bank Kenya and Giro Commercial Bank’s ongoing acquisition of Habib Bank Limited Kenya, the current number of banks in the Kenyan banking sector is 40 out of 42. Chase and Imperial are two banks in receivership. Six foreign exchange bureaus, fourteen money remittance service providers, eight offices representing international banks, twelve licensed microfinance banks, one mortgage loan company, and three credit reference bureaus.

Eight Kenyan commercial banks are ranked as "tier one" in a 2021 report by the Kenya Bankers Association. Tier 1 banks are big financial institutions with assets of billions of dollars that are unlikely to fail. In Kenya, these are the leading banks. Specifically, this study will look at Nairobi County's eight best commercial banks. The senior, middle, and lower-level

management categories of the banks will be highlighted. This will be sufficient representation from commercial banks to obtain a comprehensive grasp of the matters at hand.

1.2 Problem statement

In developed economies, commercial banks have realized superior performance by adopting competitive strategies such as cost leadership, product diversification, and technological and market innovations, resulting in improved profitability and operational efficiency (Rahman & Abbas, 2025; Abdurrahman, 2025). For instance, banks in the U.S. and EU regions have successfully integrated digital transformation and diversification strategies to enhance financial performance (Rehman & Abbas, 2025). In contrast, Sub-Saharan African banks continue to grapple with high operational costs, underdeveloped infrastructure, and limited strategic agility, despite the positive impact of mobile banking and Fintech innovations in improving financial inclusion (Mhlongo et al., 2025; Mengstu & Gebreyohannes, 2025). In Kenya, tier-one commercial banks are central to the country's economic growth, yet they face declining profitability, reduced returns on assets, and rising operational inefficiencies. For example, profitability among Kenyan banks dropped significantly in 2020, with pre-tax profits falling to Kshs. 107.3 billion, marking the lowest point in over a decade (Central Bank of Kenya, 2021). Nairobi County, Kenya's financial hub and home to top-tier banks, remains at the center of these challenges. Despite hosting banks with vast asset bases, Nairobi's tier-one banks continue to struggle with high non-performing loan ratios and reduced returns on equity, with performance challenges contributing to the collapse of key institutions like Chase Bank and Imperial Bank (Wachira & Wainaina, 2025; Mwangi & Muiruri, 2021).

A review of recent empirical studies highlights a limited focus on the combined influence of cost leadership, product diversification, technological innovation, and market innovation on the performance of tier-one commercial banks in Nairobi County. Existing studies have either

concentrated on single strategies like human capital development (Wachira & Wainaina, 2025), diversification (Rahman & Abbas, 2025), or technological innovation (Mutinda & Aluoch, 2025), or have generalized findings across broader national or regional contexts (Orubia, Ngali & Matanda, 2025). Few studies provide a comprehensive, Nairobi-specific analysis examining the cumulative impact of these competitive strategies on bank performance indicators such as profitability, market share, and financial stability. This study, therefore, seeks to bridge this knowledge gap by investigating the combined influence of cost leadership, product diversification, technological innovation, and market innovation on the performance of tier-one commercial banks in Nairobi County. The findings will provide evidence-based insights for improving competitive strategy implementation, enhancing profitability, and strengthening resilience within Kenya's banking sector.

1.3 Purpose of the Study

The purpose of this study was to examine the influence of competitive strategies on the performance of tier-one commercial banks in Nairobi County, Kenya.

1.3.1 Specific Objectives

The following specific objectives, obtained from the study variables, directed the current study:

i. To establish the effect of cost leadership on the performance of tier-one commercial banks in Nairobi County, Kenya.
ii. To investigate the effect of product diversification on the performance of tier-one commercial banks in Nairobi County, Kenya.
iii. To examine the effect of technological innovation on the performance of tier-one commercial banks in Nairobi County, Kenya.

iv. To determine the influence of market innovation on the performance of tier-one commercial banks in Nairobi County, Kenya.

1.4 Research Hypotheses

The research sought to test the following hypotheses, derived from the specific objectives:

H_{01}: Cost leadership does not have a statistically significant influence on the performance of tier-one commercial banks in Nairobi County, Kenya.

H_{02}: Product diversification does not have a statistically significant influence on the performance of tier-one commercial banks in Nairobi County, Kenya.

H_{03}: Technological innovation does not have a statistically significant influence on the performance of tier-one commercial banks in Nairobi County, Kenya.

H_{04}: Market innovation does not have a statistically significant influence on the performance of tier-one commercial banks in Nairobi County, Kenya.

1.5 Significance of this Study

This study is important to policymakers because it offers evidence-based insights into how tier-one commercial banks' performance is impacted by competitive tactics like cost leadership, product diversification, and technology innovation. Policymakers can use these lessons to support innovation, increase financial inclusion, and strengthen the banking industry's resilience in Kenya. Knowing the effects of these tactics, for example, can help the Central Bank of Kenya create rules that encourage environmentally friendly banking operations and reduce the risks of inefficiencies and market instability.

To bank managers and practitioners, the study offers practical recommendations for optimizing competitive strategies to improve profitability and operational efficiency. The findings will help banks better understand the interplay between different strategies, enabling them to make

informed decisions that enhance their market share and overall performance. For instance, insights on technological innovation can assist in integrating fintech solutions to streamline operations and improve customer satisfaction, while cost leadership strategies can help reduce operational costs without compromising service quality.

Academically, the study contributes to the body of knowledge by addressing gaps in existing literature on the influence of combined competitive strategies on bank performance, particularly in the Kenyan context. It provides a foundation for future research by highlighting areas that require further exploration, such as the long-term impact of market innovation on financial stability. Scholars and students can build upon these findings to advance theoretical frameworks and develop innovative approaches to enhance the banking sector's competitiveness in dynamic and evolving financial environments.

1.6 Scope of the Study

This study focused on examining the influence of competitive strategies on the performance of tier-one commercial banks in Nairobi County, Kenya. It specifically targeted eight tier-one banks, as identified in the Kenya Bankers Association 2021 report, which dominated the financial sector in terms of assets, customer base, and market share. The research included respondents from senior, middle, and lower management levels to capture a comprehensive understanding of the strategies employed across organizational hierarchies.

The study was limited to four key competitive strategies: cost leadership, product diversification, technological innovation, and market innovation. These variables were analyzed to determine their impact on bank performance metrics such as profitability, market share, and customer satisfaction. Data collection was conducted using structured questionnaires

based on a five-point Likert scale, ensuring standardized responses for both qualitative and quantitative analysis.

Geographically, the study was confined to Nairobi County due to its status as Kenya's financial hub, hosting the headquarters of the targeted tier-one banks. The time frame for the study was restricted to the period between 2020 and 2024 to reflect recent trends and strategies in the banking sector. The findings provided insights relevant to the Kenyan banking sector while serving as a reference for similar contexts in other regions.

1.7 Limitations of the Study

One limitation of the study was the potential reluctance of respondents to disclose sensitive or confidential information about their banks. Some employees may have felt constrained by organizational confidentiality policies, which could have limited the depth of data collected. To mitigate this, the researcher assured respondents of anonymity and confidentiality by coding responses and avoiding any identifiers that linked data to specific individuals or institutions. Additionally, authorization letters were obtained from relevant institutions to validate the purpose and credibility of the study.

Another limitation was the possibility of low response rates, as some respondents may have been unwilling or unavailable to participate. This could have affected the representativeness of the sample and the reliability of the findings. To address this, the researcher employed a drop-and-pick method for administering questionnaires, giving respondents sufficient time to complete them. Frequent follow-ups through reminders were also conducted to encourage participation and ensure a higher response rate.

Lastly, the study faced challenges related to bias in self-reported data, where respondents might have overestimated or underestimated the effectiveness of competitive strategies. This could

have compromised the accuracy of the findings. To mitigate this, the researcher triangulated data by comparing responses from multiple levels of management and validating self-reported data against secondary sources such as reports and audits. Pre-testing the questionnaire also helped refine its design to ensure clarity and minimize bias.

1.8 Delimitation of the Study

This study was delimited to tier-one commercial banks operating within Nairobi County, Kenya, as classified by the Kenya Bankers Association (2021). The focus on these banks was informed by their dominant market share, large asset base, and strategic significance within Kenya's financial sector. The study concentrated on four key competitive strategies—cost leadership, product diversification, technological innovation, and market innovation—excluding other strategies like customer service differentiation or mergers and acquisitions. Data collection was limited to managerial staff across senior, middle, and lower levels to ensure relevant insights into strategy implementation and performance outcomes. Geographically, the study focused solely on Nairobi County, excluding other regions in Kenya, and covered the period from 2020 to 2024 to capture recent trends affecting bank performance.

1.9 Assumptions of the Study

This study was based on several key assumptions. First, it assumed that respondents would provide honest, accurate, and unbiased answers to the questionnaire. The study further assumed that respondents, drawn from different management levels within tier-one commercial banks, had sufficient knowledge and experience regarding their banks' competitive strategies and performance to provide meaningful insights.

Second, the study assumed that the competitive strategies under investigation—cost leadership, product diversification, technological innovation, and market innovation—were actively

implemented and contributed to the performance of the targeted banks. It also presumed that these strategies were measurable and could be reliably assessed through the selected research instruments.

Finally, it was assumed that the selected eight tier-one commercial banks in Nairobi County were representative of the broader Kenyan banking sector. This assumption ensured that the findings and recommendations of the study were relevant and applicable to similar contexts, both within and beyond Nairobi County.

1.10 Operational Definition of Terms

Competitive strategies	Entails creating and putting into practice plans that add value to the business, draw in and satisfy clients, allow it to effectively compete with rivals in the industry, and carry out operations while improving the company's performance in the marketplace and finances. Competitive strategies help companies grow regionally, penetrate new markets, and quickly acquire core competencies and complementary capabilities. In doing so, they boost the worth of their investors.
Cost leadership and performance	Refers to a tactic used by a business to establish itself as the most reasonably priced producer or supplier of a specific good or service in a cutthroat industry. Putting this plan into action might be difficult since management needs to constantly look for ways to minimize costs without sacrificing competitiveness (Dutse and Aliyu, 2018).

Product diversification	A strategy employed by a business to boost revenue and profitability from new products. Either the corporate or the business level may witness it. Increased variety and options in services and goods are made possible by diversification. Proper implementation of diversification remarkably enhances a company's reputation and profitability (Githaiga, 2021). The utilization of agency banking, automated teller machines, and Internet banking services will serve as proxies for product diversification in this study.
Strategic Technology Innovation	Technology innovation strategically improves the banking industry's performance. Research by Karthika et al. (2022) claims that fintech emergence accelerates the integration of banking services and provides financial institutions with the chance to grow their clientele, enhance deposits, and facilitate business loans and payments. Furthermore, fintech has expanded competition in the banking sector.
Market Innovation	The creation of new concepts alongside preexisting ones for business expansion and to bring about changes in goods, services, and all commercial endeavors is known as market innovation. Market segmentation divides the market shares of people based on their priorities, needs, and behaviors to properly satisfy all of their needs. Market segments that will generate profits for the organization and those that will not result in revenue losses should be created accordingly

(Kimberly, 2016). When a business sees an untapped opportunity, it closes it by making improvements to its current offerings or launching innovative new ventures.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

A brief is given in this chapter of the pertinent literature, including a critique, summary, and discussion of the literature review, as well as the theoretical and conceptual frameworks and the examination of dependent and independent variables.

2.2 Theoretical Framework

The following theories, which make an effort to connect innovation strategies to commercial bank performance, will serve as the foundation for the theoretical review of this study. The ideas discussed include Porter's Five Forces Model, the Technology Acceptance Model (TAM), and the Resource-Based View Theory.

2.2.1 Resource-Based View Theory (RBV)

Penrose's approach, the theory of Resource-Based View, developed in 1959, looks at an organization's unique knowledge base, asset pool, and market awareness to determine and assess its strategic advantage. As a principle, it highlights how crucial it is to match an organization's distinct internal strengths with its changing surroundings to obtain a competitive edge. According to this hypothesis, rival businesses profit from their favorable market positioning because each one makes use of a unique collection of competencies and resources (Davis & DeWitt, 2021). The materials need to be priceless, rare, and unique, with little chance of being duplicated or replaced (Barney & Hesterly, 2013).

A resource, in the words of Xiao et al. (2018), is anything that can show the impact of value addition. They are therefore either physical or intangible, and having access to the utilities gives them a competitive advantage. Barney and Hesterly (2013) suggest that to attain a productive advantage, resources must be rare, valued, unique, and unaffected by imitation or substitution. However, in practice, institutions may only be able to achieve a certain degree in each dimension. This study is based on the idea that a brand is an example of such usefulness. The Resource-Based View Theory describes an organization's ability to function in a competitive macro environment when it comes to strategic management decision-making.

Thus, this idea pertains to the financial and human resources needed by an organization to stay competitive. Thus, to do the activities that allow an organization to fulfill its aims and objectives, firm competencies are required. As a result, human resources are crucial to the development and execution of competitive strategies (Kobia & Otwala, 2016). Njuguna (2021) contends that businesses must make use of unique, significant, and non-replicable resources if they are to succeed in this environment. The resource-based theory, as advanced by Marinov (2019) and Ali and Anwar (2021), contends that businesses use their resources to acquire a sustained competitive advantage and, ultimately, produce favorable outcomes (Walker, 2016). According to Jin and Lee (2020), several intangible utilities, such as market orientation, learning orientation, and entrepreneurial orientation, display extraordinary difficulties when duplicated by competitors and are therefore thought to provide a competitive advantage over rivals.

According to Barney and Hesterly's (2013) resource-based view of the business, academia's precise strategic orientation is a factor that affects an institution's capacity to focus on the business's objective and create a long-term, desired synergy for better outcomes. According to Marinov (2019), strategic orientation is considered multi-factorial since it differs throughout organizations and due to the characteristics of those institutions. Thus, institutions use

environmental signals and utility distribution to choose the best course of action for achieving desired outcomes. Publications on strategic management claim that a strategic orientation can boost the likelihood of shared interests, making it easier to implement effective plans and enhance outcomes. In essence, the resource-based view provides information on an organization concerning the services it uses.

As per Ali and Anwar's (2021) findings, utilities can be utilized to attain enhanced outcomes and maintain a consistent competitive edge. Having said that, to increase the likelihood of better results, institutions must make the most use of utilities. Institutions that achieve the best results do so not just because they provide higher-quality or more services; rather, it is because of their distinct advantages over competitors. The thesis states that businesses are regularly improving their expertise or copying the strategies being used by their top competitors, while institutions are consistently generating greater competencies (Mukherjee & Sen, 2022).

Internal operations, resources, and the competitive advantage of the company are eventually under pressure from limiting forces that can both oppose and direct the company's internal strengths. The idea is relevant to our analysis because it shows how crucial it is for banks to have important plans in place to outperform competitors in the banking industry in terms of relevant resource allocation and cost reduction for a competitive edge. Therefore, the theory underpins the cost leadership variable.

2.2.2 Dynamic Capabilities Theory (DCT)

The Dynamic Capabilities Theory (DCT) was introduced in 1997 by Teece, Pisano, and Shuen. The theory implies that management fads like business process engineering, empowerment, culture change, quality, and significant environmental changes may drive activities such as strategy development and implementation (Teece, 2014). Essentially, it takes knowledgeable

and experienced brains, strategic leadership, and shared knowledge among functional units to precisely define, develop, and implement a strategy.

According to Di Stefano, Peteraf, and Verona (2014), the fundamental premise of this theory is that management's role in strategy is to integrate, adapt, and reconfigure the company's talents, especially its internal competencies and, more crucially, its skills to meet the environment. The theory states that when firms combine their resources and competencies, they may achieve the goals they have set through the strategic plan and implementation process. This theory is used in the study because it argues that the company's and, more specifically, the bank's capacity, capabilities, and resource deployment abilities are vital in strategy implementation. The product diversification strategy variable, which includes mobile banking, ATMs, and agency banking in this study, will be adequately informed by DCT theory.

2.2.3 The Technology Acceptance Model (TAM)

Davis invented the Technology Acceptance Model (TAM) in 1989 to demonstrate the relationship between customer acceptance of new technologies, their ease of use (PEU), and perceived utility (PU). TAM states that the two key variables that are utilized to ascertain customers' behavioral intentions about the adoption of a certain technology are PU and PEU. According to Davis, PEU, and PU are essential elements in determining and predicting the uptake and acceptability of particular technologies. TAM paradigm also recognizes that most consumers are rational people who wish to perform as well as possible. This implies that people are more likely to adopt and employ a technological breakthrough if they believe it will enhance performance and be simple to use.

