STRATEGIES ADOPTED BY EQUITY BANK TO GAIN A COMPETITIVE ADVANTAGE ON MOBILE LOAN APPLICATIONS

BY

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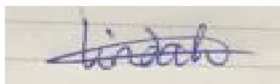
DECLARATION

This research project is my original work and has not been presented for a degree in any other University.

Signature……  ….

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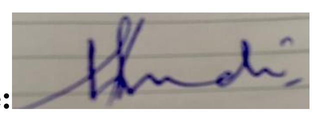
This research project has been submitted for examination with my approval as University Supervisor.

Signature:  **Date:** 14th Sept 2022

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DEDICATION

This work is dedicated to my husband, son, parents, and brother, who have been supportive and understanding since I enrolled for my master's degree.

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Writing this master's project has been a wonderful experience coupled with its fair share of challenges. The completion of my studies opens a new beginning in my career journey.

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ABTRACT

This study's objective is to establish strategies adopted by Equity bank to gain a competitive advantage on mobile loan applications. The study adopted case study design and data was collected at Equity Bank Kenya. Especially the headquarter of the bank at Upper Hill in Nairobi, Kenya. The data was collected using interviews and the interview involved various officers from the bank including the Strategy Managers, Directors and Chief executive officers. These officers are more involved in policy-making and strategic planning in the bank and they provided required data to meet the study objectives. Data analysis involved the use of Content analysis. This was done to help categorized the study findings in different themes and subjects. The study established that Equity bank mobile loan applications success is due the implementation of different strategies such as aggressive digital marketing, innovation, brand management, cost leadership, segmentation, different and the use of focus strategies which has enabled the firms to gain competitive advantage by focusing on specific market segments and operations thus creating a competitive advantage that matches the core competencies and the opportunities in the industry. The study also found that the use cost leadership strategies enable the Bank to have a lower cost of operation through the efficiency of their operations to create lower prices than those of the competitors. The study concluded that banks should adopt different strategies to have a direction that will enable them to achieve their long-term objectives while meeting the demand of their customers and at the same time reducing the risks and threats from the market environment and taking advantage of the innovation environment in line with the mobile money transfer and transactions. The study recommended the need for banks to adopt strategies such as innovation, cost leadership, focus, and differentiation strategies. This will enhance the firms' competitive edge, increase market share, reduce operation costs, expand the customer base, and increase profitability of the organization as well as improve the organization's overall performance. However, the application of these strategies should focus on attracting, increasing, and retaining the customer base, reducing the cost of the operations, and improving the financial and operational performance of the financial institutions offering mobile loan services.

CHAPTER ONE:INTRODUCTION

1.1 Background of the Study

Strategic management emphasizes the vital role of business strategy in large and small organizations as businesses strive to gain a competitive advantage in the market (David, 2014). Organizations use business strategy to outline the basic steps that must be followed to achieve their goals and gain a competitive advantage over their Rivals. Firms may have the same strategy or multiple strategies. These strategies exist at three levels; Business-level strategies (such as grand or master strategies); Business-level strategies (competitive strategies); And functional-level strategy. Although the literature suggests that strategies are being developed at three different levels, theoretical and empirical studies of the relationship between strategy and organizational performance have mainly emphasized business strategy (Lee, 2013). Mintzberg and Quinn (2018) assert that strategic responses match the external environment with the organization's internal capabilities.

Firms are set against the backdrop of a complex commercial, economic, technological, cultural, and social world. Awareness of historical and environmental impacts and other definite threats to opportunities and organizations is critical. Thus, the survival and success of an organization occur when the organization creates and maintains a match between its strategy and the environment and between its internal capability and its strategy. Assessment of the external environment and the company profile enables a firm to identify a range of possibly attractive interactive opportunities (Kigeni, 2019). These opportunities are possible avenues for investment; these must be screened through the criterion of thecompany mission to generate a set of possible and desired opportunities.

This screening process results in the selection of options from which a strategic choice is made.

This study will be founded on two theories: Resource-Based View (Wernerfelt, 1984) and innovation diffusion theory (Mitchell, 2017). The Resource-Based View argues that commercial banks can benefit from adopting mobile loan applications to provide services to their customers. Innovation diffusion theory argues that new inventions like mobile loan applications and the internet are adapted and successful. Innovation involves the deliberate application of information aimed at the generation of unique ideas.

Globally, the banking industry has experienced slower growth following the economic recession in 2007-08. From double-digit growth in 2006-07, the top 1000 banks experienced 2.7% growth between 2008 and 2010. The profits have since improved and returned to pre-recession levels. Emerging markets remained profitable during the worst phase of the recession, whereas developed markets recorded huge losses (Capgemini, 2015). Kenya's banking industry is one of the emerging markets that experienced exponential growth between 2011 and 2016. This study will focus on banking strategies used by commercial banks aimed to attract clients, one being mobile loan applications aimed at increasing the industry's ability to compete.

1.1.1 Concept of Strategies

Strategies are the plans that firm or an organization adopt to deal with environmental changes/turbulence, i.e., machinery of the resources and activities of an organization to the environment in which it operates. Strategies involve the options for strategy in terms of both the direction in which strategy might move and the methods by which strategy mightbe pursued. There are strategic choices in terms of how the organization seeks to compete at the business level. According to Denis, Auster and Choo (2014), through strategic plans, a firm can position and relate itself to the environment to ensure its continued success and secure itself from surprises brought about by the changing environment. According to Hunger and Wheelen (2014), strategic plans heavily influenced by the top manager's awareness of their environment. Each company has its unique environment, and the same industry has its environment. Therefore, the dynamics in the business environment demand that firms adopt flexibility in their strategic responses to achieve competitive advantage. In essence, it calls for restructuring an organization to meet new activities and respond appropriately to the external environment. Comprehensive strategy evaluation of most companies is usually triggered by leadership change or competitive advantage. The fact that thorough strategy evaluation is not an everyday event or part of a formal system is discouraged by some theorists, but there are many good reasons for this state of affairs (Kiptugen, 2014).

