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The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
Vol. 12, Iss.2, pp 742 – 756, May 10, 2025. www.strategicjournals.com, © Strategic Journals

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Accepted: April 28, 2025

DOI: http://dx.doi.org/10.61426/sjbcm.v12i2.3239

ABSTRACT

This study examined the influence of innovative financial methods on the financial outcomes of commercial banks in Kisii County, Kenya. The primary objective is to determine the relationship between financial innovation and the performance of Kisii Town's commercial banks. Specifically, the study aimed to: (1) examine the impact of mobile banking on financial performance; (2) assess the effect of ATMs on financial results; (3) investigate how online banking influences revenue creation; and (4) explore how agency banking can expand customer access and boost bank profitability. According to the results, using automated teller machines ensures that PINs are used correctly, improving account security and customer confidence, both of which boost performance. According to the study, most participants believed that online banking has an impact on the bank's ability to generate revenue. The results agreed that internet banking services successfully meet the needs of consumers. According to the study, most participants agreed that online banking has improved consumer engagement and communication with banks. The study indicated that the majority of respondents rated the performance of agency banking representatives in facilitating various banking activities positively. The study's findings indicated client satisfaction levels with agency banking services. The study indicated that agency banking influenced the profitability of banks. The financial institution ought to employ commercial agents to reduce the time that account holders and potential clients spend traveling to a bank branch for transactions, hence facilitating higher transactions and improving access to online banking services. The leadership of the financial institution must diligently maintain flexibility, confidentiality, and security protocols in online banking services, while ensuring the prompt delivery of information to users, thereby improving performance. Leadership in financial institutions should advocate for and enable the utilization of mobile banking channels to improve profitability and, subsequently, performance. They should minimize the transactional costs of online banking channels to encourage greater transaction volume. Bank management must guarantee the dependability of ABCs to facilitate heightened transaction volumes.

Key Words: *Mobile Banking, ATMs, Online Banking, Agency Banking*

CITATION: Onkundi, B. B., & Miroga, J. (2025). Financial innovation practices and performance of commercial banks in Kisii County, Kenya. *The Strategic Journal of Business & Change Management,* 12 (2), 742 – 756. http://dx.doi.org/10.61426/sjbcm.v12i2.3239

INTRODUCTION

Financial innovation is crucial in the advancement of banking institutions globally, especially in developing areas such as Kisii, Kenya. As financial markets grow more competitive and customer needs change, commercial banks must implement innovative tools and services to improve efficiency and profitability. This study looked at the connection between this region's banks' financial success and financial innovation. Kenya's financial sector has made significant strides, as evidenced by the rise of digital payment systems, fintech partnerships, and mobile banking. These developments have transformed traditional financial services, making them more user-friendly and accessible. Banks have been able to increase their customer base, especially in underdeveloped areas like Kisii, thanks to the rise of mobile money platforms like M-Pesa. This has improved their market share and financial performance (Otoroh, 2020).

The capacity of commercial banks in Kisii to address these difficulties while optimizing the advantages of innovation is essential. Studies reveal a positive correlation between banks' financial measures, such as return on equity (ROE) and return on assets (ROA), and the level of financial innovation they have adopted (Ngina, 2021). Significant insights for enhancing the operational effectiveness and overall financial well-being of Kisii's commercial banks were obtained from an analysis of the financial innovation dynamics inside these institutions. By analyzing these factors and their implications for the future of banking in the area, this study aimed to improve the body of literature.

Financial innovation has become a crucial factor in transforming the global banking sector, affecting operational efficiencies, client interaction, and overall financial outcomes. As digital technologies advance, banks globally are implementing novel models that enhance operational efficiency and transform consumer interactions with financial services. The financial sector worldwide has experienced a proliferation of technologies, including blockchain technology, artificial intelligence, and mobile banking. The implementation of blockchain has improved openness and security in transactions, whereas artificial intelligence is refining risk assessment and individualized customer service (Arner et al., 2016). These innovations have demonstrated the ability to augment operational efficiency, reduce transaction costs, and improve customer experience, hence positively impacting the financial performance of commercial banks (Philip & Pérès, 2019).

Innovations like M-Pesa in Kenya demonstrate how technology facilitates the provision of financial services in rural and underserved regions, promoting economic growth and improving performance for local banks (Jack and Suri, 2011). While financial innovation offers several advantages, it also poses global difficulties, such as cybersecurity threats and a dynamic regulatory environment. Global banks are encountering demands to safeguard client data while complying with stringent regulatory mandates (EBA, 2019). This scenario requires a flexible strategy for risk management and innovation inside commercial banks, particularly in areas such as Kisii, where market dynamics markedly contrast with those of industrialized countries.