This suggests that user performance and simplicity of use should be considered while creating and advertising financial systems. The approach highlights perceived usefulness and usability, which are important criteria that might support or obstruct the adoption of new technology. The

approach recognizes the fundamental role of similar phenomena in the study. In addition, it facilitates the examination of additional influencing factors while presuming that the participants are genuinely interested in taking part in the study and have no other motivations. It is also thought to be beneficial and simple to apply. Wang et al. (2018) claim that TAM's extensive use encourages more individuals to use it, highlighting its importance for online banking. Mobile money transfers and online banking are two of the most important technological developments in the sector.

However, a lot depends on how ready and open the public is to it as to whether or not these banks used it to boost performance. Researchers and practitioners will continue to need models like TAM as fintech expands and affects the banking industry. They direct the creation of regulations that support the efficient application of technological advancements and offer perceptive information on the dynamics of technology adoption. The Technology Acceptance Model, which emphasizes how quickly technology is developing in the banking sector and replacing outdated manual procedures, supports the technological innovation variable in the current study.

2.2.4 The Five Forces Model

Porter's (1991) Five Forces Model illustrates how establishing a connection between an organization and its environment is essential to a strategy's success. The type of competitive strategy a corporation will choose will depend on the nature of the industry. An organization's ability to adjust to external factors will be used to gauge its capabilities. Understanding the five forces enables a business to identify a more profitable position and comprehend the structure of its industry.

The aforementioned five forces determine the degree of profitability and rivalry in the business, and identifying the strongest force becomes crucial when formulating a competitive strategy.

Thus, increasing a company's service or product's competitive position within a certain sector or market niche is the primary focus of competitive strategy (Tidd et al., 2015). This model suggests that a company's primary decision-making factor for how it wishes to compete with rivals is whether or not its competitive advantage aligns with the market aim being pursued. According to Peter & Mburu (2022), the banking industry is at risk from emerging SACCOs and Microfinance Institutions (MFIS). Customers are choosing SACCOS and MFIs over banks when seeking loans and other products because they're happy with most of their products and services. To stay competitive, banks had to constantly devise new and creative ways to enhance their offerings while also capturing market share, thanks to the rise and expansion of MFIs and Saccos. Porter's Five Forces Model provides support for market innovation in this study.

2.3 Empirical Review

The empirical review section presents a critical analysis of previous studies conducted on the relationship between competitive strategies and organizational performance, with a focus on the banking sector.

2.3.1 Cost Leadership and Bank Performance

Wachira and Wainaina (2025) examined how strategic leadership influenced organizational performance at the National Bank of Kenya (NBK), which had recorded declining profits and customer deposits compared to other commercial banks. The study focused on the role of human capital development in improving performance and was guided by the Resource-Based View (RBV) and Transformational Leadership Theory. Using a descriptive survey design, data were collected from 18 senior managers at the head office and 36 branch managers from nine coastal branches. Tools used included interviews and structured questionnaires. Data analysis involved descriptive statistics and multiple regression. Findings revealed that human capital

development significantly influenced organizational performance. The study recommended that NBK adopt cost leadership strategies by investing in employee capacity building to reduce operational inefficiencies and enhance competitiveness.

Mohamed et al. (2019) conducted a study that summarized the influence of cost leadership strategy on the performance of small-scale miners in Taita Taveta, Kenya. This study aimed to evaluate how the cost leadership strategy affects the outcomes of prospective mining ventures in Taita Taveta, Kenya. Porter's Generic Strategies served as the review's anchor. A descriptive survey study approach was employed, focusing on 502 miners from 13 mining enterprises and 22 official unions. A simple random technique was used to pick 222 individuals for sampling. Primary data were gathered through questionnaires, and descriptive statistics were applied for analysis. Reductions based on the analysis demonstrated that using cost leadership techniques reduced operations costs, employee attrition, and business success. The suggestion was made to shift from just cutting expenses to striving for a competitive cost per unit of input technique, as it is more attainable.

According to Lu and Huang's (2019) research, pricing leadership entails offering large-scale, customized products to clients at extremely competitive rates. Always keep in mind that the costs for the owner do not necessarily result in high-priced products for consumers. In essence, the corporation employs cost-effective management techniques and average pricing, and reinvests excess revenue back into the business. To acquire a noticeable benefit over competitors, the majority of businesses use Porter's broad strategies to outline their objectives and determine their course of action.

Dutse and Aliyu (2018) conducted a study examining the impact of cost leadership strategies on the performance of commercial banks. The researchers utilized a quantitative methodology that involved the analysis of data from various banks operating in Nairobi County to assess the relationship between cost management practices and financial outcomes. Their findings reveal

that adopting cost leadership significantly influenced profitability and market share, highlighting the competitive advantage gained through this strategy. However, they also noted challenges, such as maintaining product quality while reducing costs, which were often overlooked in previous studies. This underscores the necessity for further investigation into cost management strategies within the Kenyan banking sector, where aggressive competition persists. The unique market dynamics in Nairobi County necessitate tailored strategies that may differ from those in other regions, warranting more localized research (Dutse & Aliyu, 2018).

In 2015, Atikiya conducted a study to analyze how the performance of Kenyan manufacturing enterprises is impacted by the cost leadership approach. The research involved interviewing participants and administering a questionnaire, and it scrutinized 131 companies across 12 industrial subsectors in Nairobi and nearby areas. The two analytical techniques employed in the data analysis, executed through descriptive and explanatory study designs, were Pearson's correlation and regression analysis. The model's goodness of fit was estimated using R-squared, and its validity was evaluated using F statistics. The conclusions indicated that adopting a cost leadership strategy has a considerable influence on how well manufacturing companies perform. According to the research's discovery, managers in manufacturing companies should embrace a cost leadership approach to boost their productivity and competitiveness.

Paauwe and Boon (2018) state that the strategic basis for cost leadership underscores the need for an organization to be the most efficient in terms of costs compared to competitors seeking to fulfill the same customer needs. Unfortunately, by ignoring this idea, a lot of organizations have made strategic mistakes. There is fierce competition when several cost leaders vie for the same spot, since each market share point holds.

2.3.2 Product Diversification

Rehman and Abbas (2025) investigated the relationship between diversification strategies and financial performance in Pakistani banks from 2011 to 2023. Using a system GMM approach, the study evaluated asset, income, and funding diversification against key performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM). The results revealed that asset and funding diversification negatively impacted profitability, while income diversification had a positive influence, especially for well-capitalized banks. Undercapitalized banks showed mixed performance results due to operational inefficiencies. The study further established that macroeconomic factors like economic growth and inflation significantly moderated the relationship between diversification and bank performance. It recommended strengthening capital adequacy and implementing tailored product diversification strategies to enhance profitability and sector stability.

Rahman and Abbas (2025) investigated the impact of diversification strategies on the financial performance of commercial banks across South Asia from 2011 to 2023. Using the Generalized Method of Moments (GMM) framework, the study examined asset, funding, and income diversification. Findings indicated that both asset and funding diversification negatively affected bank profitability at 5% and 10% significance levels, respectively. However, when economic growth was included in the model, the significance of these effects increased to 1% and 5%. Notably, income diversification showed a strong positive effect on profitability at a 1% significance level. The study further established that well-capitalized banks experienced a higher negative impact from asset diversification compared to undercapitalized ones. It recommended implementing tailored product diversification strategies that align with macroeconomic conditions to enhance bank performance.

Businesses employ this tactic to boost the volume and profitability of sales of new products. At the business or corporate level, diversification enables the expansion of alternatives and

variety in goods and services. This expansion is made possible by increased options. Proper implementation of diversity significantly increases a company's profitability and standing (Githaiga, 2021). The banking sector extends various product diversifications, such as agency banking, bancassurance, electronic card systems, and mobile banking systems, as outlined by Ehiedu et al. (2021).

According to Osifo and Osagie (2020), the majority of business endeavors aim to make a profit that is both sufficient for the shareholders and sufficient for the provision of a service. There is no exception to this norm within the banking industry. It is the fundamental purpose of all bank operations, procedures, and designs to accomplish this. Automated Teller Machines, agency banking, and online banking will serve as stand-ins for product diversification.

The impact of diversification in investment portfolios on the financial success of Nepalese financial institutions was the focus of the Bartaula et al. (2018) study. The variables ROA and ROE were explained. Bonds, insurance, real estate, credit portfolios, government securities, foreign bank investments, and corporate sector investments were among the variables that were explained. The evaluation was carried out with secondary data collected from twenty-five commercial banks, comprising one hundred observations, between the years 2011-12 and 2016-17. Regression models were generated to analyze the significance of the recommended goals. The observations demonstrated a positive and strong relationship between investments in bonds, government assets, and company shares and ROE. On the other hand, ROE was adversely correlated with foreign investment, insurance investment, total loan investment, and real estate investment.

The ramifications of investment diversity on financial performance were investigated in research by Hailu and Tassew (2018) using a sample of seventeen Ethiopian commercial banks. The period of examination spanned from 2013 to 2017. Utilizing a panel random effect regression model, the information gathered as part of a quantitative method of study was

examined. The results showed that investments in financial assets, government-issued securities, insurance products, credit portfolios, and investment sizes were positively correlated with Ethiopian banks' financial performance. The study discovered that, in Ethiopia, there exists a favorable correlation between diversifying investments and the fiscal performance of commercial banks. With this in mind, banks must pivot their efforts to promoting portfolio diversification, take the initiative to develop marketing campaigns that support their application, and search for the best possible portfolio combination that would result in an efficient portfolio. The heterogeneity of financial development in Kenya makes the analysis non-universally relevant.

Githaiga (2021) explored the role of product diversification in enhancing performance within the Kenyan banking sector. The study employed a mixed-method approach combining quantitative survey data from major banks with qualitative interviews with banking executives to provide comprehensive insight. Results indicated that product diversification strategies, including mobile banking and bancassurance, led to increased customer retention and revenue streams, thereby improving overall bank performance. However, the study identified gaps in understanding customer preferences for diversified products, suggesting that further research could optimize these offerings. Given Nairobi County's unique demographic and economic landscape, a localized investigation into product diversification strategies could yield significant benefits for banks aiming to improve their competitive standing. Therefore, this study aims to fill the gap in understanding how product diversification specifically impacts tier-one commercial banks within this urban context.

Nisar et al.'s (2018) research was a predecessor to the current discussion concerning the advantages and disadvantages of banks diversifying their sources of income. The stability and profitability of commercial banks with headquarters in South Asian countries are generally positively impacted by diversifying revenue sources into noninterest streams, according to an

analysis of a panel set of data containing 200 of these banks. Furthermore, the performance and stability of banks are affected differently by various non-interest stream-generating activities. Research demonstrated that commission and fee streams hurt the stability and profitability of commercial banks headquartered in South Asian countries, while non-profit streams yielded positive results. The most important lesson that the outcome teaches is that banks can diversify their revenue streams by engaging in various non-interest-stream-generating activities. The results applied to the value of different metrics for diversifying sources of income, increasing profitability, and fortifying banks.

2.3.3 Strategic Technology Innovation and Performance in Commercial Banks

Mengstu and Gebreyohannes (2025) examined the effect of banking innovation on the financial performance of commercial banks in Ethiopia, covering the period from 2018 to 2022. The study employed both explanatory and descriptive research designs with a quantitative approach, using secondary data sourced from the National Bank of Ethiopia, Central Statistical Authority, and Ministry of Finance. Seventeen commercial banks were purposively selected from a total of thirty-one licensed banks. Data analysis was conducted using panel least squares regression with a random effects model tested through STATA software. Results showed that innovations such as agent banking, mobile banking, and gross domestic product growth had a significant and positive impact on financial performance. The study recommended that commercial banks should invest in technological innovation to enhance profitability and market competitiveness.

Abdurrahman (2025) explored how digital transformation (DT) influences digital product innovation (DPI) performance within the banking sector by integrating the Resource-Based View (RBV) and Dynamic Capabilities (DC) frameworks. The study addressed a research gap by positioning DT as a key mediating mechanism that converts organizational resources and

capabilities into digital innovation outcomes. Data were collected from 355 banking professionals across 51 Indonesian banks and analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM). The findings revealed that IT capabilities, strategic orientation, collaboration resources, and complementary assets positively influenced DT, which in turn significantly enhanced DPI. Additionally, DT partially mediated the relationship between organizational resources and innovation performance. The study recommended that banks invest in technological innovation and strengthen dynamic capabilities to sustain competitive advantage and improve performance.

The banking industry performs better when technological innovation is used strategically. According to research conducted by Karthika and colleagues in 2022, the rise of fintech is said to speed up the amalgamation of financial services and offer banks opportunities to grow their customer base, boost deposits, and streamline business loans and transactions. Thanks to fintech innovations, banks can now hire new clients using mobile devices, which reduces the hiring expenses linked to more conventional banking operations. Huparikar and Shinde (2022) corroborate these results by emphasizing how challenging it is to bring on new bank clients via conventional means. Through assistance with promotion, the provision of new customer registration forms, and the acceptance and processing of online registrations, FinTech helps banks draw in new clients from a distance.

Safiullah and Paramati's (2022) research indicates that big banks are using fintech advancements to safeguard their clients by providing competitive and cutting-edge banking services and products. Moreover, they maintain that banks use fintech to boost their banking services to draw in and keep new and existing clients. Murinde et al. (2022) claim that banks are assisted by fintech in offering digital solutions that satisfy client demands and increase the efficiency of banking facilities. Anifa et al.'s (2022) study findings demonstrate that, in

addition to payment processing, other financial services have been significantly impacted by fintech advancements.

Banks use customer acquisition and retention to enhance their overall efficiency. As stated by Safiullah and Paramati (2022) and Murinde et al. (2022), digital innovations assist banks in attracting new customers, providing better, more convenient financial services, and maintaining a loyal customer base. Through online Belvedere, these technologies let bank workers and clients build mutually beneficial connections. They also strengthen communication and information exchange, which strengthens the bond between banks and their clients. Fintech advancements assist banks in drawing in affluent clients. The primary factors influencing their influence on bank performance are the characteristics of bank clients. Banks can draw in tech-savvy clients who are in high demand for a range of financial services thanks to fintech. The volume and diversity of banking services these clients offer boost the bank's effectiveness. Technological innovations are used by banks to guarantee their customers' delight and loyalty. By delivering banking services that surpass customers' expectations and provide consumer protection, financial institutions accomplish this strategic objective. According to Safiullah and Paramati's research from 2022, big banks are using fintech innovations to safeguard their clients by providing them with cut-throat and creative banking services and goods. Moreover, they assert that banks use fintech to enhance the financial services they provide to attract and keep both present and new clients.

As stated by Murinde et al. (2022), fintech assists banks in offering technological solutions that satisfy client wants and boost the effectiveness of banking establishments. Anifa et al.'s analysis from 2022 demonstrates that, in addition to payment processing, other financial services have also been greatly impacted by advances in fintech.

These findings are corroborated by research by Safiullah and Paramati (2022), which emphasizes the contribution of fintech to the growth of mobile deposits and peer-to-peer

lending. Safiullah & Paramati's 2022 analysis examines how fintech competes with banking financial institutions, while Anifa et al.'s research concentrates on how banking financial organizations adopt fintech. Vives (2017) completed a study on the impact of fintech on the banking sector. Notably, the study examined the use of financial technology by both new and incumbent banks, its effects on lending and investment portfolios, asset management, and other financial services. Fintech businesses provide their services via user-friendly online banking systems. These services include loan disbursements, borrowing, and processing.

Anifa et al. (2022) contended that advancements in technology offer practical and safe substitutes for monetary transactions. They also assert that the banking industry is now more competitive as a result of fintech. The speed at which incumbent banks adopt fintech will determine its impact on banking performance. This rate is subject to the regulatory framework being put in place to win over bank customers and the financial markets in general. Huparikar and Shinde's (2022) study indicates that customer satisfaction with FinTech usage in banking influences banks' adoption of financial innovations and ability to win over clients and the market. This establishes how FinTech affects commercial banks' performance.