According to Awuah (2016),strategies should involve intense research and brainstorming, studying risks, measuring consequences, and devising ways to mitigate and avoid them. Only then can any decision be made on which strategic responses to adopt to offer growth for the banking sector and others. The strategic plans of any organization are geared towards adding value and are usually a long-term approach. In its nature, strategies are a proactive process because top management anticipates change and acts on it beforehand (Hofstrand, 2013; Aremu & Oyinlole, 2014). Having strategic responses enables a business or firm to keep up with its competitors. Without strategies there is no floating course, no roadmap to manage, and no coordination action plan to deliver the desired results (Aremu & Oyinlole, 2018).

1.1.2 Competitive Advantage

Competitive advantage is defined as an attribute that enables companies to outperform their competitors. Each market segment attracts many players who strive to be the best providers of services and products, creating competition. As a result, firms that achieve superior margins compared to competitors benefit from their competitive advantage and generate value for the shareholders. The competitive advantage thus focuses on differences between firms rather than their everyday activities, as opposed to general strategy. Comprehensive strategic responses evaluation of most companies is usually triggered by change or performance(Auster & Choo, 2014).An organization's competitive advantage gives it superiority over its competitors in any functions it performs (Rumelt, 2013). A firm has a competitive advantage when it has the edge over its competitors in securing the customer and defending it against competing forces in the industry.

The competitive strategy sets out the distinctive approach that financial institutions want to use to succeed in their strategic business sectors (Davis, 2017). According to Payne (2015), competitive advantage can be developed from specific resources and capabilities that are not available to competitors. The ability to set cost leadership, differentiation, or focus strategy depends on the organization's ability to develop a specific set of sustainable competitive practices.

Equty bank is one of the banks in Kenya with stable sustainable competitive advantage. The Bank involves unique application of strategies, innovation and differentiation strategies in its major operations. This has given it a high sustainable competitive advantage and it is true that such is achieved through use of core competencies that will benefit the organization in the long run (Davis, 2017). Prahaland and Hamel (2013) defined a core competency as a specialized area of expertise resulting from integrating complex streams of technology and work activities. Competition is perceived as proactive and pushes businesses to create winning strategies to respond to a competitive business environment to gain a competitive advantage (Awua, 2017). A competitive strategy is how a company can benefit from a distinctive competitive path by establishing a profitable and stable position against the forces determining industry competition. Thus, competitive advantage enables a bank to create value for customers and itself (Porter, 2015).

1.1.3 Mobile Loan Applications

Ross (2016) defines a mobile loan as a form of financial borrowing through a mobile phone application link between the borrower and the financial institution. From the above definition, mobile loan applications act as a communication platform to conduct transactions. The online lending institutions have applications that can be downloaded on the Play Store or Appstore. The applications access the user's financial transactions, and the information is used to determine eligibility and loan limits. Mobile Loan Applications have operated in a relatively free-market economy with the freedom to set their operational procedures. James (2016) asserts that mobile loan applications are measured by the following: the total amount of mobile loan, applicants' interest rate as measured by the average lending rate, transaction costs calculated by the average cost of transactions, and liquidity as measured by the total mobile loan applications assets.

There has been an emergency of other mobile loaning applications like Tala, M-cash, Zash-Loan, Opesa, Branch, Mshwari, and Kashway. Surprisingly, users do not even realize the physical offices of these mobile lending institutions. They give money instantly as long as the applicant has good credibility. Most of the loans offered have a short repayment period, primarily a maximum of one month. On the flip-flop of the coin, these platforms charge a higher interest rate compared to commercial banks.

According to Adedoyin (2017), lending is a critical component among commercial banks; the management needs adequate skills to manage this vital component since it determines its success. The banks' core activities allow room for investment activities and lending activities to their clients in times of financial difficulties. Offering financial solutions to the business people and the state boosts economic growth in various sectors of the economy.

1.1.4 Equity Bank in Kenya

Equity bank is among the 43 commercial banks in Kenya licensed by the Central Bank of Kenya. The bank has been in operation for 37 years since it was founded in the year 1984, with its Headquarters in Nairobi. Equity Group Holdings own equity Bank Limited. In terms of size, the bank has assets worth Kshs. 1.1 trillion, and it boasts of 15 million customers who are served in its 336 branches and 725 ATMs spread in all 47 counties. The products offered by the bank include Debit cards, Mortgage Investments, Credit cards, and Loans. The bank has adopted mobile loan applications like Eazzy Mobile

Banking. Although it is the best bank in East and Central Africa, Equity bank's income on the interest and loan advances considerably declined during the health pandemic of Covid-19(Kigeni, 2020).

According to Kimani (2018), Equity Bank's loan applicants grew but mainly were for small loans, and the small loans were mostly offered through mobile loan applications. The introduction of mobile loan applications like Eazzy banking has shaped Equity bank's sector ranging from savings and lending. Mobile loan applications have been on the rise in recent times; usually, mobile loan applications are undertaken to improve the firms' competitive advantage.Besides Equity Bank, many commercial banks in Kenya have adopted the mobile loan applications model, and the aim of this is to better the delivery of the services minimizing the costs of operations in terms of paper works and the time which used to be wasted by clients, traveling to visit their bankers (Kimani, 2018).

Equity Bank has posted impressive results courtesy of itsmobile loan application platform. Technology is now considered a fundamental driver of financial services in this changing technological environment, including mobile loan applications. Since the Equity Eazzy Banking mobile application launch, loans are rising(Mohamed, 2017). This has been necessitated by the relationship between the M–PESA super-agency Equity Bank loan app established throughout the country, which acts as a promising avenue for the transactions. Monthly transactions have constantly increased; an average of 200 loans is processed in this loaning app, which is also key to the bank's profitability. Mobile loan applications application has contributed to Equity Banks' enhanced competitive advantage (Otieno, 2018). The bank faces competition from other commercial banks like The Cooperative Bank of Kenya, which offers various mobile loan applications services through its MCo-op cash platform. One such product is the MCo-op cash business loan which allows customers to apply for up to 200,000, which is rising. The non-funded income averagely stands at 4million, mainly through a mobile loan (Ochieng, 2017).

1.2 Research Problem

Studies have shown that financial institutions have one thing in common; they all develop strategies to respond to competitive business environments to retain their market share. Organizations are facing exciting and dynamic challenges in the 21st century. In a globalized business, companies require strategic thinking. By evolving good strategic responses, they become strategically competitive (Lewis,2015). As a result of this trend, the business environment is becoming more competitive due to increased players. According to Davis (2017), market forces call for the management team to develop plans for satisfying customer demands by improving their organizational capabilities.