Financial innovation has profoundly impacted the banking sector globally, transforming the delivery and accessibility of financial services. In Africa, particularly in locations such as Kisii, Kenya, financial innovation has become a pivotal catalyst for economic development and financial inclusion. In the East African region, mobile banking and financial technology (fintech) innovations have transformed the financial landscape. Kenya leads this movement, mostly because of its innovative mobile money platform, M-Pesa. M-Pesa has granted millions access to previously inaccessible financial services, enhancing both transaction capabilities and the availability of savings and credit (Jack & Suri, 2011). This has resulted in a significant enhancement in the financial performance of commercial banks that have included these mobile

platforms into their operations (Osei-Assibey, 2018).

The expansion of fintech innovations presents distinct challenges. The regulatory frameworks in East Africa have failed to adapt to swift technological progress, resulting in deficiencies in consumer protection and possible threats to financial stability (Akoena et al., 2019). Regional policymakers are increasingly concentrating on establishing financial regulations that may proficiently manage technological integration while fostering innovation (Otoroh, 2020). This equilibrium is essential for cultivating an environment that promotes financial growth while safeguarding the integrity of financial systems. In Kenya, particularly in Kisii, the implementation of digital banking systems has enhanced banking efficiency and elevated client experiences. Commercial banks that emphasize digital innovations experience elevated consumer involvement and pleasure, which consequently enhances financial success (Karanja, 2020). The ability to innovate while mitigating risks related to cybersecurity and data privacy continues to be a significant concern for banks in the region (Ngina, 2021).

In Kisii, Kenya, financial innovation has become an essential element of the commercial banking sector, greatly influencing operational efficiency and total financial success. The region, marked by a primarily agricultural economy, has experienced a significant transformation in the delivery of financial services, primarily propelled by technology and the growing prevalence of mobile banking. The use of mobile money platforms, especially M-Pesa, stands out as a significant innovation in Kisii. This technology has been essential in connecting banks with underserved areas, facilitating seamless money transfers, payments, and savings (Jack and Suri, 2011). The success of M-Pesa has illustrated that financial technology may promote financial inclusion by granting unbanked communities in Kisii access to vital banking services, hence fostering growth for commercial banks in the region (Munyiri, 2019). Local banks acknowledged the necessity to adapt and incorporate these financial advances to maintain competitiveness. Institutions like Cooperative Bank and KCB Bank have created customized products targeting rural people, utilizing mobile technologies to improve service delivery (Kamau, 2020). These developments encompass mobile banking applications that enable users to execute diverse transactions and get credit through their cellphones, hence improving user experience and operational efficiency. The advantages of financial innovation are apparent in the financial outcomes of commercial banks in Kisii. Research shows that banks using mobile banking and other technological experience on finance has enhanced customer satisfaction and retention (Ngina, 2021). Moreover, enhanced access to financial services promotes local economic activities, hence indirectly enhancing the performance of banks through increasing transaction volumes and customer deposits (Karanja, 2020).

Statement of the Problem

In a competitive market, commercial banks have both opportunities and challenges because of the rise of financial innovation in Kisii, Kenya. To enhance customer involvement and service delivery, innovations such as online banking, mobile banking, automated teller machines (ATMs), and agency banking have been put into place. Still, there is a substantial lack of empirical studies assessing the specific impacts of these developments on Kisii banks' financial performance. According to Munyiri (2019), it is still unknown how mobile banking affects financial performance metrics like transaction volumes and customer accessibility. Likewise, although ATMs offer convenience to consumers, their tangible impact on profitability and client acquisition in this specific setting remains unclear (Ngina, 2021). Moreover, the impact of internet banking on essential financial metrics such as return on assets (ROA) and return on equity (ROE) in commercial banks in Kisii remains insufficiently investigated (Kamau, 2020). Moreover, whereas agency banking seeks to

provide services to rural communities, the operational challenges—namely security threats, agent training, and regulatory compliance have not been comprehensively examined (Otoroh, 2020). The insufficient comprehension of these novel banking solutions restricts local banks from fully utilizing their potential, hence constraining their financial success. Through an analysis of the connection between financial innovation and the financial performance of commercial banks in Kisii, Kenya, the study aimed to close these gaps and offer practical suggestions for improving banking operations in the area.

Objectives of the Study

The objective of the study was to assess the effect of financial innovation practices on the performance of commercial banks in Kisii County, Kenya. The specific objectives of this study include: -

- To investigate how mobile banking affects commercial banks' financial results in Kenya's Kisii County.
- To investigate how ATMs affect commercial banks' financial results in Kenya's Kisii County.
- To examine how online banking has affected Kisii County, Kenya's commercial banks' financial results.
- To investigate how agency banking affects the commercial banks' financial performance in Kenya's Kisii County.