The rise of fintech has affected consumers' financial choices in areas such as online loan applications, remote deposits and payments, and bank account setup and upkeep. A Karthika et al. (2022) study claims that because of developments in digital technology, clients may now access banking services remotely, which improves bank performance. Additionally, it encourages inclusion in banking and financial services, transaction security, and financial literacy. Fintech also does away with the burdensome paperwork that comes with conventional financial services, such as banking. These elements enhance consumers' confidence and ability to make financial decisions virtually. Prior studies conducted by Lee and Shin (2018) indicate that fintech assists clients in choosing their investments. Financial innovations allow investors to apply for and process bank loans online, which improves consumers' investment selections.

To assist in the development of alternative financial products, commercial banks are progressively embracing technology. Alternative banking products and services encompass virtual payment platforms, online customer acquisition, as well as the application and processing of loans in addition to deposits and transfers.

According to research by Hornuf et al. (2021), banks can create new banking services and products in addition to digital tactics to gain a competitive advantage by implementing fintech technologies. Startups in the consumer financial space confront enormous obstacles and fierce rivalry from established players. According to Hornuf et al. (2021), new financial services and products have been successfully introduced as a result of the gradual adoption of fintech. Safiullah and Paramati (2022) contend, however, that the banking industry will suffer from the launch of new financial services and products related to fintech since banks are ill-equipped to conduct efficient risk-benefit analyses. In light of this, it is crucial to evaluate if FinTech will benefit banks more than it will cost to install and operate FinTech systems. Fintech makes new banking services like loans, open banking, international payments, and financial transfers and remittances possible. The performance and profitability of banks around the world have been impacted by the expansion of the global banking industry.

Ehiedu et al. (2021) examined the impact of technological innovation on the operational effectiveness of commercial banks in Kenya. The authors employed a quantitative research design that surveyed banks to assess how technological advancements influenced banking procedures and customer service delivery. Their findings indicated that banks leveraging technology experienced significant improvements in operational efficiency and customer satisfaction, which directly correlated with enhanced financial performance. Nevertheless, challenges such as cybersecurity threats and the high cost of technological implementation were highlighted as barriers to fully realizing the benefits of innovation. The rapidly changing technological landscape in Nairobi County makes it imperative to study these innovations

further as they relate to customer behavior and preferences in banking. Thus, this study seeks to understand how tier-one commercial banks can harness technological innovations to enhance their performance in this competitive environment.

Research by Murinde et al. (2022) claims that fintech enhances some conventional banking functions, boosting bank profitability. They contend that fintech offers platforms to enhance payments to e-commerce providers or between bank customers. Navaretti et al. (2018) claim that financial tech helps banks meet the expansion of the market for financial services by providing them with access to a diverse clientele. Fintech has been employed by central bank establishments to enhance their banking and financial services, including loan processing, client acquisition, and payment and money transfer facilitation (Murinde et al., 2022). Investments in fintech technology first produced volatility, but with time, the bank's performance started to improve. As a result, the use of fintech enhances banks' capacity to contend with fintech firms, enhancing bank performance. Consequently, fintech has been used by the worldwide banking sector to improve financial services and boost performance.

2.3.4 Market Innovations and Performance of Banks

Market innovation is the process of introducing fresh concepts alongside established ones to grow a business, improve products and services, and implement profitable business strategies. To guarantee that each person's demands are met in full, market segmentation entails dividing up the market shares of people based on their preferences, needs, behaviors, and priorities. Market segments ought to be created to generate profits for the business and prevent revenue losses (Mose & Ogechi, 2022). When a company notices a gap in the market, it fills it by improving what it already offers or starting creative new projects.

Mhlongo, Kunjal, and Muzindutsi (2025) examined the influence of Fintech-driven market innovations on competition and performance within South African banks listed on the

Johannesburg Stock Exchange (JSE) from 2000 to 2023. The study adopted a panel regression approach to analyze how technological innovations, especially mobile-based financial solutions, affected banking dynamics. Findings indicated that Fintech innovations significantly enhanced market competition by offering efficient, personalized, and cost-effective transaction services, thereby challenging traditional banking models. However, the study found no statistically significant improvement in core bank performance indicators such as profitability and asset growth, suggesting that legacy banking structures still largely dictate performance outcomes. The researchers recommended that banks integrate Fintech-driven market innovations more strategically to boost competitiveness and enhance overall financial performance in the long term.

The core ideas of market innovation include optimizing the target market mix and choosing the best approach to serve certain markets. Its objective is to identify more favorable target market opportunities and more effective market service strategies. A business must divide a big potential market into smaller, more manageable pieces to segment its market and maximize profits. An unsuitable mix of target markets is the outcome of inadequate market segmentation, which could lead to misread revenues (Kapolo et al., 2021).

Asisi and Egessa (2024) analyzed how market innovation influences competitiveness among commercial banks in Kenya, reflecting on the imperative for banks to adapt to global shifts in consumer preferences and technological advancements. Guided by the dynamic capability theory, the study employed a positivist research philosophy along with descriptive and correlational designs, targeting 175 senior managers. Through a well-structured sampling process, 122 respondents provided data via meticulously constructed questionnaires. The results demonstrated a statistically significant correlation between market innovation and competitiveness ($r=0.651$, $p<0.000$), confirming that innovative practices substantially enhance banks' performance metrics. The study proposed actionable recommendations, such

as conducting continuous market research and leveraging artificial intelligence to better tailor services to customer needs. This study underscores the urgency for tier-one commercial banks in Nairobi County to embrace market innovation as a pivotal strategy for not only competitiveness but also for overall performance enhancement in the dynamic financial landscape

Ngugi et al. (2021) investigated the influence of market innovation on the financial outcomes of commercial banks in Kenya. The study utilized a descriptive research design, collecting data from various banks operating within Nairobi County to analyze the relationship between market innovation and bank performance metrics. The results demonstrated a positive correlation between innovative market strategies and enhanced performance indicators, such as increased customer acquisition and retention rates. However, the study pointed out a critical gap in understanding how different types of market innovations specifically contribute to performance, particularly in a rapidly evolving economic context like Nairobi. This indicates a significant opportunity to investigate market innovation strategies tailored to the local banking environment, ensuring they meet the needs of a diverse customer base. As a result, this research aims to explore the specific aspects of market innovation that can drive performance improvements for tier-one commercial banks in Nairobi County.

Muhuni and Ouma (2023) investigated the impact of various innovation approaches on the competitive structures of tier-one commercial banks in Kenya. Utilizing a descriptive and correlational research design, the researchers surveyed a sample of 182 managers selected through stratified random sampling from a target population of 334. The analysis indicated a strong positive correlation between market innovation and competitive advantage, emphasizing the essential nature of technological advancements like mobile banking and digital service delivery in enhancing customer engagement and operational efficiency. Additionally, the study found that banks that actively adopted innovative financial instruments and diversification

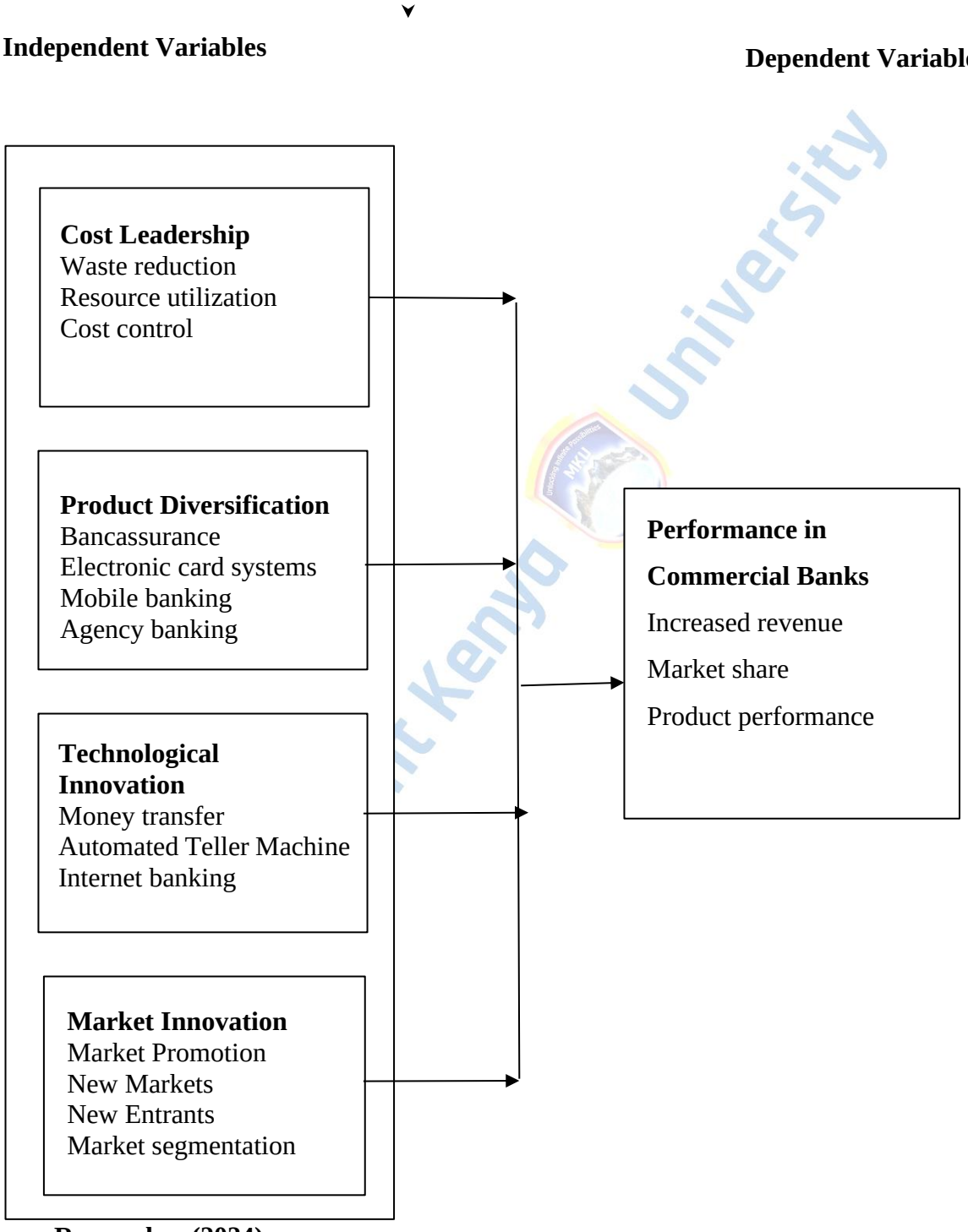
strategies tended to excel in financial performance compared to their peers. The implications of these findings are particularly relevant for tier-one banks in Nairobi, where embracing innovation is crucial for maintaining competitiveness in an increasingly saturated market. This highlights the necessity for Kenyan banks to invest continually in innovative practices to ensure long-term success and adaptability.

The banking sector takes these issues into account and develops initiatives to foster a positive business environment. Because this is so distinct from other industries, it overlooks other internal pressures and instead focuses on its strengths. Simply examining these internal elements limits organizational opportunities, given how swiftly technology is changing the commercial world. High-performing commercial banks focus their knowledge on thoroughly researched areas and improve client awareness (Kapolo et al., 2021). In commercial banks, the market orientation notion consists of three components: customers, rivals, and cross-functional coordination orientation.

This indicates that in commercial banks, management should concentrate quickly on taking on competitors, primarily by providing high-quality goods and services (YuSheng and Ibrahim 2020).

2.4 Conceptual Framework

The set of fundamental concepts and principles derived from relevant academic fields that form the basis for a subsequent discussion is known as a conceptual framework (Kombo & Tromp, 2009). The conceptual framework for the investigation is illustrated in Figure 1.



Researcher (2024)

2.4 Recap of Literature Review

The literature on strategic management in banking highlights several key strategies, such as cost leadership, product diversification, strategic technology innovation, and market innovations that significantly impact bank performance. Mohamed et al. (2019) explored cost leadership in small-scale mining, suggesting that while cost-cutting is essential, a competitive cost per unit of input must also be emphasized for sustainable success. Lu and Huang (2019) supported this by identifying the importance of effective management techniques in achieving competitive pricing. In the banking sector, diversification, as noted by Githaiga (2021) and further analyzed by Osifo and Osagie (2020), is crucial for increasing sales volumes and profitability. Additionally, studies like those by Bartaula et al. (2018) and Hailu and Tassew (2018) revealed positive correlations between investment diversification and bank performance metrics like ROA and ROE.

Technological innovations also play a pivotal role; research by Karthika et al. (2022) and Safiullah and Paramati (2022) demonstrated that fintech developments lead to improved customer acquisition and retention, ultimately enhancing operational efficiency. Furthermore, market innovations focused on segmentation strategies, as discussed by Mose & Ogechi (2022) and Kapolo et al. (2021), aim to optimize service delivery and capitalize on market gaps. Collectively, the literature underscores the dynamic interplay of these strategies in shaping the banking sector's performance (Paauwe & Boon, 2018; Nisar et al., 2018; Navaretti et al., 2018; Murinde et al., 2022).

Table 1: Summary and Research Gaps

Authors (Year)	Focus of the Study	Research Method Used	Findings	Knowledge Gap	Focus of Current Study
Wachira & Wainaina (2025)	Influence of human capital development on organizational performance at National Bank of Kenya	Descriptive survey design using interviews and questionnaires	Human capital development significantly improved bank performance	Limited focus on specific competitive strategies such as cost leadership	Examined the effect of cost leadership on performance of tier-one commercial banks in Nairobi
Rahman & Abbas (2025)	Bank diversification and financial performance in South Asia	GMM framework analyzing 2011–2023 data	Asset and funding diversification negatively affected profitability, while income diversification enhanced performance	Focused on South Asian banks with no emphasis on Kenyan banking context	Investigated the impact of product diversification on performance of tier-one commercial banks in Nairobi
Mengstu & Gebreyohannes (2025)	Effect of bank innovation on financial performance in Ethiopian commercial banks	Panel least squares regression using secondary data from 17 banks (2018–2022)	Mobile banking, agent banking, and GDP positively influenced performance	Focused on Ethiopian banks with limited generalizatio n to Kenya	Assessed the role of technological innovation on performance of tier-one commercial banks in Nairobi
Abdurrahman (2025)	Digital transformation and digital product innovation performance in Indonesian banks	PLS-SEM using data from 355 respondents across 51 banks	Digital transformation significantly enhanced digital product innovation performance	Did not examine bank financial performance or competitive strategies	Evaluated the influence of technological innovation on performance of tier-one banks in Nairobi
Mhlongo et al. (2025)	Influence of Fintech innovations on competition and performance	Panel regression on JSE-listed banks (2000–2023)	Fintech enhanced competition but had no significant impact on bank	Focused on South Africa with limited analysis of market innovations'	Investigated the effect of market innovation on performance of tier-one

	in South African banks		performance indicators	role in Kenya	commercial banks in Nairobi
Ngugi et al. (2021)	Competitive strategies and performance of commercial banks in Kenya	Quantitative study using surveys and regression analysis	Competitive strategies positively influence asset base, profitability, and market share	Lack of analysis on the interplay of multiple strategies and their cumulative impact on bank performance	Investigating the combined influence of multiple strategies on tier-one banks' performance in Nairobi
Safiullah & Paramati (2022)	The impact of fintech on financial stability in banks	Case study of digital financial integration	Fintech enhances financial stability through innovation	Insufficient analysis of regional variations and other competitive strategies beyond fintech	Assessing how technological innovation complements cost leadership and diversification in Nairobi's tier-one banks
Muthinja & Chipeta (2018)	Drivers of financial innovations in Kenyan commercial banks	Empirical study with surveys and secondary data analysis	Financial innovations like mobile banking drive financial inclusion	Lack of focus on how these innovations influence bank performance metrics such as profitability and market share	Investigating the influence of technological and market innovations on bank performance in Nairobi
Mwangi (2021)	Competitive strategies and financial performance of Kenyan commercial banks	Mixed-methods study	Strategies like product diversification and cost leadership improve financial performance	Limited focus on Nairobi County's tier-one banks and their unique challenges and opportunities	Focusing on tier-one banks in Nairobi to assess how competitive strategies impact profitability and market share
Hailu & Tassew (2018)	Diversification in Ethiopian banks and financial performance	Panel regression analysis	Investment diversification positively influences	Findings limited to Ethiopia and lack applicability	Exploring how product diversification strategies influence the

			financial performance	to Nairobi's banking sector	performance of tier-one banks in Nairobi
Mose & Ogechi (2022)	Competitive strategies and performance of commercial banks in Kenya	Descriptive survey	Market segmentation and innovation improve competitiveness	Limited integration of multiple strategies in the analysis of bank performance	Analyzing the role of market innovation alongside other competitive strategies in Nairobi's tier-one banks

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The methods by which research findings are reached are covered by the research technique. Creating the study population, research design, and research philosophy comes first. In addition, recognized methods and instruments were employed, including validity tests, regression analysis, and reliability testing. This section concludes with a discussion of data analysis methods for hypothesis testing, such as descriptive and inferential analysis.