Kenya is experiencing economic transformation, which has greatly affected the services of a commercial bank. The number of Commercial banks has increased and also mobile lending institutions. The increased competition has made commercial banks explore marketing strategies to enable them to gain a competitive advantage. Chepkiyeng & Choge (2014) notes that commercial banks are adopting strategies important in increasing market penetration amid the alternative mobile lenders to seek a competitive advantage.The banking industry is a competitive environment that is affected by rapid changes, and banks have to respond to these changes by crafting strategies for a competitive advantage. One of the changes in the development of mobile phone loan applications. Mobile loan applications are one significant innovation that is popular among commercial banks in Kenya. The developing counties have experienced the rapid spread of mobile phones recently (Lyman, 2016). One of the strategies to cope with the digital transformation in the financial sector is adopting mobile loan applications. Mobile loan applications in Kenya are transforming and shaping the banking industry by changing how people access loans. The banking industry in Kenya has emphasized mobile loan applications as a strategic tool in achieving the corporate objective of profit maximization and cost minimization. The poorpeople, especiallythose from the rural setup, found it challenging to open accounts with commercial banks because of the bureaucracy involved. The introduction of mobile loan applications, which include M-shwari of the commercial bank of Africa, KCB- MPESA of Kenya Commercial Bank, M-Co-op cash of cooperative bank of Kenya, and Equitel of the Equity Bank, strives to eliminate geographical barriers to the customers and guarantee convenience in carrying out transactions (CBK, 2017).

Several studies have been done concerning strategic responses and competitive advantage. A survey by Abou-Moghli, Abdallah & Muala (2012), through statistical analysis on Banking Industry in Jordan, found that innovation directly impacts competitive advantage through dimensions like cost, quality, flexibility, and time. A similar study by Blount, Swatman& Castleman (2015) in Australia, through an interview with 33 respondents, revealed that banks' strategic positioning and service culture are two important factors to give an organization a competitive advantage.

Wairugi(2012) conducted a study on strategic responses and competitive advantage of commercial banks in Kenya, a case of Equity Bank branches in Nairobi County. The study findings showed that strategic positioning, strategic outsourcing, market segmentation, and mergers and acquisitions positively and significantly affected competitive advantage. Muchoki (2016) carried a study on the effects of strategic response on fast-food restaurants' competitive advantage in Nairobi. The study found that differentiating products, low-cost products, diversification, reducing overhead cost, and offering unique products significantly impacted organizational competitive advantage.

Omondi (2018) investigated mobile loan applications' effect on the performance of commercial banks listed at the NSE in Kenya between 2015 and 2017. From his findings, the commercial banks underperformed after the adoption of mobile loan applications. The study, however, never employed any model in the analysis. Many study findings have confirmed mixed outcomes on the competitive advantage after the adoption of mobile loan applications. As observed from the above, the studies conducted have focused more on business strategies in other sectors. No study has been done specifically on banking organizations' strategic responses to competition in mobile loan applications services in Kenya. Therefore, the study sought to answer the question: What are the strategic responses of commercial banks use to gain a competitive advantage to mobile loan applications?

1.3 Research Objectives

The study's objective was to establish strategies adopted by Equity bank to gain a competitive advantage on mobile loan applications.

1.4 Value of the Study

The study would be significant to the scholars to conduct academic research. It acts as a source of the empirical literature and acts as an aground in conducting further investigations into mobile loan applications. This research's findings are significant as a strategic tool for managers to decide on mobile loan applications. From the analysis of the profits, they wouldchoose to adopt mobile loan applications fully or stop the implementation by analyzing the costs and benefits of mobile loan applications.

The study would be essential to the telecommunication service providers Safaricom and Airtel's decision-making on the continued partnership with Equity bank. The telecommunication service providers wouldevaluate the financial gains from the partnerships with the commercial banks. If there are little financial gains associated with the partnerships, the companies will terminate the contracts.

The proposed study wouldcontribute to knowledge on bank-focused theory and innovation diffusion theory. The study wouldsuggest strategic responses to effectively molding, directing, and enhancing an organization to its environment. Strategic decision-making is at the heart of the company-environment co-alignment process, so much emphasis is placed on bank-focused theory and innovation diffusion theory.

CHAPTER TWO:LITERATURE REVIEW

2.1 Introduction

This chapter entails the literature on mobile loan applications, the highlights on the theoretical review, strategic responses, competitive strategies, and empirical review.

2.2 Theoretical Review

Various theories on mobile loan applications have been proposed, and they include; Resource-Based View Wernerfelt (1984) and innovation diffusion theory Mitchell (1990).

2.2.1 Resource Based View

Resource-Based View was initially developed by Wernerfelt (1984) as a competitive advantage theory based on the firm resources to acquire or implement a product-market strategy. RBV emerged as a complement to porters theory of competitive advantage (Barney & Arikan 2001) Wernerfelt (1984) primary contribution to RBV was that a firm has unique resources and capabilities which were unique and inimitable, which made it superior hence developing the competitive advantages position in implementing product market strategies (Barney & Arikan, 2003). The resource-based theory assumes that the firms are fundamentally heterogeneous regarding their resources and internal competencies. It explains how a firm can handle their problems through the exploitation of their internal resource, base, and capabilities to obtain a sustained competitive advantage.

The RBV takes an ‘inside-out’ view or firm-specific perspective on why organizations succeed or fail in the marketplace (Dicksen, 1996). Resources that are valuable, rare, inimitable, and non-substitutable make it possible for businesses to develop and maintain competitive advantages, to utilize these resources and competitive advantages for superior performance (Barney, 1991). According to Lynch and Baines (2004), RBV, an organization, can be considered a collection of physical, human, and organizational resources. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort.