LITERATURE REVIEW

Theoretical Review

Innovation Diffusion Theory

The idea asserts that the adoption of innovations is affected by several critical factors: the perceived properties of the invention, communication routes, social systems, and the traits of the adopter. Innovation Diffusion Theory (IDT) provided the foundational framework for comprehending the dissemination of novel ideas, practices, and technology within and among companies. This theory, initially formulated by E.M. Rogers in 2003, delineates critical aspects that affect the adoption process, which is vital for examining financial innovations in commercial banks. IDT posits that perceived qualities of innovations, communication routes, social systems, and adopter categories strongly influence adoption rates (Rogers, 2003).

Technology Acceptance Model

The Technology Acceptance Model (TAM), created by Davis in 1989, offers a scheme for realizing the processes by which people adopt and utilize new technology. The Technology Acceptance Model (TAM) asserts that perceived ease of use and perceived usefulness are the principal factors that shape an individual's intention to utilize a technology, therefore impacting its actual utilization. This model provided a basis for examining the influence of financial innovations in commercial banks on their financial performance in Kisii, Kenya

Transaction Cost Innovative Theory

The Transaction Cost Innovation Theory asserts that corporations pursue innovative practices mostly to reduce transaction costs linked to economic exchanges. This theory is crucial for comprehending how financial innovations might influence the performance of commercial banks, especially in a setting such as Kisii, Kenya, where operational efficiency and consumer accessibility are essential. Transaction costs include both direct and indirect expenses associated with executing transactions, such as search and information costs, negotiation costs, and enforcement costs (Williamson, 1985). Commercial banks utilize technologies like mobile banking, ATMs, online banking, and agency banking as strategies to mitigate costs, hence improving their financial performance.

Mobile Banking: The advent of mobile banking substantially reduces transaction costs for banks in Kisii by allowing consumers to execute diverse banking operations via their mobile devices. This diminishes the necessity for in-person visits to bank branches and curtails the expenses related to cash management and processing (Munyiri, 2019). Mobile banking enhances client satisfaction and increases transaction volumes by facilitating

immediate transactions and access to banking services, hence positively impacting the bank's financial performance.

Online banking platforms exemplify the implementation of Transaction Cost Innovation Theory. These platforms offer users the comfort of accessing banking services throughout the clock, thereby considerably diminishing the time and effort required by conventional banking techniques (Kamau, 2020). Consequently, banks can draw more clientele and enhance service use, thereby positively influencing their financial indicators. Agency banking enhances the accessibility of commercial banks to rural regions, hence diminishing the expenses related to servicing remote clients. Utilizing local agents enables banks to reduce infrastructural and operating expenses (Otoroh, 2020). This innovation allows banks to access underbanked demographics, leading to improved financial outcomes via expanded customer bases and elevated transactional revenues. The Transaction Cost Innovation Theory offers a framework for comprehending how commercial banks in Kisii, Kenya, can utilize financial innovations to reduce transaction costs and enhance financial performance. By diminishing the expenses linked to diverse banking operations, these innovations not only improve efficiency but also broaden access to financial services, thereby augmenting the overall performance of banks.

Regulation Innovative Theory

The Regulation Innovation Theory asserts that regulatory frameworks significantly impact the creation and execution of financial innovations within an industry. This theory emphasizes the interaction between rules established by governing authorities and the reactions of financial institutions as they create new goods and services to adjust to or exploit these regulations. In the case of commercial banks in Kisii, Kenya, comprehending this theory is crucial for assessing how regulatory frameworks influence the financial innovation landscape and, in turn, impact bank performance. Regulatory Framework and Financial Innovation: Regulatory authorities formulate policies and standards that regulate banking operations. These regulations can either promote or obstruct financial innovation. Supportive regulatory regimes incentivize banks to engage in innovative technology, such as mobile banking and fintech solutions, resulting in enhanced operational efficiencies (EBA, 2019). The Central Bank of Kenya has actively developed policies that promote financial inclusiveness through innovation, allowing banks in Kisii to enhance their customer service (Karanja, 2020).

Circumvention Innovation Theory

The Circumvention Innovation Theory posits that financial institutions frequently innovate as a reaction to regulatory and market constraints that may restrict their operational flexibility or competitive advantage. This thesis elucidates how commercial banks in Kisii, Kenya, employed inventive strategies to overcome challenges and improve their financial performance through innovative practices. Addressing Regulatory Constraints: Financial regulations may impose diverse limits on banking operations, encompassing capital requirements, lending procedures, and compliance expenses. In response, banks may implement new strategies to bypass these constraints while still attaining their financial objectives (Tufano, 2003). For example, if restrictions limit conventional lending to specific demographics, banks may innovate by providing microfinance products through mobile banking to access underserved communities in Kisii, thereby improving both financial inclusion and profitability (Munyiri, 2019).