3.2 Research Design

The research design for this study was the descriptive research design, as the researcher observed and described the variables in their natural state without manipulating them. Descriptive research was ideal for studies aiming to gather and present data systematically to reveal relationships or patterns between variables. Since the researcher did not intend to control or alter the data but rather describe the existing conditions, a descriptive approach allowed for an accurate depiction of the phenomenon being studied. This approach also facilitated the use of visual aids, such as charts and tables, to display the correlation between the dependent and independent variables in a clear and comprehensible manner. As emphasized in research methodology, this method helped in understanding the relationships between variables by focusing on how they coexisted rather than determining cause-and-effect relationships.

In this study, the dependent variable was the performance of tier-one commercial banks in Nairobi County, while the independent variables included cost leadership, product diversification, technological innovation, and market innovation. The research examined how each of these factors influenced the performance of banks without intervening in their natural

processes. By using the descriptive research approach, the study provided a detailed account of the influence these strategies had on performance outcomes within the banking sector. The use of visual aids further enhanced understanding by clearly illustrating how the independent variables (strategic elements like cost leadership, product diversification, technological innovation, and market innovation) related to and affected the dependent variable (bank performance).

3.3 Target Population

According to Sekaran (2014), the target population refers to the entire set of individuals, items, or events that the researcher aims to explore. For this study, the target population consists of 492 management employees from eight commercial banks in Nairobi County, classified as "Tier 1" by the Kenya Bankers Association (2021). Specifically, the study will focus on three management levels, namely, senior, middle, and lower, across these banks. These three levels are expected to provide a diverse and comprehensive representation of the banking sector, allowing for a thorough understanding of the issues under investigation.

Table 2: Target Population

Category	Population	Percentage
Senior management	43	8.74
Middle management	137	27.85
Lower management	312	63.41
Total	492	100

Source: Kenya Bankers Association Report (2021)

3.4 Location of the Study

This study focused on Tier One commercial banks in Nairobi County, Kenya, the country's financial hub. Nairobi hosted the headquarters of all major banks, providing a competitive and dynamic environment ideal for analyzing the impact of competitive strategies on performance. With a diverse customer base, high banking penetration, and rapid digital adoption, Nairobi offered a rich setting to assess strategic responses to market pressures. The findings provided valuable insights for banking executives and policymakers navigating Kenya's evolving financial landscape.

3.5 Sampling Procedures and Techniques

The procedure of determining and selecting items in a sample is known as sampling. This study employed a stratified random sampling procedure to ensure that all management levels within the tier-one commercial banks in Nairobi County were proportionally represented. Stratified sampling was appropriate when subpopulations within the overall population differed, as it enhanced the representativeness of the sample and minimized sampling bias. The banks' employees were divided into three strata—senior, middle, and lower management levels—and samples were drawn from each stratum using a random sampling method. This ensured that perspectives from all organizational tiers were included, leading to comprehensive and accurate insights.

This choice was justified as it aligned with the research's aim to capture a wide range of experiences and strategies employed across different management levels. By stratifying the sample, the study accounted for potential variations in knowledge and the influence of competitive strategies on bank performance, thereby improving the reliability and validity of the findings. The larger population was subdivided into a sample size to ensure that data collection was manageable while maintaining accuracy. The study population's sample size

was determined using the Yamane (1947) formula, which allowed for the selection of a representative sample with predictable accuracy and dimensions.

$N / (1 + Ne^2) = n$

Number of samples = n

Total population = N

Error of tolerance = e

Confidence level = 95%

Level of significance = 0.05

Population (N) = **492.**

$n= N/1+Ne^2$

N = 492

$= \underline{492}$

$1+ (492x\ 0.05^2)$

$=\underline{492}$

2.23

=220.63=220

n = 220 (research sample size)

From the calculations, it is clear that the sample size comprises 220 management staff, who are distributed in Table 3.2 as per the population categories guided by a proportionate sampling approach.

Table 3: Sample Size

Category	Population (n/N) *K	Percentage	Sample
Senior management	43	8.74	19
Middle management	137	27.85	61
Lower management	312	63.41	140
Total	492	100	220

Source: Kenya Bankers Association Report (2021)

Table 3.2 shows that the sample size comprises 19 respondents from senior management (8.74%), 61 from middle management (27.85%), and 140 from lower management (63.41%), totaling 220 participants drawn proportionately from the target population of 492.

3.6 Construction of Research Instruments

The research instrument for this study was a structured questionnaire designed to collect data from employees of Tier One commercial banks in Nairobi County. The questionnaire was divided into sections aligned with the study objectives, focusing on various competitive strategies, including cost leadership, product diversification, technological innovation, and market innovation, and their impact on bank performance. It consisted primarily of closed-ended questions to ensure standardized responses for quantitative analysis, with a few open-ended questions to capture additional insights.

A questionnaire was ideal for this study due to its efficiency in collecting data from a large sample within a limited timeframe while ensuring response consistency. It was also cost-effective and allowed respondents the flexibility to complete it at their convenience, reducing response bias. The structured format facilitated measurable data collection, which was crucial

for drawing valid conclusions about the influence of competitive strategies on the performance of Tier One banks.

3.7 Pilot Testing

The research instruments underwent pre-testing with 10% of the sample size, totaling 22 respondents who were selected through convenient sampling from the banks under study. Pre-testing helped assess the appropriateness, clarity, and comprehensibility of the questionnaire before the main data collection process. The selected respondents for pre-testing were excluded from the final study to prevent response bias. Feedback from the pre-test was used to refine the questionnaire, ensuring that the research instruments were well-structured and capable of accurately capturing the required data. This process helped enhance the overall effectiveness of the data collection tool.

3.7.1 Validity of Research Instrument

Validity refers to the extent to which a research instrument accurately measures what it was intended to measure. In this study, content validity was ensured by presenting the questionnaire to a supervisor for evaluation, confirming that the questions adequately covered all aspects of the study's objectives. Face validity was achieved by ensuring that the questionnaire had a logical structure, appropriate font sizes, and clear wording to make it easy for respondents to understand. Additionally, construct validity was established by aligning the questionnaire items with well-established theories such as the Resource-Based View and Porter's Five Forces Model. These measures ensured that the instrument accurately captured data relevant to competitive strategies and bank performance.

3.7.2 Reliability of Research Instrument

Reliability refers to the consistency and dependability of a research instrument in producing stable and reproducible results. To ensure reliability, the study clearly defined the target sample population and followed a standardized data collection process. Cronbach's alpha was used to assess the internal consistency of the questionnaire, with a reliability coefficient of 0.7 or higher considered acceptable.

Table 4: Reliability Results

	No. of Items	Cronbach Alpha Coefficient
Cost leadership	5	.850
Product diversification	5	.878
Technological Innovation	5	.844
Market Innovation	5	.869
Performance of Commercial Banks	5	.868

The reliability results presented in Table 3.3 indicate that all study variables achieved high internal consistency, as reflected by their Cronbach's alpha coefficients. Cost leadership recorded a reliability coefficient of 0.850, product diversification 0.878, technological innovation 0.844, and market innovation 0.869. Additionally, the performance of commercial banks achieved a coefficient of 0.868. All these values exceed the recommended threshold of 0.7, indicating that the measurement scales used for each variable were reliable for data collection. This suggests that the questionnaire items were consistent in measuring their respective constructs, thus ensuring the reliability and accuracy of the study findings.

3.8 Data Collection Methods and Procedures

Data collection involved administering structured questionnaires to respondents across senior, middle, and lower management levels in tier-one commercial banks in Nairobi County. The questionnaires were designed on a five-point Likert scale to capture quantitative data on competitive strategies and their influence on bank performance. Before data collection, the researcher obtained an introduction letter from Mt. Kenya University and a research permit from NACOSTI (National Council for Science, Technology, and Innovation), which granted authorization to conduct the study within the targeted banks. The drop-and-pick method was used to allow respondents sufficient time to complete the questionnaires, while follow-ups were conducted to enhance response rates. Respondents were assured of confidentiality and anonymity to encourage honest participation.

3.9 Data Analysis Techniques and Procedures

Data analysis involved processing and interpreting responses to extract meaningful insights. After checking for completeness and consistency, the data were coded and analyzed using IBM SPSS software. Descriptive statistics, such as frequencies, means, and standard deviations, were used to summarize responses, while inferential statistics were employed to assess relationships between variables. Regression analysis was applied to determine the influence of cost leadership, product diversification, technological innovation, and market innovation on bank performance. Logistic regression was chosen for its ability to provide a clear interpretation of odds ratios, making it suitable for analyzing the relationship between the independent and dependent variables. This approach ensured a comprehensive analysis of the competitive strategies affecting bank performance. Thus, the following specifications will apply to the binary logistic regression model:

$$L_i = ln(\frac{P}{1-P}) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \boldsymbol{\mu}$$

Where;

`Pi / (1 − Pi) is the odds ratio.`

Yi or Li log of odds for "performance of banks"

β_0 Constant

X_1 Cost Leadership

X_2 Product diversification

X_3 Technological innovation

X_4 Market innovation

μ Stochastic term (error)

P probability that the bank performs

The unit change in the log of the odds ratio for each independent variable in response to a unit change is denoted by the numbers β1, β2, β3, and β4, which indicate the proportion of the positive effect.

3.9.2 Diagnostic tests

Linear regression assumptions, such as tests for normality, homoscedasticity, multicollinearity, and correlation, shall be followed before the hypotheses are tested. The research variables underwent a normality test to determine whether they followed a normal distribution. The Shapiro-Wilk test of normality was utilized to identify deviations from normality, with a significance value of 0.05 or lower indicating that the normality assumption could not be rejected. The hypotheses for this test were set as follows: the null hypothesis (H_0) stated that the data distribution was normal, while the alternative hypothesis (H_1) suggested that the data was irregularly distributed. This test ensured that the assumptions of normality were met before proceeding with further statistical analyses.

Multicollinearity was assessed to identify any linear relationships among the independent variables in the regression model. According to regression analysis principles, multicollinearity can cause unexpected changes in coefficient estimates with minor model adjustments, leading to unreliable results. The presence of multicollinearity was evaluated using tolerance and Variance Inflation Factor (VIF) values, with lower tolerance values and higher VIF values indicating potential multicollinearity issues. Addressing multicollinearity was essential to ensure the accuracy of the regression estimates and the reliability of the study findings.

Homoscedasticity tests were conducted to determine whether the variances of the residuals remained constant across different levels of the independent variables. Homoscedasticity occurs when the variance of observed values is consistent across all levels of the independent variable, ensuring the stability of regression estimates. This assumption was critical for maintaining the validity of inferential statistics, as it ensures that predictions made by the model are not biased due to unequal variance.

The study also distinguished between homoscedasticity and heteroscedasticity. While homoscedasticity implies that the variance of residuals remains constant across different data points, heteroscedasticity occurs when the variance fluctuates unpredictably. The presence of heteroscedasticity could indicate that the independent variables had an inconsistent impact on the dependent variable, potentially leading to biased conclusions. Ensuring homoscedasticity improved the robustness of the regression model, allowing for more accurate interpretation of the relationships between competitive strategies and bank performance.

3.10 Ethical Considerations

Ethics refers to the ability to distinguish between morally right and wrong actions and serves as a set of guidelines that direct human behavior. In this study, ethical considerations were

paramount to ensuring the confidentiality and integrity of the research process. Given the strategic relevance of the study's information, the identities of respondents were kept anonymous to protect their privacy. Additionally, data collected from individuals associated with different banks were coded to ensure that specific responses could not be traced back to any individual participant.

To uphold ethical standards, the researcher ensured that all questions in the questionnaire were respectful, unbiased, and free from demeaning or inappropriate content. Participants were provided with clear explanations of the study's purpose, and their informed consent was obtained voluntarily before data collection. The targeted banks also granted formal consent for the research to be conducted on their premises, ensuring institutional approval and cooperation.

The researcher adhered to confidentiality protocols by safeguarding all collected data, ensuring it was used solely for academic purposes. Participants were assured that their responses would remain confidential and that no personally identifiable information would be disclosed. This approach fostered trust and encouraged honest and objective participation in the study.

Additionally, the research was authorized by the National Commission for Science, Technology, and Innovation (NACOSTI), which issued a research permit. The NACOSTI letter served as an official document granting the researcher permission to conduct the study within the selected banks. This authorization further enhanced the credibility of the research process and reassured participants of its legitimacy and ethical compliance.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION, AND DISCUSSIONS

4.1 Introduction

The analysis, interpretation, and discussion of the study's conclusions based on the data gathered are presented in this chapter. The performance of tier-one commercial banks in Nairobi County is examined in connection with cost leadership, product diversity, technological innovation, and market innovation using descriptive statistics, correlation analysis, and regression results. After summarizing respondents' opinions of the variables under study using descriptive statistics, the chapter moves on to correlation analysis, which establishes the direction and strength of the relationships between the variables. The predictive ability of the independent factors on bank performance is then evaluated using regression analysis. To offer significant insights, the results are evaluated in light of the study's goals and contrasted with previous research. The chapter concludes with a discussion of the findings' implications for banking strategy and competitiveness.

4.1.1 Response Rate

The validity and dependability of study findings depend on a high response rate. Table 5 presents the response rate of the study, categorized into senior, middle, and lower management levels, showing the proportion of targeted respondents who successfully participated in the survey.

Table 5: Response Rate of Survey Participants

Category	Target Respondents	Actual Responses	Response Rate
Senior Management	19	15	78.9%
Middle Management	61	47	77.0%
Lower Management	140	117	83.6%
Total	**220**	**179**	**79.9%**

For statistical analysis, the study's overall response rate of 79.9% is deemed adequate and representative. A response rate of more than 70% is sufficient for drawing broad conclusions about the target population, claim Mugenda & Mugenda (2003). Lower management had the highest response rate (83.6%), likely due to their higher availability and operational involvement. Senior and middle management had response rates of 78.9% and 77.0%, respectively, which, while slightly lower, still indicate strong participation. A high response rate lowers the possibility of non-response bias, which could distort results, and increases the findings' trustworthiness. The participation of all management levels ensures that the study captures diverse perspectives on strategic decision-making and operational efficiency. The findings suggest that the research sample is representative, allowing for reliable inferences about the broader banking sector.

4.2 Demographic Characteristics of Respondents

Understanding the demographic characteristics of the respondents is necessary to assess the study sample's representativeness and diversity. Table 6 presents key demographic variables, including gender, age, and work experience, to ensure that the collected data reflects a balanced and unbiased perspective from employees across different categories.

Table 6: Demographic Characteristics

		Frequency	Percentage
Gender	Male	97	54.2%
	Female	82	45.8%
Age in years	Below 24 years	18	10.1%
	25-34 years	23	12.8%
	35-44 years	122	68.2%
	45-54 years	16	8.9%
	55-64 years	0	0.0%
How long have you worked at this bank?	Less than 1 year	24	13.4%
	Between 1 year and 5 years	37	20.7%
	Between 6 and 10 years	68	38.0%
	Above 10 years	50	27.9%

4.2.1 Gender Distribution

With 54.2% of respondents being men and 45.8% being women, the study's gender distribution was almost equal. This equilibrium guarantees gender diversity by incorporating viewpoints from both male and female staff members. A well-represented gender distribution enhances the study's validity by eliminating gender-related biases that could arise if one gender dominated the sample. The findings suggest that banking institutions have made strides in promoting gender inclusivity, which aligns with efforts to create a balanced and diverse workforce.