The resource-based view emphasizes the firm's resources as the fundamental determinants of competitive advantage. First, this model assumes that firms within an industry may be heterogeneous regarding the bundle of resources they control (Collis and Montgomery, 1995; Grant, 1991; Wernerfelt, 1984). According to Lyman (2006), commercial banks can benefit from adopting mobile loan applications to provide services to their customers hence forming a valuanle resource. Mobile loan applications are anytime banking since customers can transact anytime, unlike the traditional standard banking procedures where customers must avail themselves into the banking halls or through agency banking, which is a waste of time. There is easy access to the services; customers can access the financial records anytime, anywhere, and perform transactions.

2.2.2 Innovation Diffusion Theory

Everett M Rogers developed innovation diffusion theory in 1962. It describes how new ideas, practices, or technologies are spread into a social system (Rogers, 2003). It originated in communication to explain how an idea or product gains momentum and diffuses through a specific population or social plan. The result of this diffusion is that people adopt a new view, behaviour, or development. Diffusion is how innovation is communicated throughspecific channels over time among the members of a social system. Adoption means that a person does something different than what they had previously. Adopting a new idea, behaviour, and product (innovation) does not happen simultaneously in a social system; instead, it is a process whereby some people are more apt to adopt the innovation than others (Rogers, 2003). People who embrace an innovation early have different characteristics than people who adopt an innovation later. Innovation diffusion theory holds that innovation diffusion is a general process, not bound by the type of invention studied but by who the adopters are or by place or culture (Rogers, 2004). The diffusion results are adoption, where the organization adopts an innovation upon the decision to acquire the innovation, implementation, where the organization implements the innovation by putting it into practice and testing it. And institutionalization is where the organizations institutionalize an innovation by supporting it fully and incorporating it into typical practice routines (Dusenbury & Hansen, 2004). According to (Rogers, 2004) innovation has several characteristics or attributes that is, a relative advantage which he described as the extent by which a particular group of users perceive innovation as better than the idea or practice it replaces, compatibility which is the degree to which innovation is perceived as consistent with existing values, past experiences, and needs of potential adopters, complexity as the degree to which innovation is perceived as challenging to understand and use, trainability which is the extent to which innovation can be proven on limited evidence before it can convince most potential adopters and lastly observability which is the degree to which the results of an innovation are more visible than others.

Innovation has separate, distinguishable and objective features which are easily recognizable by exciting parties. The diffusion innovation theory has the followingassumptions according to Mahajan, Muller, and Bass (1990), Rogers (1995), and Prescott and Conger (1995). The innovation moves in a discrete package from an independent innovator to the adopter through a constant social ether called diffusion arena. Secondly, the adopter's choice to adopt forms an atomic, isolated decision shaped by the push and pull factors. Thirdly, the decision to adopt follows a rational calculus based on observed technological characteristics and other relevant information available to adopters through communication channels.

Additionally, the adoption decision is dependent on available information, preference functions, and adopters' properties. Also, the diffusion process evolves through distinct stages determined by the push and pull forces and is distinguishable by changes in the adoption rate. Finally, that the diffusion process has neither feedback nor adequate history (Rogers, 1995). The theory's essential criticism was that innovations were being targeted to the innovators and early adopters- the more progressive farmers, with the expectation that innovative practices would trickle down to most farmers. However, the reality is that the theory's application was viewed as a source of inequity, dividing rural communities and not benefiting those most in need. This was noticeable when the diffusion of innovations helped larger farmers increase their productivity and decrease the market prices received by all farmers in the region (Rogers, 2003).

2.3 Types of Strategies adopted by banks to gain a competitive advantage

Both internal and external factors influence the business environment. These factors are entirely integrated with the organization. And the business environment is very dynamicand multi-faceted as well (Omondi, 2018). As a result, it is very difficult to predict the changes that happen in the business environment. How companies respond to a particular situation will determine their fate in the long run. Ideally, companies should capitalize on the opportunities and eliminate or minimize the threats and risks (Wayne, 2016). This is a passive approach that some businesses maintain. The aim is for the survival of the business, so they simply react to the changes and cope with their new situations to survive, not thrive. These businesses do not predict or analyze their environment, they only react to the changes in their external environment to maintain their goals. There is no ambition to turn opportunities into benefits and grow the business. This is the path of least resistance (Davis, 2017).

Accordingly, they will plan a strategic response to take both corrective and adaptive steps (Henry, 2015).This is a far more sophisticated strategy than that of least resistance, where we wait for the changes to occur. The said strategic response will allow the firm to move ahead with stability and strength. So, it is more than mere survival; this strategy also promotes the growth of the firm. It aims to mitigate the threats and seize the opportunities (Green, 2018).Companies have compelling and dynamic analysis and feedback frameworks as a strategic approach (Armule, 2013). Businesses have limited control over external factors.They have minimal control over their external environment. They can see the significant changes coming from a mile. So, they do not wait for the changes to occur; they find ways to control and alter the environment to a favorable environment (for their purpose).Also, such companies are acutely aware of their strengths. They use these strengths to convert even threats into opportunities. Instead, they exploit the weaknesses ofthe environment and turn threatening situations to their advantage. This is the most dynamic and most substantial strategic response (Paul, 2017).

Differentiation is creating a unique service or product offering, either through good branding or strong internal skills. This strategy aims at offering something challenging to copy and is strongly associated with an organization's brand (Prescott, 2015).Market segmentation strategy is narrower in scope. Both cost leadership and differentiation are relatively broad in market scope and can encompass both strategic advantages on a smaller scale. Porter warns that companies who try to accomplish both cost leadership and differentiation may fall into the "hole in the middle"; he notes that specializing is the ideal strategic approach (Kotler, 2015).

New inventions like mobile loan applications and the internet are adapted and become successful in conducting business. Innovation involves the deliberate application of information aimed at generating unique ideas (Mitchell, 1990). In Kenya, mobile loan applications are an innovation that needs to continue providing financial services like lending through mobile applications. New technology is key to innovation and is influenced by its usefulness, compatibility, complexity, and observability. This new technology has increased the number of transactions undertaken by the mobile platform.

Innovation is helpful because it speeds up the work by ensuring a maximum number of transactions are achieved. Commercial banks in Kenya which have adopted mobile loan applications have posted increased volumes of transactions (Kimani & Otieno, 2015).