Adapting to Market Demands: The theory asserts that banks innovate to address the changing demands and preferences of customers that current offerings may not fulfill. In Kisii, a tech-savvy population enables banks offering new digital solutions—such as mobile banking applications and online payment systems—to engage clients more efficiently and enhance transaction volumes (Karanja, 2020). This change enhances customer

satisfaction and directly improves financial performance measures. Leveraging Fintech Collaborations: To address the obstacles presented by conventional banking frameworks, numerous banks form alliances with fintech enterprises. This evasion enables them to swiftly embrace advanced technology without the necessity of in-house development (Kumar et al., 2020). Commercial banks in Kisii may partner with fintech companies to augment existing digital payment systems or to implement new mobile banking capabilities that adhere to regulatory standards while enhancing service offerings.

Conceptual Framework

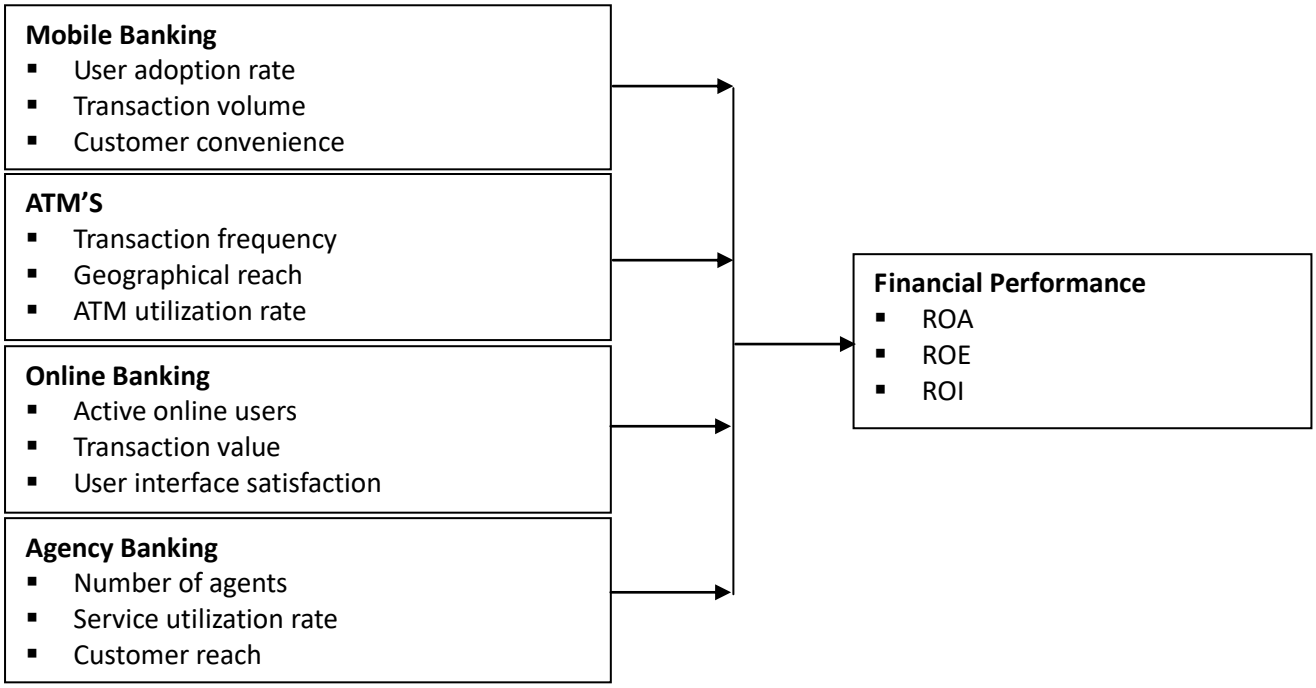

Figure 1: Conceptual framework

Empirical Review

Mobile Banking

Mobile banking has profoundly altered the banking sector, drastically impacting financial performance by enhancing consumer accessibility. Jack and Suri (2011) assert that mobile banking services such as M-Pesa have facilitated banks in reaching previously unbanked demographics, therefore advancing financial inclusion in Kenya. Munyiri (2019) underscores that customer happiness is enhanced by the simplicity and efficiency of mobile banking, leading to improved transaction volumes and overall profitability. Ngina's (2021) research confirms that banks implementing mobile banking functionalities see improved financial performance indicators, particularly Return on Assets (ROA), as operational expenses diminish due to a decreased necessity for physical branch visits. Consequently, mobile banking functions as an essential instrument for consumer involvement and a catalyst for the financial prosperity of commercial banks in Kisii County.