4.2.2 Age Distribution

The majority of respondents (68.2%) were between the ages of 35 and 44, followed by those between the ages of 25 and 34 (12.8%) and those under the age of 24 (10.1%), according to Table 4.2. Employees aged 45-54 years accounted for 8.9%, while no respondents were above 55 years. The predominance of middle-aged respondents suggests that the banking sector is

primarily composed of professionals with substantial career experience. The low representation of younger employees could indicate stringent hiring requirements that favor experienced professionals. The absence of employees aged 55 and above suggests that either retirement policies are strictly enforced or senior roles are occupied by employees below this age.

4.2.3 Work Experience

The findings in Table 4.2 reveal that most respondents (65.9%) had worked in the bank for over six years, with 38.0% between 6 and 10 years and 27.9% over 10 years. A significant portion (20.7%) had worked for 1-5 years, while 13.4% had less than one year of experience. The high percentage of experienced employees strengthens the reliability of the study, as respondents possess in-depth knowledge of banking operations and strategic decisions. The inclusion of new employees (less than one year) ensures that the study also captures insights from recent hires, eliminating potential biases that could arise if only long-serving employees were surveyed. This diverse mix of work experience provides a well-rounded perspective on the factors influencing bank performance.

4.3 Descriptive Statistics

4.3.1 Descriptive Statistics for Cost Leadership Strategies in Banking

Cost leadership is a widely adopted strategy in the banking sector, allowing financial institutions to remain competitive by reducing operational costs and improving service efficiency. Table 7 presents respondents' views on the effectiveness of cost leadership strategies in enhancing financial performance, competitive advantage, profitability, and customer satisfaction. The responses provide insight into how banking institutions perceive and implement cost leadership approaches to maintain profitability and long-term viability. These

findings align with prior studies that highlight the role of cost efficiency in sustaining banks' competitive positioning. The discussion below interprets the results of each statement.

Table 7: Descriptive Statistics for Cost Leadership Strategies in Banking

Statement	SD F (%)	D F (%)	N F (%)	A F (%)	SA F (%)	Mean	Std Dev.
Our bank has implemented strategies to reduce daily operating expenses to improve profitability.	0 (0.0%)	17 (9.5%)	64 (35.8%)	58 (32.4%)	40 (22.3%)	3.68	0.93
Our bank has adopted process automation and digitalization to minimize operational delays and costs.	2 (1.1%)	14 (7.8%)	75 (41.9%)	42 (23.5%)	46 (25.7%)	3.65	0.99
Cost reduction initiatives in banking operations positively impact the overall profitability of banks.	2 (1.1%)	18 (10.1%)	62 (34.6%)	47 (26.3%)	50 (27.9%)	3.70	1.02
Cost leadership strategies help banks offer competitive interest rates and fees to customers, thereby enhancing customer satisfaction.	2 (1.1%)	16 (8.9%)	72 (40.2%)	39 (21.8%)	50 (27.9%)	3.66	1.02
Our bank leverages large-scale operations to lower transaction charges for customers.	2 (1.1%)	10 (5.6%)	62 (34.6%)	57 (31.8%)	48 (26.8%)	3.78	0.95

The descriptive statistics in Table 4.3 reveal that respondents generally agreed that cost leadership strategies are actively implemented in their banks. For the statement on reducing daily operational expenses to improve profitability, a majority (54.7%) either agreed or strongly agreed, yielding a mean score of 3.68 with a standard deviation of 0.93, indicating moderate consensus. Similarly, process automation and digitalization, aimed at minimizing operational delays and costs, was affirmed by 49.2% of respondents agreeing or strongly agreeing, with a mean of 3.65 and a slightly higher standard deviation of 0.99, suggesting slightly more varied opinions.

For the statement on the positive impact of cost reduction initiatives on overall bank profitability, 54.2% of respondents agreed or strongly agreed, resulting in a mean score of 3.70 and a standard deviation of 1.02. This aligns with respondents' views on how cost leadership enhances customer satisfaction by offering competitive interest rates and fees, with 49.7% supporting this statement and a mean score of 3.66. However, the relatively higher standard deviation (1.02) indicates some divergence in perceptions across respondents, likely due to differences in bank size or operational focus.

Notably, the highest-rated statement was that banks leverage large-scale operations to lower transaction charges, recording a mean score of 3.78 and a standard deviation of 0.95, with 58.6% of respondents agreeing or strongly agreeing. This finding suggests that economies of scale is the most recognized and impactful cost leadership strategy among tier-one banks in Nairobi County. Overall, the results show a positive perception of cost leadership practices, with particular emphasis on operational scale as the most influential parameter contributing to bank performance.

4.3.2 Descriptive Statistics for Product Diversification in Banking

By increasing revenue streams and lowering risks, product diversification is essential for improving banks' financial performance and competitiveness. Table 8 presents the descriptive statistics on various aspects of product diversification in banking. The statements capture respondents' perceptions regarding how product diversification influences revenue growth, profitability, risk mitigation, portfolio management, and customer satisfaction. The results indicate a generally positive outlook on product diversification, with mean scores ranging from 3.58 to 3.75. The findings align with previous studies that emphasize the significance of diversification in improving bank performance and customer retention.

Table 8: Descriptive Statistics for Product Diversification in Banking

Statement	SD F (%)	D F (%)	N F (%)	A F (%)	SA F (%)	Mean	Std Dev.
Our bank utilizes agency banking to reach customers in underserved regions, enhancing market coverage and performance.	10 (5.6%)	12 (6.7%)	40 (22.3%)	67 (37.4%)	50 (27.9%)	3.75	1.10
Our bank offers insurance products through bancassurance partnerships to diversify income streams.	6 (3.4%)	22 (12.3%)	42 (23.5%)	71 (39.7%)	38 (21.2%)	3.63	1.05
Our mobile banking platforms have introduced new services that increase customer engagement and revenue streams.	4 (2.2%)	17 (9.5%)	60 (33.5%)	50 (27.9%)	48 (26.8%)	3.68	1.04
Effective management of diverse product portfolios boosts	6 (3.4%)	26 (14.5%)	42 (23.5%)	67 (37.4%)	38 (21.2%)	3.59	1.08

overall bank performance.							
Offering a variety of financial products enhances customer satisfaction.	8 (4.5%)	22 (12.3%)	49 (27.4%)	58 (32.4%)	42 (23.5%)	3.58	1.11

The descriptive statistics in Table 4.4 indicate that respondents generally agreed that product diversification strategies positively influence bank performance. For the statement regarding the use of agency banking to reach underserved regions, a significant 65.3% of respondents either agreed or strongly agreed, with a mean score of 3.75 and a standard deviation of 1.10, suggesting a strong consensus that agency banking enhances market coverage and performance. This reflects the growing importance of branchless banking models in expanding service reach.

Similarly, bancassurance, as a product diversification strategy, received agreement from 60.9% of respondents (combining agree and strongly agree), resulting in a mean score of 3.63 and a standard deviation of 1.05. This indicates that offering insurance products is recognized as an effective way of diversifying income streams. The statement on mobile banking platforms introducing new services recorded a mean of 3.68, with 54.7% of respondents expressing agreement or strong agreement. This highlights the growing relevance of mobile banking in driving customer engagement and generating additional revenue streams.

On the broader statement regarding the effective management of diverse product portfolios, 58.6% of respondents agreed or strongly agreed, resulting in a mean of 3.59 and a standard deviation of 1.08. This suggests that while respondents acknowledge the overall importance of managing a variety of banking products, there is slightly more variation in opinion compared to specific product strategies like agency banking or mobile banking. Overall, agency banking

emerged as the most influential product diversification parameter with the highest mean, indicating its strong perceived impact on enhancing bank performance among tier-one banks in Nairobi County.

4.3.3 Descriptive Statistics for Technological Innovation in Banking

Technological innovation has become a critical determinant of banking performance, influencing operational efficiency, profitability, and market expansion. The following table presents descriptive statistics on the role of technological innovations such as electronic funds transfers, fintech deposit mobilization, debit card usage, ATM innovation, and fintech payment systems in banking operations. The results provide insights into the extent to which banks leverage technological advancements and their perceived impact on performance.

Table 9: Descriptive Statistics for Technological Innovation in Banking

Statement	SD F (%)	D F (%)	N F (%)	A F (%)	SA F (%)	Mean	Std Dev.
My bank makes use of innovations in electronic funds transfers.	4 (2.2%)	18 (10.1%)	47 (26.3%)	60 (33.5%)	50 (27.9%)	3.75	1.04
The profitability of banks has increased as a result of fintech deposit mobilization.	12 (6.7%)	12 (6.7%)	55 (30.7%)	56 (31.3%)	44 (24.6%)	3.60	1.13
The use of debit cards has decreased the number of customers who visit banking halls to conduct financial transactions.	10 (5.6%)	19 (10.6%)	38 (21.2%)	54 (30.2%)	58 (32.4%)	3.73	1.18
The bank's operating	6 (3.4%)	24 (13.4%)	35 (19.6%)	68 (38.0%)	46 (25.7%)	3.69	1.10

expenses have decreased as a result of ATM innovation adoption.							
The use of fintech payment systems has increased banks' marketability.	8 (4.5%)	14 (7.8%)	42 (23.5%)	59 (33.0%)	56 (31.3%)	3.79	1.11

The results show that electronic funds transfers (EFT) are widely adopted among tier-one banks, with a mean score of 3.75, highlighting their role in enhancing operational efficiency and reducing reliance on physical transactions. A majority (61.4%) of respondents agreed or strongly agreed that EFT systems are integral to their banking processes. This aligns with Murinde et al. (2022), who emphasize the role of fintech in streamlining banking operations and increasing transaction speed and security. The high adoption rate reflects the banks' efforts to leverage technology to improve service delivery and competitiveness.

Regarding fintech-driven deposit mobilization, respondents showed moderate agreement, with a mean score of 3.60. While 55.9% recognized its positive impact on profitability, 13.4% disagreed, pointing to concerns over cybersecurity and regulatory challenges. This mixed perception supports findings by Hornuf et al. (2021), who reported that while fintech improves deposit mobilization, digital fraud risks and implementation costs limit its full potential. Therefore, effective risk management remains essential to maximizing fintech benefits in deposit mobilization.

Debit card usage and ATM adoption were also highlighted as critical technological innovations influencing performance. Debit cards reduced customer visits to banking halls (mean = 3.73), enhancing operational efficiency as noted by Safiullah and Paramati (2022). ATM deployment contributed to operating cost reduction (mean = 3.69), though some respondents expressed

concerns over maintenance costs. Additionally, fintech payment systems were perceived to enhance marketability (mean = 3.79), reinforcing Vives (2017)'s findings on their role in improving customer convenience and financial inclusion. Overall, technological innovations positively impacted bank performance, though risks and implementation challenges remain.

4.3.4 Descriptive Statistics for Market Innovation in Banking

Market innovation enhances bank competitiveness by driving new products, improving customer satisfaction, and streamlining operations. Table 10 summarizes statistics on collaboration, service quality, and efficiency strategies.

Table 10: Descriptive Statistics for Market Innovation in Banking

Statement	SD F (%)	D F (%)	N F (%)	A F (%)	SA F (%)	Mean	Std Dev.
Internal collaboration is a crucial part of any market innovation strategy.	8 (4.5%)	13 (7.3%)	52 (29.1%)	50 (27.9%)	56 (31.3%)	3.74	1.11
The best ways to satisfy our customers are through our innovative business model and market approach.	10 (5.6%)	22 (12.3%)	46 (25.7%)	61 (34.1%)	40 (22.3%)	3.55	1.13
Our market innovation strategy entails a focus on customer happiness.	4 (2.2%)	27 (15.1%)	50 (27.9%)	52 (29.1%)	46 (25.7%)	3.61	1.09
Ensuring the quality of our goods and services is one of our main objectives regarding market innovation.	6 (3.4%)	28 (15.6%)	46 (25.7%)	59 (33.0%)	40 (22.3%)	3.55	1.10
Streamlining administrative	8 (4.5%)	21 (11.7%)	38 (21.2%)	64 (35.8%)	48 (26.8%)	3.69	1.12

procedures is part of our market innovation approach.

The results indicate that internal collaboration is central to market innovation strategies, with a mean score of 3.74. About 59.2% of respondents agreed or strongly agreed that collaboration among bank departments enhances innovation. This aligns with Asisi and Egessa (2024), who emphasize that teamwork and cross-functional engagement accelerate the adoption of innovative strategies in banking. However, the response variation suggests that some banks still face barriers to fully integrating collaborative approaches in their innovation processes.

Additionally, findings show that innovative business models and customer-focused strategies are key to meeting customer needs, with a mean of 3.55. Approximately 56.4% of respondents agreed or strongly agreed, although 17.9% disagreed, reflecting mixed satisfaction levels with existing market innovation practices. This supports Ngugi et al. (2021), who observed that banks adopting digital models and tailored financial solutions achieve better customer retention. Nonetheless, the data implies that some banks need to refine their market strategies to remain competitive.

Moreover, customer happiness, service quality, and administrative efficiency emerged as critical dimensions of market innovation. With mean scores ranging between 3.55 and 3.69, most respondents recognized the positive influence of these strategies. Consistent with Muhuni and Ouma (2023) and Mose and Ogechi (2022), these results highlight that customer-centric innovation, high service quality, and streamlined administrative processes drive bank performance. However, the notable percentages of disagreement across items suggest that some tier-one banks still struggle to fully implement effective market innovation initiatives.

4.3.5 Descriptive Statistics for Performance in Commercial Banks

The performance of commercial banks depends on strategies like cost leadership, product diversification, technological innovation, and market innovation. Table 11 summarizes descriptive statistics.

Table 11: Descriptive Statistics for Performance in Commercial Banks

Statement	SD F (%)	D F (%)	N F (%)	A F (%)	SA F (%)	Mean	Std Dev.
The bank's competitive strategies have led to a steady increase in annual revenue over the past three years.	8 (4.5%)	23 (12.8%)	32 (17.9%)	64 (35.8%)	52 (29.1%)	3.72	1.15
The bank has successfully expanded its customer base and market presence due to strategic product and service offerings.	6 (3.4%)	25 (14.0%)	40 (22.3%)	68 (38.0%)	40 (22.3%)	3.62	1.08
New and existing banking products (e.g., mobile banking, digital lending) have significantly contributed to the bank's overall financial performance.	8 (4.5%)	18 (10.1%)	43 (24.0%)	60 (33.5%)	50 (27.9%)	3.70	1.12
The bank's strategies have enhanced customer loyalty and positioned it as a market leader in the industry.	6 (3.4%)	25 (14.0%)	32 (17.9%)	70 (39.1%)	46 (25.7%)	3.70	1.10
Investment in financial technology and product	8 (4.5%)	24 (13.4%)	36 (20.1%)	59 (33.0%)	52 (29.1%)	3.69	1.16

diversification has improved profitability and overall bank performance.

The findings indicate that competitive strategies have positively impacted revenue growth in commercial banks, with a mean score of 3.72. About 64% of respondents agreed that their banks experienced consistent annual revenue increases over the past three years, supporting Mwangi and Muiruri (2021), who found that cost leadership and product diversification drive financial growth. However, 17.3% remained neutral, suggesting external factors like economic conditions also influence revenue trends.

Regarding market expansion and customer loyalty, 60.3% of respondents agreed that strategic product and service innovations contributed to market growth (mean = 3.62). This aligns with Githaiga (2021), who emphasized product diversification's role in customer retention. Additionally, 64.8% agreed that strategic initiatives improved customer loyalty and market leadership (mean = 3.70), echoing YuSheng and Ibrahim (2019), though some respondents expressed concerns about loyalty gaps.

Lastly, technology adoption and product diversification were linked to profitability improvement, with 62.1% of respondents acknowledging this impact (mean = 3.69). These findings are consistent with Murinde et al. (2022), who highlighted how FinTech enhances operational efficiency. While overall trends indicate strong positive effects of competitive strategies on bank performance, the response variations suggest that implementation success differs across institutions, signaling a need for ongoing strategic refinement.

4.4 Correlations

4.4.1 Correlation between Cost Leadership and Performance in Commercial Banks

The study looks at the connection between commercial banks' performance and cost leadership tactics. The Pearson correlation coefficient, which gauges the direction and strength of this association, is shown in Table 12.