Corporate-level answers are the first level of strategy at the top of the organisations, according to Johnson and Scholes (2017), and they are concerned with the company's overarching purpose and scope to satisfy the stakeholders' expectations and create value to the firm. Three general competing tactics are suggested by Foss & Ployhart (2017). These are differentiation, which entails targeting various market segments and catering to each individual to gain maximum value, cost leadership, which aims at being efficient in production and operations to reduce costs by having controls in place, and focus, which entails concentrating on one specific market niche to position oneself in the market.

Banks implement techniques to increase the efficiency of their core business processes, including manufacturing, marketing, materials management, R&D, and human resources. Although the strategy may be centred on a specific function, they typically encompass two or more functions and call for tight coordination between them in order to achieve company-wide efficiency, quality innovation, and customer satisfaction (Henry,2016). Porter (2014) claims that strategy is about how an organisations attempts to gain a competitive advantage in its industry. He identifies the five elements that influence industry competitiveness: the danger of new entrants, customer and supplier negotiating power, threat from replacement goods and services, and competition amongst established businesses.

Michael Porter of Harvard business school in 1979 developed the five forces industry analysis for competitive business strategy in positioning itself. These are rivalry, the threat of substitutes, buyer power, supplier power, and the threat of new entry. Porter (2004) also developed four general strategies that are viable in the long-term business environment. They are Cost Leadership Strategy, Differentiation Strategy, Cost Focus Strategy, and Differentiation Focus Strategy. According to Michael Porter in his five forces model of strategic competition (Porter, 1980), strategic competition is based on the threat of newentrants, bargaining power of buyers, bargaining power of suppliers, threat from substitute products or services and rivalry among existing firms. Porter noted that an analysis of the firm to identify any of the five forces guides the firm towards its determination of its competitive position in the industry. This enables the firm to choose the strategies to apply so as to enhance its competitive advantage in the industry. Organizations respond to changing business environment by adopting different possible corporate strategies among them; market penetration, product development, market development and diversification by way of growing the business via existing or new products, in existing or new markets.

Diversification basically requires a company to acquire new skills, new techniques and new facilities. Diversification is therefore the riskiest of the four strategies to pursue for a firm. It seeks to increase profitability through greater sales volume obtained from new products and new markets. diversification can occur either at the business unit or at the corporate level. At the business level, it is most likely to expand into a new segment of an industry in which business is already in. at the corporate level, it is generally entering a promising business outside of the scope of the existing business unit, (Ansoff, 2003).

We have several types of strategic responses that is; strategic responses to crisis, strategic responses to the environment, strategic responses to the competitive environments among others. Strategic responses to crisis as discussed by Wenzel, Stanske, & Lieberman, (2020), involves retrenchment, persevering, innovating and exit. Awareness of these responses has implications for managers and strategy scholars alike. For survival and growth of business, the analysis of its environment both internal and external is essential. How the business responds to changes in the environment will dictate its performance. companies may take these three approaches to respond to its business environment, least resistance, proceedingwith caution and dynamic response. Least resistance is a passive approach that businesses maintain aiming for survival of the business and so they simply react to changes and cope with their new situations in order to survive. Proceeding with caution involves the business taking the efforts to study and analyze their environment, they take an active interest in finding smart ways to adapt to the ever-changing external environment. The companies will analyze the impact of the expected changes in their business goals and targets. Dynamic response involves organizations operating at a higher level, such organizations have very powerful and dynamic analysis and feedback framework, they can see the major changes coming from a mile and so they do not wait for the changes to occur, they find ways to control and alter the environment to a favorable environment.

2.4 Empirical Review

Omondi (2015) examined the effect of mobile loan applications on the competitive advantage of commercial banks listed at the Nairobi Securities Exchange in Kenya between 2010 and 2014. He sampled 11 commercial banks from 17 commercial banks. He analyzed the secondary data available from the company websites and computed competitive advantage measurement ratios to conduct a comparative analysis. He concluded that commercial banks underperformed after the adoption of mobile loan applications.

Gakure (2013) surveyed the mobile loan applications and the competitive advantage of commercial banks in Kenya. The aim was to assess the mobile loan applications and their effect on the competitive advantage. The study used a sample of 8 commercial banks, and the competitive advantage ratios were computed before and after mobile loan applications.According to him, the competitive advantage of commercial banks greatly improved after the adoption of mobile loan applications.

Mohamed (2013) studied how mobile loan applications influenced the competitive advantage of banks in India between 2013 and 2017. Twenty-three commercial banks were selected for the study. ROE, ROA, and EPS were computed after and before adopting mobile loan applications for comparison purposes. Secondary data was analyzed using the SPSS software. He concludes that the profitability of Commercial banks in India significantly improved after the introduction of mobile loan applications.

Maina (2012) did a study to assess the contribution of mobile loan applications to the competitive advantage of commercial banks in Kenya between 2010 and 2011. The study relied on secondary data from the published financial statements between 2010 and 2011. she concluded that mobile loan applications improved the competitive advantage of the commercial banks in Kenya.

Ngaruiya (2012) studied the effect of mobile loan applications on the competitive advantage of commercial banks in Kenya between 2009 and 2011. A sample of 9 Commercial banks was chosen from the study. Secondary data was analyzed using the published financial statements before adopting mobile loan applications and mobile loan applications. She concluded that mobile loan applications had no significant effect on the competitive advantage of the commercial banks in Kenya.

Bhasin and Harrison (2016) studied the effect of information technology on the performance of banks in America between 2010 and 2014. Using a sample of 29 commercial banks in the United States of America to assess the impact of informationtechnology on banks' profitability. They concluded that the profits of commercial banks rose after the adoption of information technology in the banking industry. This was after the analysis of the secondary data using the SPSS software from the published financial statements.

CHAPTER THREE:RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the study methodology that was adopted to achieve the intended objective. The areas of consideration in this chapter comprise the study research design, target population, and procedures involved in data collection. Besides, the section covers the data analysis method.

3.2 Research Design

In this study, a case study research design was used. This choice is based on the knowledge that case studies are more appropriate for examining how events unfold and exploring causal relationships, and provide a holistic understanding of the phenomena through one-on-one interviews. The study seeks to establish the strategies adopted by Equity bank to gain a competitive advantage on mobile loan applications. This design is preferred as it provides an avenue for data collection from the firm to establish the link between variables understudy at a particular time. The method was successfully used by Machuki (2011).