Automated Teller Machines (ATMs)

Automated Teller Machines (ATMs) are crucial for ehancing service delivery and promoting performance in commercial banks. Karanja's research (2020) demonstrates that enhanced ATM availability markedly elevates customer happiness, subsequently resulting in increased retention rates and transaction volumes. Otoroh (2020) substantiates this concept by highlighting that ATMs diminish customer reliance on physical bank

branches, thereby reducing waiting times. The operational benefits achieved by extensive ATM deployment also help reduce costs related to in-branch services. Karanja (2020) elucidates that banks that strategically invest in an ATM network can improve their profitability indicators, such as Return on Equity (ROE), demonstrating the positive association between ATM presence and financial performance.

Online Banking

Online banking has transformed the interaction between financial institutions and their clients, leading to enhanced efficiency and superior financial outcomes. Kamau (2020) asserts that the use of robust online banking systems markedly decreases operational expenses and improves access to financial services. The research indicates that banks with efficient online banking systems see increased transaction volumes and, consequently, enhanced revenues. Mwangi (2021) emphasizes that internet banking offers enhanced Return on Equity (ROE), as digital services correspond with consumer demands for convenience and immediacy. The capacity of banks to augment client interaction via online banking renders it an essential innovation for enhancing financial performance in Kisii County.

Agency Banking

Agency banking has sprang as an essential strategy for commercial banks to broaden their outreach and increase returns, especially in neglected rural areas. Munyiri's (2019) research highlights the ability of agency banking in closing the divide between banks and clients through the utilization of local agents to enable diverse financial activities. This method enhances transactions and corresponds with tactics designed to elevate financial performance. Otoroh (2020) identifies that the implementation of agency banking enables commercial banks to enter markets that are difficult to reach via conventional branch networks, resulting in augmented deposits and improved service utilization. Consequently, agency banking is essential for enhancing the financial performance indicators of banks functioning in Kisii County.

METHODOLOGY

According to Cohen, Manion, and Morrison (2005), a cross-sectional survey is a research tool used in this study that aims to provide a snapshot of a population at a specific point in time.

Every commercial bank operating in Kisii Town was included in the study's target population. About eight commercial banks operated in Kisii at the time of this study.

A sample size of approximately eighty respondents was utilized, comprising bank management, financial officials, and frontline personnel engaged in customer services and banking operations. The sample size improved the trustworthiness of the findings and offered a thorough perspective on the financial innovations being executed. The census sampling technique was employed because the target population was under 100; as per Mugenda and Mugenda (2008), for populations below 100, the sample size must encompass 100% of the target population.

The primary instrument employed for this investigation is the questionnaire. Data collection instruments are the tools and methodologies employed to measure variables in research (Cooper and Schindler, 2011).Data collection utilized both primary and secondary sources. Data collection instruments are the tools and methodologies employed to measure variables in research (Cooper and Schindler, 2011). Structured questionnaires were used to collect primary data in order to evaluate the extent of financial innovations like online banking, agency banking, ATMs, and mobile banking and their probable effect on financial performance. To effectively evaluate replies, the survey included both closed-ended and Likert-scale items (Bryman & Bell, 2015). Gathering information from secondary sources. Several reliable sources provided secondary data. This includes local banks' annual reports and financial statements, which display metrics like return on equity (ROE) and

return on assets (ROA); publications from the Central Bank of Kenya that compile data on the banking sector; market intelligence reports from research firms that delineate market share distributions; and industry surveys that provide insights into banking trends. Furthermore, the data was augmented with insights from banking sector research, customer transaction volumes from mobile banking platforms, and interviews with industry experts, facilitating a thorough statistical analysis of the correlation between financial innovation initiatives and the relevant financial performance variables.

Throughout the analytical process, the gathered data was updated and verified. The correctness and completeness of the surveys were assessed. Statistical software such as SPSS (Statistical Package for the Social Sciences) or STATA was used to analyze the collected data. While inferential statistics, such as regression analysis and correlation, were used to determine the significance and strength of the relationships between financial innovation variables and financial performance metrics, descriptive statistics were used to synthesize the data (Creswell, 2014). Regression analysis, correlation analysis, and descriptive statistics were used to examine the data

DATA ANALYSIS AND RESEARCH FINDINGS

Response Rate

Of the 80 questionnaires that were distributed, 67 were correctly and fully completed, yielding an 83.75% completion rate. An 83.75% response rate is deemed highly satisfactory by Mugenda & Mugenda (2003) and indicates a strong representation of the study population, greatly boosting the validity of the research findings.