Table 12: Correlation between Cost Leadership and Performance in Commercial Banks

		Cost leadership	Performance in Commercial Banks
Cost leadership	Pearson Correlation	1	.872**
	Sig. (2-tailed)		.000
	N	179	179
Performance in Commercial Banks	Pearson Correlation	.872**	1
	Sig. (2-tailed)	.000	
	N	179	179

**. Correlation is significant at the 0.01 level (2-tailed).

The results indicate a strong positive correlation between cost leadership and performance in commercial banks ($r = 0.872$, $p < 0.01$), suggesting that banks that effectively implement cost leadership strategies tend to experience improved financial performance. This finding implies that reducing operational costs and offering competitive pricing contribute significantly to profitability and sustainability in the banking sector. The correlation is very significant, suggesting a trustworthy relationship between these variables, especially at the significance level of 0.000. The study, therefore, highlights the importance of cost efficiency as a strategic tool for enhancing bank performance.

The findings align with previous studies, such as Mohamed et al. (2019), which found that cost leadership strategies help firms reduce operational costs and improve competitiveness. Additionally, Atikiya (2015) emphasized that businesses adopting cost-cutting measures experience increased profitability and financial stability. This study confirms that commercial banks adopting cost leadership strategies, such as automation and resource optimization, are better positioned to improve financial performance. However, while cost leadership is beneficial, banks must ensure that cost reductions do not compromise service quality, as suggested by Dutse and Aliyu (2018). Therefore, to maximize profitability, commercial banks should adopt balanced cost reduction strategies that maintain efficiency while delivering high-quality financial services.

4.4.2 Correlation between Product Diversification and Performance in Commercial Banks

The relationship between product diversification and the performance of commercial banks was analyzed using Pearson correlation analysis, and the results are provided in Table 13.

Table 13: Correlation between Product Diversification and Performance in Commercial Banks

		Product diversification	Performance in Commercial Banks
Product diversification	Pearson Correlation	1	.935**
	Sig. (2-tailed)		.000
	N	179	179
	Pearson Correlation	.935**	1

Performance in Commercial Banks	Sig. (2-tailed)	.000	
	N	179	179

**. Correlation is significant at the 0.01 level (2-tailed).

As shown in Table 13, the correlation analysis reveals a strong positive relationship between product diversification and bank performance ($r = 0.935$, $p < 0.01$). This suggests that as banks expand their product offerings, their performance tends to improve. The relationship is statistically significant, with a p-value of 0.000, affirming its reliability. These findings align with prior research emphasizing the strategic benefit of offering a diverse range of financial products to enhance competitiveness and boost profitability in the banking sector.

The results suggest that banks that introduce diverse financial products, such as mobile banking, digital lending, and agency banking, tend to achieve higher financial performance. This aligns with Githaiga (2021), who found that diversified banking products contribute to increased revenue streams, customer retention, and financial stability. Similarly, research by Hailu and Tassew (2018) indicated that banks that expand their service offerings experience improved financial resilience. The strong correlation implies that commercial banks should continuously innovate and diversify their products to enhance market reach and customer engagement. However, variations in the effectiveness of diversification strategies suggest that banks must align their product offerings with customer needs to maximize profitability

4.4.3 Correlation between Technological Innovation and Performance in Commercial Banks

Table 14 below presents the correlation between technological innovation and the performance of commercial banks. The degree and direction of the association between these two variables are assessed using Pearson's correlation coefficient (r).

Table 14: Correlation between Technological Innovation and Performance in Commercial Banks

		Technological innovation	Performance in Commercial Banks
Technological innovation	Pearson Correlation	1	.924**
	Sig. (2-tailed)		.000
	N	179	179
Performance in Commercial Banks	Pearson Correlation	.924**	1
	Sig. (2-tailed)	.000	
	N	179	179

**. Correlation is significant at the 0.01 level (2-tailed).

The results reveal a significant and strong correlation ($r = 0.924$, $p < 0.01$), indicating that greater adoption of technological innovation aligns with enhanced performance in commercial banks. The p-value of 0.000 confirms this relationship is statistically meaningful at the 1% significance level. With 179 data points analyzed, the findings are considered both stable and reliable. This underscores the pivotal influence of technological innovation in improving banking outcomes.

A coefficient of 0.924 reflects an exceptionally strong connection between performance and the use of modern technology in banking. This suggests that financial institutions leveraging tools such as mobile platforms, AI-based client services, and blockchain applications are more

likely to experience elevated performance levels. The highly significant p-value (0.000) reinforces that this correlation is not coincidental and highlights the strategic importance of tech integration. This finding aligns with prior research by Ehiedu et al. (2021), who found that technological innovation enhances operational efficiency and customer satisfaction in Kenyan commercial banks.

These results suggest that investment in technology should be a strategic priority for commercial banks aiming to maintain competitiveness in Kenya's dynamic financial sector. The strong correlation also underscores the importance of digital transformation in modern banking operations, particularly in increasing efficiency, reducing operational costs, and enhancing customer experience. However, banks should be mindful of potential challenges such as cybersecurity threats and the high cost of technology adoption. Future research could explore the specific technological innovations that yield the highest returns to provide more targeted investment strategies.

4.4.4 Correlation between Market Innovation and Performance in Commercial Banks

Table 15 below presents the correlation between market innovation and the performance of commercial banks. The direction and intensity of this association are assessed using Pearson's correlation coefficient (r).

Table 15: Correlation between Market Innovation and Performance in Commercial Banks

		Market innovation	Performance in Commercial Banks
Market innovation	Pearson Correlation	1	.881**
	Sig. (2-tailed)		.000
	N	179	179
Performance in Commercial Banks	Pearson Correlation	.881**	1
	Sig. (2-tailed)	.000	
	N	179	179

**. Correlation is significant at the 0.01 level (2-tailed).

The analysis reveals a strong positive correlation ($r = 0.881$, $p < 0.01$), suggesting that higher levels of market innovation are associated with improved banking performance. This relationship is statistically significant at the 1% threshold, supported by a p-value of 0.000. Given the inclusion of 179 observations, the results are considered both credible and consistent. These outcomes highlight the critical role that market innovation plays in enhancing the success of commercial banks.

A correlation coefficient of 0.881 indicates a powerful link between innovation in market strategies and bank performance. Institutions that implement practices like tailored financial solutions, segmentation strategies, and digital service delivery tend to perform better financially. The significance level ($p = 0.000$) confirms the reliability of this association. These findings align with previous research by Ngugi et al. (2021), who found that market innovation significantly enhances customer acquisition and retention in Kenyan banks

These results suggest that commercial banks should prioritize market innovation as a core strategy to maintain competitiveness. The strong correlation highlights the need for continuous investment in innovative financial products, targeted marketing strategies, and enhanced customer experience. However, banks should also address challenges such as market saturation and customer preference shifts that may affect innovation effectiveness. Future research could

explore the specific aspects of market innovation that yield the highest returns to help banks make more informed strategic decisions.

4.5 Regression Analyses

4.5.1 Model Summary for Predictors of Performance in Commercial Banks

The table presents the model summary, illustrating the relationship between cost leadership, product diversification, technological innovation, and market innovation with the performance of commercial banks. The adjusted R-squared values indicate the proportion of variance in bank performance explained by the predictors.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.885[a]	.784	.783	.41307	
2	.937[b]	.878	.877	.31119	
3	.945[c]	.893	.891	.29257	
4	.948[d]	.898	.896	.28612	1.423

a. Predictors: (Constant), Cost leadership
b. Predictors: (Constant), Cost leadership, Product diversification
c. Predictors: (Constant), Cost leadership, Product diversification, Technological innovation
d. Predictors: (Constant), Cost leadership, Product diversification, Technological innovation, Market innovation
e. Dependent Variable: Performance in Commercial Banks

The inclusion of additional predictors improves the model, with the final model (Model 4) explaining 89.8% of the variance in performance (Adjusted $R^2 = 0.896$). The standard error of the estimate decreases as more predictors are added, suggesting improved model accuracy. The Durbin-Watson statistic (1.423) falls within an acceptable range, indicating no severe autocorrelation issues.

The findings reveal a strong predictive relationship between the four competitive strategies and the performance of commercial banks. In Model 1, cost leadership alone explains 78.4% of the variance in performance (Adjusted $R^2 = 0.783$). The addition of product diversification in

Model 2 increases the explained variance to 87.8%, confirming that product diversification significantly enhances bank performance. Technological innovation further improves the model in Model 3 (Adjusted $R^2 = 0.891$), indicating its critical role in driving efficiency and customer satisfaction. Finally, market innovation in Model 4 results in a final Adjusted R^2 of 0.896, suggesting that while it contributes positively, its impact is relatively smaller compared to the other factors.

4.5.2 ANOVA for Predictors of Performance in Commercial Banks

The ANOVA table presents the overall significance of the regression models predicting bank performance based on cost leadership, product diversification, technological innovation, and market innovation.

Table 17: ANOVA for Predictors of Performance in Commercial Banks

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	109.682	1	109.682	642.822	.000[b]
	Residual	30.201	177	.171		
	Total	139.882	178			
2	Regression	122.839	2	61.419	634.243	.000[c]
	Residual	17.044	176	.097		
	Total	139.882	178			
3	Regression	124.903	3	41.634	486.404	.000[d]
	Residual	14.979	175	.086		
	Total	139.882	178			
4	Regression	125.638	4	31.409	383.671	.000[e]
	Residual	14.245	174	.082		
	Total	139.882	178			

a. Dependent Variable: Performance in Commercial Banks
b. Predictors: (Constant), Cost leadership
c. Predictors: (Constant), Cost leadership, Product diversification
d. Predictors: (Constant), Cost leadership, Product diversification, Technological innovation

e. Predictors: (Constant), Cost leadership, Product diversification, Technological innovation, Market innovation

The F-statistic values indicate the strength of the models, with Model 4 achieving the highest F-value ($F = 383.671$, $p < 0.001$). This suggests that the independent variables collectively explain a significant proportion of the variance in performance. The declining residual sum of squares across models indicates improved explanatory power as more predictors are added. The significance values ($p = 0.000$) in all models confirm that the relationships between the predictors and bank performance are statistically significant.

The results demonstrate that cost leadership, product diversification, technological innovation, and market innovation significantly contribute to the performance of commercial banks. Model 1, with cost leadership as the sole predictor, yields an F-value of 642.822, confirming its strong influence. The addition of product diversification in Model 2 slightly reduces the F-value to 634.243, indicating that while diversification is beneficial, its impact is complementary rather than dominant. Model 3, incorporating technological innovation, lowers the F-value to 486.404, suggesting that technological innovation refines rather than drastically shifts performance outcomes. Finally, Model 4 integrates market innovation, resulting in an F-value of 383.671, reflecting a balance among all predictors.

4.5.3 Regression Coefficients for Predictors of Performance in Commercial Banks

Table 4.13 displays the regression output, outlining how various competitive strategies relate to commercial bank performance. Both standardized and unstandardized coefficients are provided to indicate the individual impact of each predictor. The standardized beta (β) values indicate the strength of each predictor in explaining bank performance. As additional predictors are introduced, the significance of each factor changes, highlighting their relative importance.

The final model (Model 4) includes cost leadership, product diversification, technological innovation, and market innovation, offering a comprehensive explanation of bank performance.

Table 18: Regression Coefficients for Predictors of Performance in Commercial Banks

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.742	.126		5.871	.000
	Cost leadership	.832	.033	.885	25.354	.000
2	(Constant)	.196	.106		1.849	.066
	Cost leadership	.353	.048	.376	7.373	.000
	Product diversification	.609	.052	.595	11.656	.000
3	(Constant)	.029	.105		.274	.784
	Cost leadership	.238	.051	.254	4.692	.000
	Product diversification	.482	.056	.470	8.673	.000
	Technological innovation	.281	.057	.267	4.911	.000
4	(Constant)	.003	.104		.030	.976
	Cost leadership	.229	.050	.244	4.611	.000
	Product diversification	.402	.061	.392	6.634	.000
	Technological innovation	.205	.061	.195	3.340	.001
	Market innovation	.172	.058	.170	2.996	.003

The results indicate that cost leadership is the most significant predictor in Model 1 ($\beta = .885$, $p < .001$), meaning banks that implement cost reduction strategies experience strong performance improvements. However, as more predictors are introduced, the influence of cost leadership declines (Model 4: $\beta = .244$, $p < .001$), suggesting that additional strategies play a complementary role. Product diversification emerges as a strong predictor in Model 2 ($\beta = .595$, $p < .001$) and remains significant in the final model ($\beta = .392$, $p < .001$), emphasizing the importance of offering varied financial products. Technological innovation also plays a key role in Model 3 ($\beta = .267$, $p < .001$), but its influence slightly decreases in Model 4 ($\beta = .195$, $p = .001$), implying that its impact is strengthened when combined with other strategies.

Market innovation, introduced in Model 4, shows a positive but weaker effect (β = .170, p = .003), suggesting it enhances performance but is not as dominant as other strategies. These findings align with Ngugi et al. (2021), who found that a combination of cost leadership, diversification, and innovation strategies significantly improves bank competitiveness. The results imply that while cost leadership remains a foundational strategy, banks must integrate diversification, technology, and market innovation to maximize performance in Kenya's dynamic banking sector.

4.5.4 Hypothesis Testing

The hypotheses were tested using regression analysis, with cost leadership, product diversification, technological innovation, and market innovation as predictors of performance in tier-one commercial banks.

To evaluate the influence of each predictor, the analysis relied on standardized beta (β) coefficients alongside corresponding p-values. Predictors were deemed statistically significant when the p-value fell below the 0.05 threshold. Based on the output from Table 4.13, all four competitive strategies demonstrated a meaningful impact on bank performance, prompting the rejection of the null hypotheses. This outcome highlights the collective importance of competitive strategies in shaping the financial outcomes of banks operating in Nairobi County, underlining the benefit of a unified strategic framework.

Specifically, Hypothesis 1 (H01), which proposed that cost leadership has no significant effect on performance, was rejected. Findings confirmed cost leadership as a consistent and strong predictor, showing the highest impact in Model 1 (β = .885, p < .001), and maintaining significance even in Model 4 (β = .244, p < .001). This suggests that while cost efficiency remains a crucial factor in bank performance, its influence decreases when combined with other strategies. These findings align with Dutse and Aliyu (2018), who found that cost management

significantly influences profitability and market share in commercial banks. This underscores the importance of banks implementing cost-reduction measures while complementing them with additional strategic approaches.

The second hypothesis (H02), which posited that product diversification has no significant influence on bank performance, was also rejected. Product diversification was found to be a strong predictor in Model 2 ($\beta = .595$, $p < .001$) and remained significant in the final model ($\beta = .392$, $p < .001$). This implies that offering varied financial products enhances customer retention and revenue growth. Githaiga (2021) similarly observed that product diversification, including mobile banking and bancassurance, improves customer engagement and profitability in the Kenyan banking sector. The results highlight the need for banks to continuously innovate and expand their product offerings to maintain a competitive edge.

The third hypothesis (H03), stating that technological innovation does not significantly influence bank performance, was rejected as well. Technological innovation showed a significant effect in Model 3 ($\beta = .267$, $p < .001$) and remained influential in Model 4 ($\beta = .195$, $p = .001$). This suggests that while technology improves operational efficiency and customer service, its impact is maximized when combined with other competitive strategies. Ehiedu et al. (2021) found that technology adoption enhances banking efficiency and customer satisfaction, aligning with these findings. The results emphasize the role of continuous digital transformation in maintaining banking competitiveness.

Finally, the fourth hypothesis (H04), which suggested that market innovation has no significant influence on bank performance, was also rejected. Market innovation was introduced in Model 4 and was found to be statistically significant ($\beta = .170$, $p = .003$), indicating that innovative marketing and customer engagement strategies contribute to banking success. Ngugi et al. (2021) demonstrated that banks adopting market innovation strategies, such as customer

segmentation and tailored financial products, experience improved financial outcomes. This implies that banks should continuously refine their market positioning and customer engagement strategies to enhance their performance.

In conclusion, all four competitive strategies significantly influence the performance of tier-one commercial banks in Nairobi County, leading to the rejection of all null hypotheses. The findings reinforce the importance of an integrated approach that combines cost leadership, product diversification, technological advancements, and market innovation to sustain competitiveness and profitability. Future research could explore the long-term impact of these strategies and the role of external factors such as regulatory policies and economic conditions in shaping banking performance.

4.6 Binary Logic Regression

The table presents the logistic regression results, examining the influence of cost leadership, product diversification, technological innovation, and market innovation on the performance of tier-one commercial banks.