3.3 Data Collection

The study used primary data; primary data was collected using interview schedules. The study mainly relied on primary data, which was collected through interviews. An interview guide was essential in providing a list of high-level questions to be covered under strategic responses to gain a competitive advantage to mobile loan applications. The interviews involved key bank personnel, e.g., Strategy Managers, Directors and Chief executive officers. These officers are more involved in policy-making and strategic planning in the companies where they work and they are, therefore, more likely to provide helpful information that informed this study.

3.4 Data Analysis

The data collected was analyzed by use of content analysis. These was examined and evaluated to determine its usefulness, consistency, credibility, and adequacy. The content analysis was used because it helps make inferences by systematically and objectively identifying specific messages and relating them to their occurrence trends. Similar studies in the past like those done by Armule (2003), who researched on the response of the family planning association of Kenya to changes in its operating environment, and Kandie (2001) in a study on strategic responses by Telkom Kenya Ltd in a competitive environment used this technique of content analysis.

CHAPTER FOUR:DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings and responses obtained from the interviews. The responses obtained are determined by the research questions and the study objectives. In addition, the chapters also outline the participants' demographics. This was done to establish strategies adopted by Equity bank to gain a competitive advantage on mobile loan applications.

4.2 Response Rate

Equity bank's micro and mobile loans department has a total staff population of 926 distributed in different branches across the country. However, only 12 based at the head office are responsible for strategic decisions concerning micro and mobile loan. Therefore, only l of those 12 were sought for interviews. Unfortunately, 2 of them that were to be interviewed were not available.

Out of those 2, one was out of the country for a particular assignment while the other was on leave. Due to covid 19, the interview was done virtually via zoom.

4.3 Respondents Demographics

This section presents the results of the interviewees' demographics. Given the nature of the study, the demographics for which data were captured include gender of interviewees, level of education, and interviewees' current position. These demographics were vital because they helped understand the composition of interviewees whose perceptual inclinations were the subject of the study and the factors behind such perceptions. The study's findings on these demographics are presented and explained in sub-sections 4.3.1 to 4.3.3.

4.3.1 Gender of the Interviewees

The researcher sought to find out which gender of the interviewed interviewees.

Table 4.1 Gender of the interviewees

Gender	Frequency	Percent
Male	6	60
Female	4	40
Total	10	100.0

Source: Primary Data (2022)

The results in table 4.1 show that majority of the respondents were male. There is fair parity of gender given the proportion of the participants in the study hence indicating that every gender was more open to giving me feedback. This was important for this study to know fair views of the opposite gender on strategies adopted by Equity bank to gain a competitive advantage on mobile loan applications.

4.3.2 Respondents’ Level of Education

The researcher sought to find out the level of education of the interviewed interviewees.

Table: 4.2 Level of Education

Level of Education	Frequency	Percent
Bachelor’s Degree	3	30
Post Graduate Degree	7	70
Total	**10**	**100.0**

Source: Primary Data (2022)

The results in Table 4.2 show that most of the respondents are postgraduate degree holders (70%) while the minority (30%) are bachelor’s degree holders. This outcome demonstrates that the dominant part of the interviewees was knowledgeable, suggesting that a large portion of the interviewees were well educated and could give their true and fair views.

4.3.3 Interviewees Position

The researcher sought to determine how interviewees were distributed in their respective bank positions.

Table 4.3 Interviewees position

Interviewees position	Frequency	Percent
Director	3	30
Manager	5	50
Other Staff	2	20
Total	**10**	**100.0**

Source: Primary Data (2022)

The results in table 4.3 uncovered that majority of the interviewees held the position of managers with 50%, followed closely by directors with 30% and a minority of other staff with 20%. This outcome demonstrates that the dominant part of the interviewees was knowledgeable, suggesting that a large portion of the interviewees were well conversant with what they do and could give their accurate and fair views.

4.4Mobile banking applications by Equity

The study found that strategic management is essential in several ways; first, it was found that strategic management helps point out the organization in the right direction. This includes making the right decisions, involving the right decisions, and making helpful decisions in solving the issue. Strategic management helps in keeping the vision of the organization alive. Six distinct strategies were identified from the responses obtained.

Aggressive digital marketing was the dominant strategy mentioned by 8 out of the ten interviewees. This was done through social media and online digital platforms. The response below was provided by the Head of Micro and Mobile loans departments at the head office in Upperhill.

" We have an online presence in almost all social media sites including Facebook and Twitter. Our Facebook page has a huge following of up to 10 million users whom we actively engage on a 24-hour basis." We egage with over 70% of our customers through online platforms and more than 80% of our customers base get information and loan data using online platforms".

The other most common strategy was flexible repayment periods. It was clear that equity has flexible repayment periods for its mobile loans. The respondents indicated that their customers are allowed up to 3 months past the installment repayment deadline. This is done to enable them to stabilize in cases of economic problems. However, prior communication has to be done stating the reasons for the delay. The response below was obtained from one of the managers.

"We have flexible repayment periods that allows the loanee to delay for up to three months after proper communication. The loanee therefore does not feel harassed or pressed for time. This gives time for the loanee time to plan ahead and look for other income generating activities to repay the loan in cases of job loss." I think more than 50% of our profits come from loans that were provide to different customers in Kenya and in the East African region."

Interest rates determine the bank's competitive advantage compared to other industry players. The interviewees stated that Equity Bank interest rates are favorable.

" We don't rip off our customers. Instead, we have interest rates that promote personal growth and development. We charge up to 13% per annum on micro and small loans which translates to about 1.08% per month."

In all responses, digital technology was mentioned indicating that all loan application processes at Equity Bank are anchored on digital technology. This involves using a unique USSD code for easier access to mobile loans. One of the respondents was quoted as follows:

"We have a special USSD Code to enable our customers to apply for mobile loans conveniently from the comfort of their homes. We also have a paybill number to enable our customers to repay loans directly from M-Pesa. Our systems are secure and therefore more reliable." More than 60% of our payments come through pabill.

Equity Bank's mobile loans are highly differentiated to enable and promote responsible borrowing. The bank provides some financial education to all loanees through a video link and a write-up to help with responsible investments and borrowing. The response below was obtained from one of the managers at a retail banking outlet.