Respondents Working Experience

The study sought to establish the length of time the respondents had worked in the banking sector. The results obtained are presented in the Table 1.

Table 1: Respondents Working Experience

Years worked	Percentage
Less than 2 years	18.57
2-5years	47.15
6-10 years	15.71
Above 7 years	18.57
Total	**100**

Results from table 3 above of the study revealed that majority 47.15 percent of the respondent had 2-5 years working in the banking sector. 18.57 percent of the respondents had less than 2years of work, while 15.71 and 18.57 respectively had worked in the bank. This means that the information given by the respondents was based on experience and thus could be counted on as reliable.

Mobile Banking & Financial Performance

Table 2: Mobile Banking & Financial Performance

Statement	%	1	2	3	4	5	Mean	STD
How frequently do customers at your bank utilize mobile banking services?	%	4.29	5.24	14.76	28.10	47.62	4.10	1.10
To what extent do you believe mobile banking has improved customer satisfaction?	%	4.29	6.19	20.00	70.00	5.71	3.49	0.72
Rate the effectiveness of mobile banking in increasing transaction volumes at your bank.	%	3.33	2.86	17.62	46.19	30.00	3.97	0.94
How has mobile banking impacted your bank's overall profitability?	%	3.81	5.24	21.43	70.05	9.52	3.47	0.63

Table 2 displays the results, which indicate that 47.62% of respondents strongly agreed and 28.10% agreed with the statement regarding how frequently customers of your bank use mobile banking services. The mean score for this statement was 4.10 with a standard deviation of 1.10. With a mean score of 3.49 and a standard deviation of 0.72, 46.19% of respondents strongly agreed with the study's conclusion regarding the degree to which they think mobile banking has increased customer satisfaction.

According to the survey, mobile banking is beneficial in increasing transaction volumes at your bank. The mean score was 3.97, with a standard deviation of 0.94. Of the respondents, 30.00% strongly agreed, and 46.19 percent agreed.

According to the study, 70.05% and 9.52% of respondents both agreed with the statement of how mobile banking has affected your bank's overall profitability. A 3.47 mean score and a 0.63 standard deviation supported the statement. The results of the study showed that mobile banking improves commercial banks' performance.

Automated Teller Machines and Financial Performance

Table 3: Automated Teller Machines and Financial Performance

Statement on ATM Use	%	1	2	3	4	5	Mean	StD
How would you rate the availability of ATMs in your bank's service area?	%	0.48	4.76	16.19	49.52	29.05	4.02	0.83
What impact do you believe ATMs have on overall customer satisfaction at your bank?		4.29	5.24	20.00	62.38	8.10	3.65	0.87
How effective are ATMs in facilitating cash transactions for your customers?	%	2.38	6.19	15.71	26.67	49.05	4.14	1.04
To what extent do ATMs contribute to your bank's profitability?	%	0.48	0.95	15.24	30.00	53.33	4.35	0.80
How would you rate the maintenance and reliability of ATMs provided by your bank?	%	1.43	1.90	14.76	35.71	46.19	4.23	0.87

The finding is shown in Table 3, provided that 49.52% of the respondents strongly agreed on the rating of the availability of ATMs in the bank's service area which was supported by a mean of 4.02 and standard deviation of 0.83.

According to the study, 62.38 percent of respondents agreed that ATMs have a positive impact on overall customer satisfaction at the bank, with a mean score of 3.65 and a standard deviation of 0.87. With a mean score of 4.14 and a standard deviation of 1.04, the study found that there are successful ATMs in facilitating cash transactions for your clients, with 49.05% of respondents strongly agreeing and 26.67% agreeing.

With a mean score of 4.23 and a standard deviation of 0.87, the respondents backed up the claim that ATMs contribute to your bank's profitability to the extent that 46.19% of them strongly agreed and 35.71% agreed.

The finding it the study established that as to how would you rate the maintenance and reliability of ATMs provided by your bank with 53.33% and 30.00% of the respondents agreeing and likewise been supported by a mean of 4.35 and standard deviation of 0.80. The finding revealed that Use of

Automated Teller Machines ensures correct use of pins which enhances customer's account security thus boosting customer confidence, hence better performance.