Table 19: Logistic Regression Results for Competitive Strategies and Bank Performance

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 0	Constant	1.311	.183	51.460	1	.000	3.711

Variables not in the Equation

			Score	df	Sig.
Step 0	Variables	Cost leadership	80.682	1	.000
		Product diversification	99.907	1	.000
		Technological innovation	88.366	1	.000
		Market innovation	92.676	1	.000
	Overall Statistics		103.962	4	.000

The first section of the table shows the constant (B = 1.311, $p < 0.001$), indicating a baseline performance level when no predictors are included. The second section displays the significance of variables not yet included in the equation, with all four strategies showing highly significant results ($p < 0.001$). The Wald statistics confirm the strength of each predictor, with product diversification (Wald = 99.907) and market innovation (Wald = 92.676) showing the highest impact. The overall model statistic ($\chi^2 = 103.962$, $p < 0.001$) indicates that these variables collectively have a strong influence on bank performance. These findings suggest that competitive strategies are critical determinants of banking success.

The results imply that all four competitive strategies significantly impact the performance of tier-one commercial banks in Nairobi County. The high Wald values and significant p-values indicate that cost leadership, product diversification, technological innovation, and market innovation contribute meaningfully to bank performance. The Exp(B) value for the constant (3.711) suggests that, even without these predictors, there is an inherent probability of banks achieving positive performance. However, the significant individual contributions of each strategy highlight the need for banks to adopt a multi-faceted approach to remain competitive. These findings align with Ngugi et al. (2021), who emphasized that an integrated strategy involving cost efficiency, diversified financial products, and innovation enhances banking performance. Therefore, banks should not only focus on cost management but also embrace diversification and technological advancements to sustain growth and competitiveness in Kenya's financial sector.

4.6.1 Model Summary for Logistic Regression Analysis

Table 20 presents the results for the model summary for logistic regression analysis.

Table 20: Model Summary for Logistic Regression Analysis

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	47.409[a]	.537	.833

a. Estimation terminated at iteration number 9 because parameter estimates changed by less than .001.

Model Summary for Logistic Regression Analysis

The logistic regression model summary reveals a -2 log likelihood score of 47.409, implying a satisfactory model fit. The Cox and Snell R^2 value, recorded at 0.537, implies that the predictors account for roughly 53.7% of the variation in bank performance. In comparison, the

Nagelkerke R^2 stands at 0.833, reflecting a higher level of explanatory strength and indicating that cost leadership, diversification, technological advancements, and market-focused innovation collectively explain up to 83.3% of the performance outcomes. The estimation terminated at the ninth iteration, meaning that the parameter estimates stabilized with minimal changes, confirming the model's reliability.

Table 21: **Classification Table[a]**

	Observed		Predicted		
			PerfLodgiregre		Percentage
			.00	1.00	Correct
Step 1	PerfLodgiregre	.00	30	8	78.9
		1.00	4	137	97.2
	Overall Percentage				93.3

a. The cut value is .500

The classification table presents the predictive accuracy of the logistic regression model in categorizing bank performance outcomes. The model correctly classifies 78.9% of cases where bank performance is low (0.00) and 97.2% of cases where performance is high (1.00), resulting in an overall accuracy of 93.3%. The high classification accuracy suggests that cost leadership, product diversification, technological innovation, and market innovation are strong predictors of bank performance. The cut value of 0.500 indicates that predicted probabilities above this threshold are classified as high performance, while those below are classified as low performance.

4.6.2 Binary Logistic Regression Coefficients for Competitive Strategies and Bank Performance

The table presents the results of a binary logistic regression model assessing the influence of cost leadership, product diversification, technological innovation, and market innovation on the performance of tier-one commercial banks.

Table 21: Variables in the Equation for Binary Logistic Regression Coefficients

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Cost leadership	2.678	1.032	6.730	1	.009	14.549
	Product diversification	1.475	.849	3.016	1	.082	4.370
	Technological innovation	-.291	.980	.088	1	.766	.747
	Market innovation	2.199	.985	4.982	1	.026	9.020
	Constant	-15.833	3.881	16.643	1	.000	.000

a. Variable(s) entered on step 1: Cost leadership, product diversification, technological innovation, and market innovation.

Table 21 shows the findings of a binary logistic regression model that evaluated how tier-one commercial banks' performance was impacted by cost leadership, product diversity, technology innovation, and market innovation. The model follows the equation

$$Ln\ (P/1-P) = \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\mu$$

Where:

P represents the probability of improved bank performance,

X1= Cost leadership,

X2= Product diversification,

X3 = Technological innovation,

X4 = Market innovation,

μ = Error term.

Substituting the estimated coefficients from the table, the model becomes:

$$\text{Ln}(P/1-P) = -15.833 + 2.678X1 + 1.475X2 - 0.291X3 + 2.199X4 + \mu$$

Cost leadership (β1=2.678, p=.009) and market innovation (β4=2.199, p=.026) have significant positive effects, meaning that banks emphasizing these strategies are more likely to achieve high performance. Product diversification (β2=1.475, p=.082) is nearly significant, indicating a positive but slightly weaker impact. Technological innovation (β3=−0.291, p=.766) is not significant, suggesting that its direct effect on performance is limited in this model. The significant constant term (β0=−15.833, p<.05) confirms the model's robustness.

The results imply that cost leadership and market innovation play the most critical roles in driving bank performance, with banks implementing strong cost efficiency strategies being 14.549 times more likely to succeed and those focusing on market innovation being 9.020 times more likely to achieve high performance. The weaker influence of product diversification suggests that while expanding financial offerings benefits performance, its impact depends on integration with other strategies. The non-significance of technological innovation contrasts with findings from Ehiedu et al. (2021), who emphasized that digital transformation enhances operational efficiency. This suggests that while technology adoption is crucial, its impact may be dependent on other contextual factors such as customer acceptance and regulatory adaptation. The findings highlight the importance of prioritizing cost leadership and market-driven strategies while ensuring that technological and product innovations align with broader banking objectives.

4.7 Diagnostic Tests

4.7.1 Collinearity Statistics for Competitive Strategies and Bank Performance

The table displays the predictor variables' collinearity statistics as determined by the Variance Inflation Factor (VIF) and tolerance. Higher collinearity is indicated by lower tolerance values, which show how much of a predictor's variance cannot be explained by other predictors. VIF values measure the extent to which a predictor is correlated with other independent variables, with a VIF above 5 generally indicating a multicollinearity concern.

Table 22: Collinearity Statistics for Competitive Strategies and Bank Performance

Model		Collinearity Statistics	
		Tolerance	VIF
4	Cost leadership	.206	4.845
	Product diversification	.104	9.627
	Technological innovation	.119	8.386
	Market innovation	.105	9.481

Variance Inflation Factor (VIF) values above 5 suggest potential multicollinearity issues, which can distort regression estimates. Cost leadership (VIF = 4.845) remains within an acceptable range, suggesting it has a relatively independent effect on bank performance. However, product diversification (VIF = 9.627), technological innovation (VIF = 8.386), and market innovation (VIF = 9.481) exhibit high multicollinearity, indicating strong interdependencies among these strategies. The low tolerance values further confirm that these variables share a substantial proportion of variance, potentially limiting the precision of individual coefficient estimates.

The results imply that product diversification, technological innovation, and market innovation are highly correlated, making it difficult to distinguish their independent effects on bank performance. This suggests that banks employing these strategies may experience overlapping benefits, reinforcing the idea that a well-integrated approach is necessary for optimizing financial outcomes.

4.7.2 Residuals Statistics for Regression Model

The table presents residual statistics assessing the accuracy and distribution of residuals in predicting bank performance.

Table 23: Residuals Statistics for Regression Model

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.7564	5.0348	3.8520	.84801	179
Residual	-.74265	.94381	.00000	.25832	179
Std. Predicted Value	-2.471	1.395	.000	1.000	179
Std. Residual	-2.842	3.612	.000	.989	179

a. Dependent Variable: Performance in Commercial Banks

The model's predicted values span from 1.7564 to 5.0348, averaging at 3.8520, and show a standard deviation of 0.84801, reflecting variability in predicted performance levels. Residuals—defined as the gap between actual and predicted outcomes—fell between -0.74265 and 0.94381, averaging approximately zero, which indicates minimal prediction bias. Standardized predictions ranged from -2.471 to 1.395, clustering around a mean of 0.000 and a standard deviation of 1.000, suggesting a good distribution. Meanwhile, standardized

residuals varied between -2.842 and 3.612, with a deviation of 0.989, indicating that most residuals fall within an acceptable range and are normally distributed.

Since there is no indication of systematic bias and the residuals are symmetrically distributed around zero, the results suggest that the regression model offers a good fit for forecasting bank performance. The standardized residuals falling within the typical ±3 range suggest that extreme outliers are minimal, supporting the assumption of normality in residual distribution.

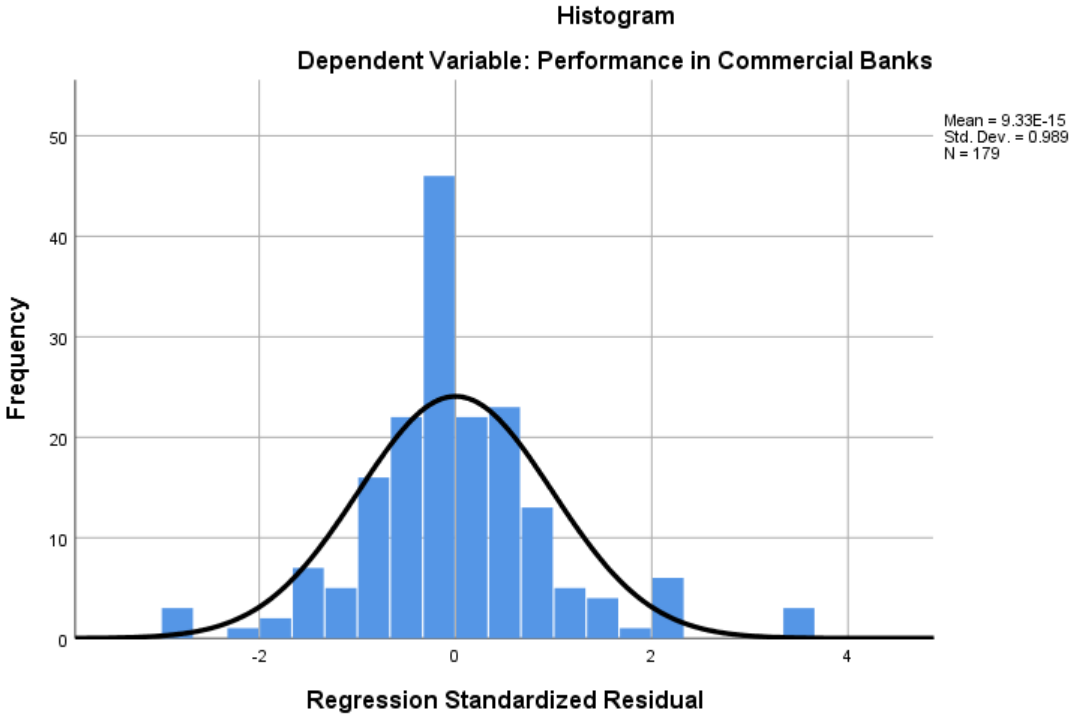


Figure 2: Regression Histogram

The distribution of regression-standardized residuals for commercial banks' performance is depicted by the histogram. A fundamental premise of regression analysis is that the residuals have a normal distribution, as indicated by the bell-shaped curve overlayed on the histogram. The mean residual value is approximately zero (9.33E-15), indicating that the model does not systematically overpredict or underpredict performance. Additionally, the standard deviation of 0.989 is close to 1, suggesting that the residuals are well distributed without extreme

deviations. Most residuals fall within the range of -2 to 2, reinforcing the assumption of normality and the reliability of the model's predictions. Since normally distributed residuals show that the model successfully represents the correlations between the independent variables and bank performance, these results lend credence to the validity of the regression model.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the study's outcomes, including conclusions and recommendations drawn from the analysis. It presents key observations on how cost leadership, diversification of products, technological advancements, and market-driven strategies impact the operations of leading commercial banks in Nairobi County. The chapter begins with a concise summary of the findings, outlining the relationships between the competitive strategies and bank performance. The conclusions that follow shed light on the findings' significance for banking operations and strategic decision-making. The chapter then provides practical recommendations for bank management, regulators, and other stakeholders to enhance performance and competitiveness. Finally, it suggests areas for further research to explore additional dimensions of banking strategy and financial sustainability.

5.2 Summary of the Findings

5.2.1 Cost Leadership and Performance in Commercial Banks

The descriptive statistics reveal that cost leadership strategies were actively adopted by tier-one commercial banks in Nairobi County to enhance performance. Reducing daily operating expenses to improve profitability recorded a mean of 3.68, while process automation and digitalization scored a mean of 3.65, indicating that operational efficiency was a key priority. The statement on cost reduction initiatives positively impacting profitability yielded a mean of 3.70, confirming the effectiveness of these measures. Additionally, the strategy of offering competitive interest rates and fees to enhance customer satisfaction recorded a mean of 3.66. Notably, leveraging large-scale operations to reduce transaction charges emerged as the most

prominent strategy with a mean of 3.78. The findings indicate that cost leadership strategies significantly influence the performance of tier-one commercial banks. A strong positive correlation ($r = 0.924$, $p < 0.001$) suggests that banks that implement cost-reduction strategies, such as automation and operational efficiency, experience higher profitability and financial stability. Regression results further support this, with cost leadership showing a significant positive effect ($\beta = 2.678$, $p = 0.009$), indicating that banks with cost-efficient operations are 14.549 times more likely to perform well. These results highlight that cost reduction plays a crucial role in enhancing competitive advantage, allowing banks to offer affordable services while maintaining profitability.

5.2.2 Product Diversification and Performance in Commercial Banks

Product diversification emerges as another important strategy for improving bank performance by increasing revenue streams, enhancing customer satisfaction, and mitigating financial risks. The findings indicate that respondents perceive diversified financial products, such as digital banking, microfinance, and investment services, as essential in attracting a broader customer base. Banks that expand their product portfolios can reduce dependence on traditional banking services, thereby increasing financial resilience. Effective portfolio management is also highlighted as a crucial factor in maximizing the benefits of product diversification. However, the findings suggest that while diversification offers growth opportunities, its success depends on customer demand and market conditions. Therefore, banks must continuously assess the relevance of their product offerings to align with changing consumer preferences. Product diversification was found to be a strong determinant of bank performance, as evidenced by a significant correlation with financial success ($r = 0.924$, $p < 0.001$). While the regression results show a positive but marginally insignificant effect ($\beta = 1.475$, $p = 0.082$), this suggests that diversified product offerings contribute to performance but may require complementary

strategies to maximize their impact. The findings imply that banks that introduce diverse financial products, such as mobile banking, wealth management services, and microloans, can attract a broader customer base and reduce financial risk.

5.2.3 Technological Innovation and Performance in Commercial Banks

Technological innovation plays a significant role in banking operations, particularly in improving efficiency, reducing costs, and enhancing customer experience. Respondents indicate that banks that adopt digital payment systems, electronic funds transfers, and fintech-driven solutions tend to operate more effectively. The findings suggest that technological advancements reduce reliance on physical banking transactions, streamline administrative procedures, and lower operating expenses. Additionally, innovations such as ATM networks and mobile banking platforms contribute to greater financial accessibility for customers. However, concerns remain regarding cybersecurity risks, regulatory compliance, and the high costs associated with implementing new technologies. To fully leverage technological innovation, banks must ensure that their digital strategies align with both operational goals and customer expectations. Technological innovation demonstrated a strong correlation with bank performance ($r = 0.924$, $p < 0.001$), but its regression results ($\beta = -0.291$, $p = 0.766$) suggest that its direct effect is not statistically significant.

