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

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. All references made to works of other persons have been duly acknowledged.

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

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DEDICATION

To my family for their unending love, care and support and to all the commercial banks in Kenya.
ABSTRACT

A technological innovation generally a bundle or package of different technological elements such as improved varieties of products and services (processes). Implementation of information technology and communication networking has brought revolution in the functioning of the banks and the financial institutions. The objective of this study was to establish the effects of technological innovations on financial performance of commercial banks in Kenya.

The study adopted descriptive survey as it provided for explanation of the cause and effect between independent variables and the dependent variables. This was a census study and the target was all commercial banks in Kenya. More specifically the target population was forty three Commercial Banks based on latest available information from Central Bank of Kenya. Secondary data was used in this study. In order to situate the study theoretically and produce the conceptual framework the secondary sources were obtained from, financial and annual statements of the banks over a period of 5 years (2008-2012) and publications were also used. The financial data was collected from the annual reports which were used to get ROA and other information related to the variables.

From the findings, a steady rise in return on assets values from 2009 indicated that the banks’ financial performance has been very well over the last 3 years in Kenyan financial industry. A significant positive relationship between mobile banking and financial performance was also established by the study. The study as well established a significant positive relationship between Electronic Funds Transfer at Point of Sale Terminals and financial performance. The study concluded that the adoption of technological innovation has enhanced Kenyan banking industry by making it more productive and effective and has a strong positive relationship on the overall banking performance by making workers performance more effective and efficient; the adoption of technological innovation has enhanced the fortune of the Kenyan commercial banks. The study recommended that banks must be focused in terms of their needs and using the right technology to achieve goals, rather, than acquiring technology because other banks have it. Regulatory authorities like Central Bank of Kenya must stipulate standards for the banks to follow to avoid making Kenya Banking Sector a dumping ground for the outdated technological infrastructures.