Online Banking and Financial Performance

Table 4: Online Banking and Financial Performance

Statement	%	1	2	3	4	5	Mean	StD
How often do customers use online banking services at your bank?	%	1.43	6.67	11.90	80.00	2.86	3.68	0.62
Rate the influence of online banking on your bank's revenue generation.	%	5.71	1.90	23.81	42.86	25.71	3.81	1.02
How effective do you believe your banks online banking service is in meeting customer needs?	%	0.95	3.81	10.95	70.48	13.81	3.92	0.69
To what extent has online banking improved customer engagement and interaction with your bank?	%	4.29	5.71	20.95	66.19	2.86	3.58	0.82
How would you rate the security features of your bank's online banking platform?		5.24	1.90	3.33	66.67	22.86	4.00	0.90

Table 4 presents the results of the study. It shows that 80.00% of the respondents agreed with the statement on the frequency of customers using your bank's online banking services, with a mean score of 3.68 and standard deviation of 0.62.

Additionally, the study revealed that the respondents' mean score for evaluating the impact of online banking on your bank's revenue generation was 3.81 with a standard deviation of 1.02; 42.86% of respondents agreed with the statement, and 25.71% strongly agreed with it.

The result from the table below also agreed that online banking service is effective in meeting customer needs by a mean of 3.92 and standard deviation of 0.69 where 70.48 percent agreeing to the statement that online banking enhances wider market penetration which leads to increase in customer base thus better performance.

The study indicated that on the assertion as to what extent has online banking improved customer engagement and interaction with banks had a mean score of 3.58 and standard deviation of 0.82 where 66.19% of the respondents agreed. From the study finding this implies that there is increased interaction with banks via the use of online banking channels hence high performance.

Finding on how would you rate the security features of your bank's online banking platform had a mean of 4.00 and a standard deviation of 0.90 where a majority of 66.19 percent of the respondents agreeing that online banking channels enhances financial performance of commercial banks.

Agency Banking & Financial Performance

Table 5: Agency Banking & Financial Performance

Statement	%	1	2	3	4	5	Mean	StD
How effective do you believe agency banking has been in reaching underserved clients?	%	6.19	2.86	10.95	18.57	61.43	4.26	1.15
To what extent has agency banking contributed to increasing customer registrations at your bank?	%	3.33	0.95	8.57	15.24	71.90	4.51	0.94
Rate the effectiveness of your agency banking agents in facilitating various banking transactions.	%	0.95	4.29	17.14	20.00	57.62	4.29	0.96
How would you assess the customer satisfaction levels with agency banking services?	%	1.90	3.81	5.71	22.38	66.19	4.47	0.91
How much has agency banking impacted your bank's profitability?	%	5.71	4.29	22.86	42.86	24.29	3.76	1.05

According to respondents' responses in table 5, a mean score of 4.26 and a standard deviation of 1.15, meaning that 18.57% of respondents agreed and 61.43% strongly agreed, backed the claim that agency banking has been successful in reaching underserved clients. With a mean score of 4.29 and a standard deviation of 0.96, the survey found that agency banking increased customer registrations. Of the respondents, 57.62% strongly agreed, and 20.00% agreed.

The study revealed that rating the effectiveness of agency banking agents in facilitating various banking transactions which was supported by a mean of 3.76 and standard deviation of 1.05 indicating that 24.29% of the respondents strongly agreed and 42.86% agreeing with the statement.

The study's results showed that 66.19% of respondents agreed with the statement on customer satisfaction levels with agency banking services, with a mean score of 4.47 and standard deviation of 0.91. Additionally, the study found that, with a mean score of 4.30 and standard deviation of 0.86, 34.76% of respondents agreed and 50.48% strongly agreed that agency banking had an impact on banks' profitability. The results suggest that agency banking improves commercial banks' financial performance.

Inferential Statistics

To ascertain the impact of financial innovation practices on the performance of commercial banks in Kisii County, Kenya, inferential statistics were employed. The next sections show the results of the regression coefficients, ANOVA, model summary, and correlation analysis.

Correlation Analysis

The study used Pearson correlation to look at the associations between the variables, and the findings were as follows. Using financial innovation practices scores as an independent variable and the Pearson coefficient, the study sought to determine whether there was a statistically significant association between financial innovation practices and financial success.

