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The Effect of Product and Service Innovations on the Financial Performance of Commercial Banks in Kenya

Abstract

The objective of this study was to establish the effect of product /service innovations on the financial performance of commercial banks in Kenya. The 40 commercial banks was the population of this study which were in operation in Kenya as at December, 2017. Both primary and secondary data were used. Explanatory research design was used. Questionnaires were used to gather primary data. Secondary data was collected from Central Bank annual report to validate communicative and validity of primary data. Quantitative analysis in the research was facilitated by Statistical Package for Social Sciences, the completed questionnaires was examined and information was further processed and analyzed. The results obtained was presented in charts and tables. Regression and correlation analysis were used to study the relationship between the dependent and the independent variables of the study. These were employed to analyze the data and find out whether financial performance of commercial banks was influenced by banks innovations. The results showed that most commercial banks have concentrated on their profits by creating new products and services which have minimized their operational costs. This study used Cronbach Alpha test of internal consistency to analyze the accuracy of the research tool based on pilot data. The study recommended that banks should consider incorporating the new technology as it will increase the firms' performance and to ensure their new products and services, are readily available in the market. The sector also, ought to continue investing on more innovative delivery channels. These will in turn, facilitates reduction in cost in every unit of service thus improved return on assets to financial institutions effective monitoring of accounting and auditing. Financial institutions should ensure that the banking innovations are well secured for customers to have confidence in using mobile/ internet banking.

Key terms: financial performance, product/service innovations, commercial bank

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