"We have pre-recorded financial education sessions to enable our customers to spend or invest the money responsibly. Wastage of borrowed money is one of the greatest challenges that Kenyans face. This is due to impulse buying. We also offer live education sessions occasionally."

Through automation, the bank operates at very low costs. This leads to high profits for the bank. Similarly, low prices translate to low-interest rates hence a more significant competitive advantage for the bank. One of the managers was quoted below.

"We have essentially automated all processes. There is very little human involvement. Ideally, we operate at very low costs."

The bank focuses on its core activities. This enables it to perfect banking services and provide better services to its customers. One of the managers had the following sentiments.

"We once tried to diversify into other investment options. We had to abandon all other sources of income when profits began to dwindle. We eventually had to focus on banking services exclusively."

4.5 Strategies adopted by Equity bank to gain a competitive advantageon mobile loan applications

The study findings also revealed that Equity bank had implemented different strategic responses to gain a competitive advantage. The study findings indicate that the constant increase in strategic outsourcing practices leads to a rise in the competitive advantage of Equity bank. One of the directors was quoted below.

"We have adopted some strategic responses such as outsourcing support, advertisements, and reducing operating staff."

The study findings also revealed that strategic responses implemented to gain competitive advantage by Equity Banks have been very effective. The study findings show that competitive advantage is an attribute that enabled Equity to outperform its competitors. This has allowed the bank to achieve superior margins compared to its competition and generates value for the firm and its shareholders. One of the managers was quoted below.

"We pride ourselves as a bank by providing benefits to our target market in ways that other competitors cannot."

The study findings also revealed that there had been a considerable impact of mobile loan applications on Equity bank's competitive advantage. The benefits of mobile loan applications for users include time efficiency, the possibility to manage funds, transfer money, and detect frauds quickly. One of the managers was quoted below.

"We have maximized digital banking by enabling our clients to have 24/7 access to their accounts (including the possibility to check balance) and reminders about bills payments, loans, etc."

The study findings also revealed that equity bank faces many challenges while implementing mobile loan applications. The banks are the lifelines of the economy and play a catalytic role in activating and sustaining economic growth, especially in developing countries; however, equity banks face common problems that have affected their profitability and financial stability. One of the managers was quoted below.

"We face many risks and one of the main challenges for mobile loan applications implementation is connected with security concerns such as protection of user privacy on very detailed verifications of user input, and at the same time keeping the service simple to use"

The study findings also revealed the significance of competitive advantage to equity banks in business performance. A competitive strategy is most important when a bank has a competitive marketplace, and several similar products are available for consumers. This strategy helps you create a defensive position in your industry and generate a superior return on investment. One of the staff was quoted below.

"We pride ourselves in provision of quality of services, corporate social responsibility, strategy formulation, (electronic) marketing innovation and creativity, customer orientation and market differentiation which as for years enhanced our competitive advantage."

4.6 Discussion of findings

From the analysis, six (6) distinct strategies have been identified as key in driving competitive advantage at Equity Bank's mobile applications. These are; Aggressive digital marketing, flexible repayment periods, low-interest rates, differentiation, cost advantages, focus strategy, product value strategy, and modern digital technology and Innovation. The study sought to establish the strategies adopted by Equity bank to gain a competitive advantage on mobile loan applications. The findings have shown that using the competitive strategies helps companies gain a competitive advantage through an increase in the customer base, improved market share, and an increase in the firm's profitability.

Andrew (2018) recognized that the competitive strategies that influence the firm's performance through an increase in the customer base come from providing products and services to valuable customers. To provide valuable services, Equity bank should understand the need of the customers and the environment under which there are operating hence offering services and products according to customers' preferences. When the bank achieves a high customer base, the increase in the market shares automatically increases, influencing the organization to earn higher revenues and reduce operating costs. And with growth in the financial revenue and lower operating costs, the bank can easily adapt and implement other strategies in the organization, such as innovation strategies that are valuable to the customers.

As Barney (2016) discussed, the competitive advantage that will influence the performance will only be sustained when other rivals in the industry cannot duplicate the firm's strategy. Thus, the sustained competitive advantage will only exist when efforts to replicate it by the rivals in the industry fail, and it is for this reason that Equity Bank is putting a lot of steps to develop strategies that are difficult to imitate to gain a competitive advantage and also to enhance the performance of the firm. Ultimately, continuous improvement of the market strategies and innovation strategies makes a firm competitive, which will improve its operational efficiency and profitability, thus enhancing the firm's performance. The bottom line is that appropriate implementation of the strategies in Equity Bank enables it to gain a competitive advantage and ultimately affects the bank's overall performance.

Moreover, the study supported view by Adedoyin (2017) which confirmed tht banks in Nigeria success depended on the loaning models. This means that it is important for banks to promote their loaning power using different marketing strategies. With effective loaning models and strategies banks can enjoy their performance and out-smart their competitors.

The study support the resource based theory and to provide valuable services, Equity bank should understand the need of the customers and the environment under which there are operating hence offering services and products according to customers' preferences using their available resources. The study also supports diffusion innovation theory and the bank should involve digital technology in its major operations. It is imperative that banks adopt new resources, unique proposition and innovative plans to improve their general competitive edge in the long run (Abou-Moghli et al., 2012).

CHAPTER FIVE:SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This chapter summarizes the findings and draws clear and necessary conclusions from the study. The results provide valuable insight into banks with mobile loan applications can adopt the appropriate strategies to gain a competitive advantage, eventually influencing the firm's overall performance. This chapter will then provide a recommendation of the study, limitations of the research, and suggest further research areas.

5.2 Summary

The data analysis shows that the competitive strategies through differentiation, cost advantages, focus strategy, and product value strategy led to the Bank's sustainability and higher performance levels. From the findings, it is apparent that the financial institutions offering the mobile loan services have implemented different strategies, including the winning strategy, which has made the firms grow fundamentally in creating value for the customers and meeting customers' demand that exceeds the firms' costs, focus strategies which has enabled the firms to gain competitive advantage by focusing on specific market segments and operations thus creating a competitive advantage that matches the core competencies and the opportunities in the industry. The cost leadership strategies enable the Bank to have a lower cost of operation through the efficiency of their operations to create lower prices than those of the competitors.