Table 6: Correlation Matrix

		Mobile Banking	ATMs	Online Banking	Agency Banking	Financial Performance
Mobile Banking	Pearson Correlation	1	.790**	.426**	.520**	.517**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	67	67	67	67	67
ATMs	Pearson Correlation	.790**	1	.520**	.670**	.699**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	67	67	67	67	67
Online Banking	Pearson Correlation	.426**	.520**	1	.772**	.769**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	67	67	67	67	67
Agency Banking	Pearson Correlation	.520**	.670**	.772**	.430**	.515**
	Sig. (2-tailed)	.000	.000	.000	.000	.000
	N	67	67	67	67	67
Financial Performance	Pearson Correlation	.517**	.699**	.769**		1
	Sig. (2-tailed)	.000	.000	.000	.000	.000
	N	67		67	67	67

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

The results show that there was a significant positive statistical relationship between commercial banks' financial performance and mobile banking (r=.517**, n=67, p=.05), with high levels of mobile banking linked to commercial banks' financial performance in Kisii County, Kenya, and vice versa. A Pearson correlation between the use of automated teller machines as an independent variable and financial performance as the dependent variable was performed in order to determine whether there was any statistically significant relationship between the use of ATMs and the financial performance of commercial banks in Kisii County. The significance level (p-value) was set at.05, meaning that a significant difference would be assumed if the p-value was less than 0.05 and a significant difference would be assumed if the p-value was greater than 0.05. Higher ratings on ATM use were linked to better financial performance, and vice versa, according to the study's findings, which showed a positive statistically significant association between ATM use and financial performance (r=.699**, n=67; p.000<.05).

The study's findings revealed a statistically substantial relationship between financial performance and online banking (r=.799**; n = 67; p=.000<.05). Improved commercial banks' financial performance in Kenya's Kisii County was linked to high online banking ratings. According to the study's findings, agency banking and financial performance were statistically significantly correlated (r=.515**; n = 67; p=.000<.05). Improved financial performance of Kisii County's commercial banks was linked to high agency banking ratings.

Model Summary

The summary of the outcome of coefficient of determination and coefficient of adjusted determination are as displayed in Table 7.

Table7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig.
1	.842[a]	.709	.672	0.32882	0.000

a. Predictors: (constant) Mobile Banking, Use of ATMS, Online Banking and Agency Banking

According to the model summary, the independent variables and the financial performance of commercial banks are positively correlated, with the coefficient of correlation (R) being 0.842. The model's predictive power was demonstrated by the adjusted R square, which yielded a value of 0.672. This suggests that mobile banking, ATM use, online banking, and agency banking accounted for 67.2 percent of the variance in commercial banks' financial performance. Factors not included in the model accounted for the remaining 32.8% of the variation in financial performance.

ANOVA

The study carried out an ANOVA at 95% level of significance. The findings of F Calculated and F Critical are as displayed in Table 8.

Table 8: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	835.128	4	167.026	32.2009	.000[b]
Residual	311.231	63	5.187		
Total	1146.359	67			

The results demonstrate that F Calculated > F Critical (32.2009>6.5344), indicating that the overall regression mode was substantial for the study. F Calculated was 32.2009, and F Critical was 6.5344. The fact that the p value was 0.000<0.05 suggests least one variable had a substantial impact on the project's outcome, the performance of Commercial banks in Kisii County. The findings are shown in Table 9.

Coefficients of Regression

The research ran a regression to determine the individual impact of the variables to financial that at

Table 9: Coefficients of Regression

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	T	Sig.
(Constant)	.498	0.253		2.165	.006
Mobile banking	0.237	.160	.198	1.479	.012
Use of ATMs	0.231	.126	.245	1.834	.001
Online Banking	0.239	.145	.008	.065	.023
Agency Banking	0.281	.114	.031	.246	.016

The resultant equation was

$$\mathbf{Y= 0.498+ 0.237X_1 + 0.231X_2 + 0.239X_3 + 0.281X_4}$$

Where: Y = Performance of Commercial Banks

X_1 = Use of ATMs

X_2 = Online Banking

X_3 = Supplier Development

X_4 = Agency Banking

When every other variable was held constant, the study found that performance of commercial banks was at 0.498. With a 0.237 unit increase in mobile banking, commercial banks' financial performance increases. When all other factors stay the same, a 0.231 increase in ATM usage leads to better financial success. A 0.239 increase in online banking leads to better financial performance when all other factors are held constant. A 0.281 unit increase in agency banking leads to better financial performance when all other factors are held constant. The findings showed that the independent variables had a p value of 0.000<0.05, suggesting that financial innovation practices had a substantial impact on the commercial banks'

The financial institution should employ commercial agents to reduce the time account owners and frequent clients spend traveling to a bank branch for transactions, hence facilitating higher transactions and improving access to online banking services.

The leadership of the financial institution must diligently maintain flexibility, confidentiality, and security protocols in online banking services, while ensuring the prompt delivery of information to users, thereby improving performance.

Leadership in financial institutions should advocate for and enable the utilization of mobile banking channels to improve profitability and, subsequently, performance. They should minimize the transactional expenses of online banking channels to encourage higher transaction volumes.

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