5.2.4 Market Innovation and Performance in Commercial Banks

Market innovation is also recognized as a critical factor in shaping the competitiveness and performance of commercial banks. Respondents acknowledge that banks that prioritize customer-centric innovations, such as personalized financial services and tailored marketing strategies, tend to achieve higher customer satisfaction and loyalty. The findings highlight that internal collaboration and efficient service delivery are key components of market innovation,

allowing banks to differentiate themselves from competitors. Additionally, streamlining administrative processes and adopting flexible business models contribute to operational efficiency and profitability. However, while market innovation enhances competitiveness, its success depends on banks' ability to respond to changing market dynamics. As a result, continuous investment in research, customer feedback, and adaptive strategies is necessary to sustain long-term growth and market relevance. Market innovation was found to be a critical factor in bank performance, with a strong correlation ($r = 0.881$, $p < 0.001$) and a significant regression coefficient ($\beta = 2.199$, $p = 0.026$), indicating that banks prioritizing market-driven strategies are 9.020 times more likely to achieve superior performance. This suggests that innovative approaches, such as targeted marketing campaigns, digital transformation, and customer segmentation, contribute to competitive advantage and revenue growth.

5.3 Conclusions

The study comes to the conclusion that one of the most important tactics for improving commercial banks' performance is cost leadership. The strong positive correlation and significant regression results indicate that banks that implement cost-reduction strategies, such as automation and operational efficiency, are more likely to achieve financial stability and profitability. Cost leadership allows banks to offer competitive pricing while maintaining sustainable operations, positioning them advantageously in the market. However, since customer happiness is a major factor in determining long-term profitability, banks must make sure that cost-cutting strategies do not sacrifice service quality. Effective cost leadership strategies should be complemented by investments in operational improvements that enhance service delivery. Thus, sustaining competitiveness in the banking industry requires striking a balance between cost effectiveness and service quality.

Product diversification emerges as another significant driver of bank performance, enabling financial institutions to expand revenue streams and mitigate financial risks. While the correlation results indicate a strong relationship between product diversification and performance, the regression results suggest that its impact may depend on other complementary strategies. Banks that introduce a variety of financial products, such as mobile banking, microfinance, and investment services, can attract a broader customer base and enhance financial resilience. However, the success of product diversification depends on customer demand and market conditions, highlighting the need for continuous market research and innovation. Banks should ensure that their diversified offerings align with consumer preferences and industry trends to maximize their impact. Strategic portfolio management and customer-focused innovation are essential for optimizing the benefits of product diversification.

Technological innovation is widely recognized as a transformative force in banking, improving efficiency, reducing costs, and enhancing customer experience. The findings show that banks that use digital payment systems, electronic transactions, and fintech solutions perform better, confirming a clear relationship between technology improvements and bank performance. However, the regression results suggest that technological innovation alone may not directly impact financial performance, emphasizing the need for strategic integration. While technology enhances operational efficiency, its success depends on factors such as customer adoption, cybersecurity measures, and regulatory compliance. To maximize the benefits of technological advancements, banks should align digital strategies with customer needs and operational objectives. Investing in secure and user-friendly technology will be critical in ensuring sustainable growth and competitive advantage.

Another important factor in raising commercial banks' profitability and competitiveness is market innovation. The strong correlation and significant regression results indicate that banks prioritizing market-driven strategies, such as customer segmentation and digital transformation, are more likely to achieve superior performance. Market innovation enables banks to differentiate themselves by offering tailored financial solutions and enhancing customer engagement. Additionally, streamlining administrative processes and adopting flexible business models contribute to operational efficiency. However, market innovation requires continuous investment in research, customer feedback, and adaptive strategies to respond effectively to evolving market dynamics. In a financial environment that is becoming more and more competitive, banks must continue to be flexible and creative in order to maintain long-term relevance and profitability.

5.4 Recommendations

Tier-one commercial banks in Nairobi County should intensify the adoption of cost leadership strategies by investing more in process automation and digitalization to reduce operational expenses. Banks should streamline internal processes and leverage economies of scale to offer more competitive interest rates and transaction fees, which can enhance both profitability and customer satisfaction.

Banks should expand their product portfolios by strengthening agency banking networks, increasing mobile banking innovations, and promoting bancassurance partnerships. Diversifying income streams through non-traditional banking services will help mitigate risks and boost overall financial performance. Continuous market research should be conducted to align new products with evolving customer needs.

Commercial banks should prioritize technological innovation by investing in modern digital platforms such as electronic funds transfer systems, fintech deposit mobilization tools, and

debit card services. Emphasis should also be placed on enhancing cybersecurity infrastructure and regulatory compliance to maximize the benefits of fintech innovations on performance.

Banks need to strengthen market innovation strategies by improving internal collaboration across departments to drive creativity and efficiency. Further focus should be placed on customer segmentation, development of tailored financial products, and administrative process simplification. This will help improve customer satisfaction, market reach, and operational effectiveness, ultimately enhancing overall performance.

5.5 Suggestions for Further Studies

Here are some suggestions for additional research:

While this study established that cost leadership enhances financial performance, future research could explore how cost-cutting measures impact customer satisfaction and loyalty. Investigating whether banks that focus on cost efficiency maintain strong customer relationships would provide insights into the trade-offs between affordability and service quality.

Since technological innovation was found to influence operational efficiency but had an insignificant direct effect on financial performance, further studies could examine how digital banking services contribute to financial inclusion. Research could focus on how mobile banking, fintech solutions, and digital payments impact banking accessibility, especially for unbanked and underbanked populations.

This study found that product diversification contributes to financial resilience, but its success depends on market conditions. Future research could explore how different customer segments (such as retail, corporate, and SME clients) respond to diversified financial products and which diversification strategies yield the highest returns in various banking sectors.

While market innovation was found to enhance performance, further research could analyze how banks use innovation to differentiate themselves from competitors. A study focusing on branding, customer experience, and digital marketing strategies could provide insights into how banks leverage innovation to sustain a competitive edge in an increasingly digital financial landscape.

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APPENDICES

APPENDIX I: CONSENT FORM

Title of the Study: *Influence of Competitive Strategies on the Performance of Tier-One Commercial Banks in Nairobi County, Kenya*

Researcher: Sylvia Lavina Orori
Institution: Mt. Kenya University

Dear Participant,
You are invited to participate in this study, which aims to explore the influence of competitive strategies on the performance of tier-one commercial banks in Nairobi County, Kenya. Your responses will contribute valuable insights into this research. Participation is voluntary, and you may withdraw at any time without penalty.

Confidentiality:
Your responses will be treated with the utmost confidentiality and will be used solely for academic purposes. No identifying information will be associated with your responses.

Consent Statement:
By signing this form, you agree to participate in the study and acknowledge that:

1. You have read and understood the purpose of the study.
2. Your participation is voluntary, and you may decline to answer any question or withdraw at any time.
3. Your responses will remain confidential.

If you have any questions, please contact the researcher at 0739253452

Participant's Statement:

I have read and understood the information provided and agree to participate in this study.

Participant's Name: _____
Signature: _____
Date: _____

Thank you for your participation.

APPENDIX II: RESEARCH QUESTIONNAIRE

I aim to investigate how competitive strategies affect the performance of commercial banks in Nairobi, Kenya. Please take a moment to complete this questionnaire. Your answers will remain undisclosed and be restricted to the objectives of this research.

1. Bank Name ……

2. Gender: Male [ ] Female [ ]

i. Tick your functional position in the bank.

Chief Executive Officer (CEO) ( )

Chief Financial Officer (CFO) ( )

Chief Operation Officer (COO) ( )

ii. Please state your highest level of education.

Secondary level ( )

College Diploma ( )

Undergraduate degree ( )

Postgraduate degree ( )

iii. Please specify your age bracket.

25 and below ( )

26-35 ( )

36-45 ( )

Above 45 ( )

iv. How long have you worked at this bank?

Below 5 years ( )

5-10 years ( )

11-15 years ( )

Over 15 years ( )

On a scale of 1 to 5, please indicate how much you agree or disagree with each statement: 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly Agree.

S.NO.	**Cost leadership**	1	2	3	4	5
1	Cost leadership strategies are essential for improving the financial performance of banks.					
2	Banks that effectively implement cost leadership strategies are more likely to achieve competitive advantages in the market.					
3	Cost reduction initiatives in banking operations positively impact the overall profitability of banks.					
4	Cost leadership strategies help banks offer competitive interest rates and fees to customers, thereby enhancing customer satisfaction.					
5	In a market where competition is fierce, banks' long-term viability is boosted by effective cost management.					

On a scale of 1 to 5, please indicate how much you agree or disagree with each statement: 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly Agree.

S.NO.	**Product diversification**	1	2	3	4	5
1	Annual growth rate of sales revenue is increased by product diversification.					
2	Product diversification positively impacts bank profitability.					
3	Diversified product offerings reduce risks for banks.					
4	Effective management of diverse product portfolios boosts overall bank performance.					
5	Offering a variety of financial products enhances customer satisfaction.					

On a scale of 1 to 5, please indicate how much you agree or disagree with each statement: 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly Agree.

S.NO.	**Technological innovation**	1	2	3	4	5
1	My bank makes use of innovations in electronic funds transfers.					
2	The profitability of banks has increased as a result of fintech deposit mobilization.					
3	The use of debit cards has decreased the number of customers who visit banking halls to conduct financial transactions.					
4	The bank's operating expenses have decreased as a result of ATM innovation adoption.					
5	The use of fintech payment systems has increased banks' marketability.					

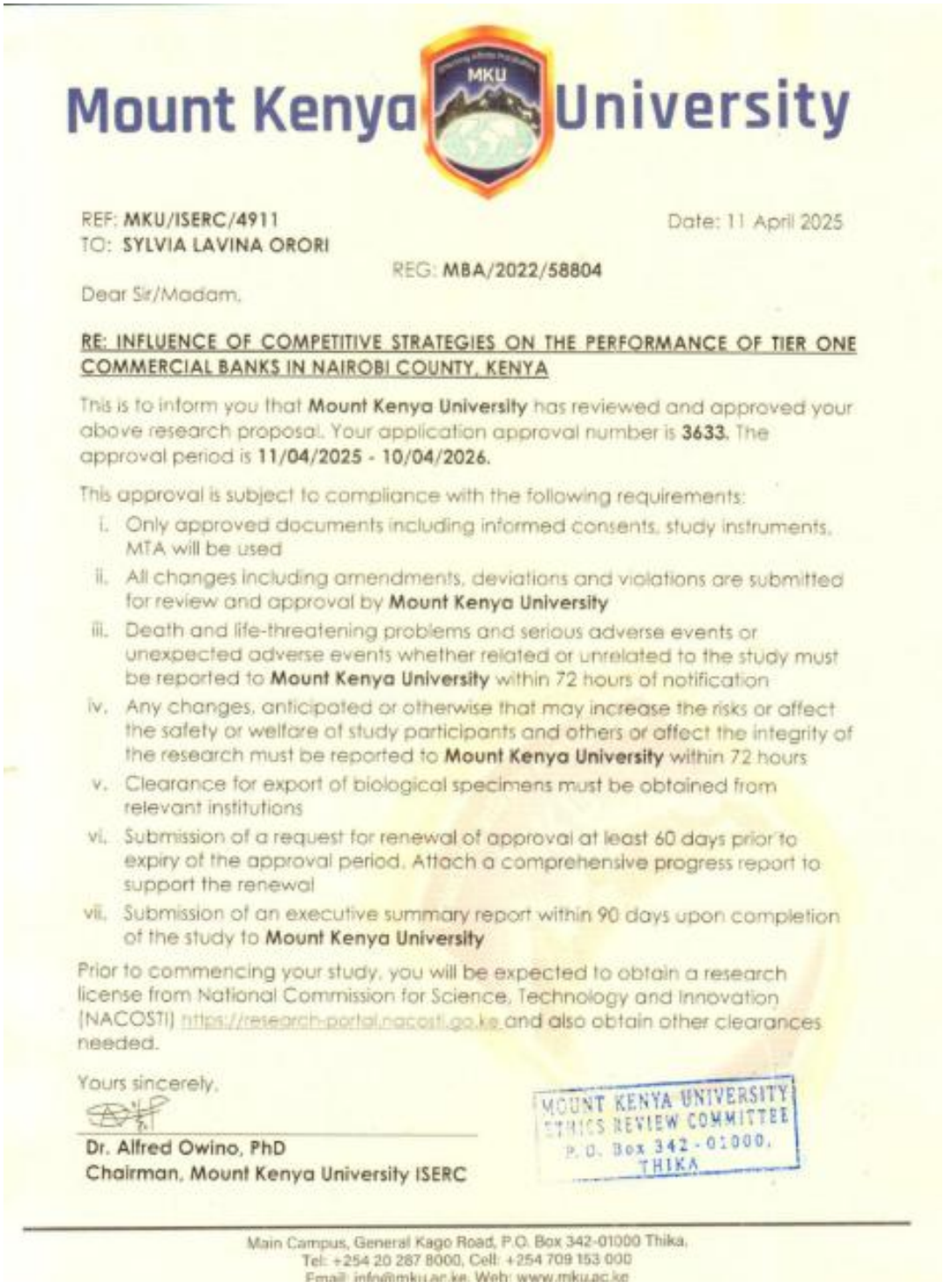
On a scale of 1 to 5, please indicate how much you agree or disagree with each statement: 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly Agree.

S.NO.	Market innovation	1	2	3	4	5
1	Internal collaboration is a crucial part of any market innovation strategy.					
2	The best ways to satisfy our customers are through our innovative business model and market approach.					
3	Our market innovation strategy entails a focus on customer happiness.					
4	Ensuring the quality of our goods and services is one of our main objectives regarding market innovation.					
5	Streamlining administrative procedures is part of our market innovation approach.					

On a scale of 1 to 5, please indicate how much you agree or disagree with each statement: 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly Agree.

S.NO.	Performance in Commercial Banks	1	2	3	4	5
1	The bank's competitive strategies have led to a steady increase in annual revenue over the past three years.					
2	The bank has successfully expanded its customer base and market presence due to strategic product and service offerings.					
3	New and existing banking products (e.g., mobile banking, digital lending) have significantly contributed to the bank's overall financial performance.					
4	The bank's strategies have enhanced customer loyalty and positioned it as a market leader in the industry.					
5	Investment in financial technology and product diversification has improved profitability and overall bank performance.					

APPENDIX III: ETHICAL REVIEW LETTER



Mount Kenya University

REF: MKU/ISERC/4911 Date: 11 April 2025
TO: SYLVIA LAVINA ORORI
REG: MBA/2022/58804

Dear Sir/Madam,

RE: INFLUENCE OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF TIER ONE COMMERCIAL BANKS IN NAIROBI COUNTY, KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3633**. The approval period is **11/04/2025 - 10/04/2026.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including informed consents, study instruments, MTA will be used
ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
v. Clearance for export of biological specimens must be obtained from relevant institutions
vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) https://research-portal.nacosti.go.ke and also obtain other clearances needed.

Yours sincerely,

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC

MOUNT KENYA UNIVERSITY
ETHICS REVIEW COMMITTEE
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THIKA

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APPENDIX IV: RESEARCH ACKNOWLEDGEMENT

KCB Bank Kenya Limited
Head Office, Kencom House
Moi Avenue, Nairobi
P.O. Box 48400 – 00100, Nairobi, Kenya
Tel: +254 711 087000 | Email: info@kcbgroup.com

Date: 17/4/2025

The Registrar
Mount Kenya University
P.O. Box 342
Thika, Kenya

RE: RESEARCH DATA COLLECTION ACKNOWLEDGEMENT FOR SYLVIA LAVINA ORORI – MBA/2022/58804

We acknowledge that **Ms. Sylvia Lavina Orori**, a postgraduate student at **Mount Kenya University**, conducted a research study titled *"Influence of Competitive Strategies on the Performance of Tier-One Commercial Banks in Nairobi County, Kenya"* within **KCB Bank Kenya Limited**.

Ms. Orori was granted permission to collect data from selected branches and departments in Nairobi County for academic purposes only. The data collection was carried out ethically and professionally, with strict adherence to our organizational protocols and confidentiality standards. She ensured voluntary participation, upheld informed consent procedures, and did not disclose any sensitive or proprietary information.

We appreciate her diligence and confirm that she complied with all ethical guidelines during the research process.

Yours faithfully,

Rhodah W. Noles
Manager, Human Resources
KCB Bank Kenya Limited

APPENDIX V: RESEARCH LICENSE

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **349809**

Date of Issue: **10/May/2025**

RESEARCH LICENSE

This is to Certify that Miss.. SYLVIA LAVINA ORORI of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: INFLUENCE OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF TIER ONE COMMERCIAL BANKS IN NAIROBI COUNTY, KENYA for the period ending : 10/May/2026.

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APPENDIX VI: TURNITIN REPORT

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