All the strategies implemented have helped the financial institutions offering the mobile loans services to have a direction that will enable them to achieve their long-term objectives while meeting the demand of their customers and at the same time reducing the risks and threats from the market environment and taking advantage of the innovation environment in line with the mobile money transfer and transactions.

From the findings, it is apparent that the strategies implemented in the organization contribute to the competitive advantage, which will eventually affect the overall performance of the financial institutions that provide mobile loan services to the customers. The strategies included innovation, cost leadership, focus, and differentiation strategies. The strategies mentioned above have been steered to enhance the firms' competitive edge and improve the organization's overall performance. The strategy focuses on attracting, increasing, and retaining the customer base, reducing the cost of the operations, and improving the financial and operational performance of the financial institutions offering mobile loan services.

The technology and innovation strategies have been implemented in the financial institutions for the firms to be at par with the dynamic environment in which they operate. Through the strategy implemented in the organization, the financial institutions offering mobile loans have increased their market share, expanded their customer base, implemented the market trend innovations, increased their profitability, and reduced their cost of operations. All these beneficial paradigms show the value of adopting the appropriate strategies to gain a competitive advantage in the dynamic industry of mobile loan services.

5.3 Conclusion

The strategies implemented to influence the competitive advantage of the financial institutions offering mobile loan services ultimately affect the organization's performance. The product-value strategies, cost-leadership strategies, marketing activities strategies, differentiation strategies, and focus strategies have impacted the organization's competitive advantage. Often, these strategies have led to an increase in the market share, reduction of the operation costs, expansion of the customer base, and increase in profitability of the organization. The strategies show how financial institutions operate in a highly competitive and dynamic environment. They need to be checking their strategies as often as possible to gain a competitive advantage, which will ultimately affect their performance.

As the finding of the research has shown, the strategies implemented in the Bank impact the operation, competitive advantage, and the performance of the financial institutions offering the mobile loans services. For instance, the technology and innovation strategies have enabled the firms to be at par with the dynamic technological environment, thus reaching more customers conveniently at lower costs, which will make the firm gain a competitive advantage over other competitors who have not implemented that kind of technology. Marketing activities strategies have enabled the organization to reach more clients, both the existing and the prospects and this has made the organization to custom-make their mobile loans services so that they are appealing to their customers; cost leadership strategies have enabled the firms to offer the prices of their services to the customers at the best price possible to gain a competitive edge through the cost of their services. All the strategies implemented in the organization have enabled the firms to gain a competitive advantage, increase their market share and increase their profitability.

5.4 Recommendations

Equity bank should regularly evaluate their performance upon the strategies implemented in the organization to determine the impact of their strategies on the competitive advantage and, ultimately, the organization's performance. Considering the industry under which the Bank operates, the firms must understand the technological environment and its dynamics and evaluate their impact on the operations and implementation of the firms, for it will be able to determine the appropriate strategies to be adopted in the organization that it will enable the firm to gain a competitive advantage over other rivals in the industry and to improve their performance.

If the Bank decides to implement strategies without understanding them very well, it might lose customers and other essential resources in the organization. For instance, implementing the cost leadership strategies will require the Bank first to understand the cost structures of different financial entities to implement this kind of strategy in the organization.

The Bank should vigorously evaluate its performance, for it can indicate the appropriate strategies to be implemented in the organization to gain a competitive edge in the industry. Therefore, if the Bank wants to gain a competitive advantage and improve the efficiency of its operations, they have to invest in the evaluation of its performance to gauge which strategies are appropriate for the firm.

5.5 Suggestions for Further Research

A study should investigate how organizational factors influence the implementation of the strategies in the financial institutions offering mobile loan services. The study should group the firms according to their distinguishing characteristics, such as total assets, market share, and organizational structure. Once the firms have been grouped according to their characteristics, the research should look at how the firms in each group have implemented their strategies to gain a competitive advantage and how these strategies influence their performance. Suppose there are differences in how the firms in various groups adopt the strategy. In that case, it will be essential to have a concrete insight on the appropriate strategy to be adopted by each organization depending on the category of the firm, which will enable the firms to gain a competitive advantage and influence their performance.

5.6 Limitation of the Study

This study did not consider other variables that determine the implementation of the strategies in the organization. For instance, a large financial organization with more resources than a small financial institution means that the strategies applied might differ depending on whether the organization has more or fewer resources. For instance, if there is a new legal framework, a large financial organization can respond by lobbying government officials to have that legislation rescinded.

The Bank has the resources and the influence to lobby for a change in legislation. On the other hand, a small financial institution will respond to the new legislation by divesting from the segment of its business that the new legislation affects. The small organization lacks the influence to lobby for legislative changes, which is apparent in how it responds to new legislation. Understanding how organizational antecedents affect strategies implemented in the institutions will help provide essential insights.

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Appendix I: Interview Guide

This interview intends to evaluate the strategic responses of commercial banks to gain a competitive advantage to mobile loan applications in Kenya. The information provided is for academic purposes only. Your time will be highly appreciated.

Section A: Personal details

1. Name of the respondent…………………....

2. Highest level of education attained?

Post graduate ( ) Bachelor's Degree ( )

3. Position in the Company

Director ( ) Manager ( ) Other Staff ( )

Section B: Mobile banking applications by Equity

1. Are there mobile bank applications by equity?

   Yes ( ) ( ) No

2. If yes, name the mobile bank applications.

3. Explain how each one of the applications named above work

4. What are the advantages associated with the use of loan applications such as Eazzy banking in service delivery?

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5. How do the mobile loan applications in Kenya transform and shape the banking industry?

____

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6. Explain how the adoption of mobile phone banking products and services gained momentum and diffused across Kenya?

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Section C: Gain Competitive Advantage

7. What strategic responses have Equity bank implemented to gain competitive advantage in the recent years?

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8. Have the strategic responses implemented to gain competitive advantage by Equity Banks effective?

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9. What is the impact ofmobile loan applications on Equity bank competitive advantage?

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10. What are the challenges equity banks face in implementing mobile loan applications?

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11. What is the significance of competitive advantage to equity bank in business performance?

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12. Any other views, e.g., additional comments.