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Competitive strategies and the financial sustainability of commercial banks in Kenya

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COMPETITIVE STRATEGIES AND THE FINANCIAL SUSTAINABILITY OF COMMERCIAL BANKS IN KENYA

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DECLARATION

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ABSTRACT

There is a limited examination of the effect of competitive strategies on the financial sustainability of commercial banks which created an empirical gap that this research was premised. The current study sought to establish the effect of competitive strategies on the financial sustainability of registered banks in Kenya. The focussed on the effect of innovative strategies, differentiation, and marketing strategies on financial sustainability. The study was anchored on the theory of competitive advantage and the innovation diffusion theory. The study adopted an explanatory research design with the unit of analysis being the 41 registered commercial banks in Kenya. The sample respondents were 94 respondents drawn from the commercial banks. The study utilized a structured questionnaire in the data collection with the collected data being analyzed using descriptive and inferential statistics. The findings of the study indicated that there is a positive relationship between competitive strategies and the financial sustainability of commercial banks. The study results show there is a significant association between innovative strategies, marketing strategies, and the financial sustainability of commercial banks. The study found an insignificant positive effect of diversification strategies on the financial sustainability of commercial banks. The study recommends that commercial banks should invest more in technological infrastructure to drive digital banking. The research further recommends that commercial banks should foster customer relationship building and market positioning strategies. The study also recommends that commercial banks should review their operating environment to ensure that diversification efforts undertaken by the bank meet the customer gaps existing in the institutions.

Keywords: *Innovation Strategy, Differentiation Strategy, Marketing Strategy, Financial Sustainability*

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ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
ATM	Automated Teller Machine
CBK	Central Bank of Kenya
ICT	Information Communication Technology
IDT	Innovation Diffusion Theory
IT	Information Technology

OPERATIONAL DEFINITION OF TERMS

Competitive strategies This alludes to the drawn-out arrangement of a particular business to increase an upper hand over its opponents in the market or industry (Chaharbaghi & Lynch, 1999).

Differentiation Strategy Targeting most or all segments with extra features other than price and offering unique products or services with higher quality (Dirisu, Oluwole, & Ibidunni, 2013)

Financial Sustainability This refers to the institution's ability to meet its financial obligations and commitments in the long-term (Innocent, 2016)

Innovative strategies This involves following up on the imaginative plans to make specific and impressive contrasts in the degree where advancement has been executed (Greve & Seidel, 2015)

Marketing strategies This is the central methods for expanding deals and accomplishing a feasible upper hand (Ehmke, 2008)

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The banking sector plays a pivotal role when it comes to financial and non-financial factors of productivity in an economy in every nation's development (Abdulai & Tewari, 2017). The banking industry represents the most complex social structure, and managers must be strategically oriented to the unprecedented change witnessed from Time to Time in the business environment (Zapp, 2017). The dynamic shifts in the business environment have majorly been attributed to some forces like rapid advancement in technologies and the demand for quality services from the customers. The operations of commercial banks have been reshaped due to these forces within the environment (Kumari, 2013).

High performing successful organizations present very different environments for their employees because they incorporate various human resources policies aimed at enhancing employee knowledge, skills, and flexibility (Stoffers, Beautrice, & Notelaers, 2014). Ndunga, Njati, and Rukangu (2016) purport that the banking industry is faced with simultaneously hyper-competition in multiple arenas. Banks worldwide are exploring new technologies and business models that can propel their competition in this digital age and ensure their sustainability in the long run.

Currently, retail banking in Africa has only a 38% penetration rate of the Gross Domestic Product (GDP), half of the worldwide average for emerging markets (Chironga, Cunha, & De Grandis, 2018). Banks in this region, however, encounter blocks such as low income and revenue rates, extensive money utilization in most economies, and limited credit bureaus coverage (Zapp, 2017). In the last two decades, according to the Central Bank of Kenya (2015) report, financial institutions in Africa have made substantial progress in terms of financial inclusion and innovation via cross border banking.

Musara and Fatoki (2010) note that the adoption of innovative strategies within commercial banks has resulted in improved efficiency and banking costs reduction. Stephanie and Wafula (2015) indicate that commercial banks aiming at enhancing their soundness and competitiveness have leveraged on low-cost strategies and investments in technology which has enabled them to implement low-cost delivery channels which play a significant role in improving customer's experience. Kungu, Desta, and Ngui (2014) indicates that target and segment marketing, focussing on explicit clients, topographical regions and administrations were vital to improving banks performance. The current study investigated the relationship between competitive strategies and the financial sustainability of commercial banks in Kenya.

1.1.1 Competitive Strategies

Stephanie and Wafula (2015) posit that businesses need systems to permit them to conquer the serious difficulties they face in their working condition. A sustainable competitive advantage requires continuous monitoring of the environment and the realignment of the strategic direction of the firm to ensure a strategic fit with the changes (Ehmke, 2008). A strategy is thus an essential aspect for success in any market. The organization needs to craft it prudently to guarantee a good fit within the operating environment (Yu, Dong, Shen, Khalifa, & Hao, 2013).

Competitive strategy is the means through which an organization sought to gain a sustainable competitive advantage in a dynamic business environment (Auma, 2014). A serious system, accordingly, empowers a business to propel an upper hand over its competitors and withstand its accomplishment in the market. A business that does not have reasonable procedures cannot misuse the possibilities present in the market and will unavoidably come up short (Sigalas & Economou, 2013). Competitive strategies are classified into: generic strategies (cost, focus, and differentiation), grand strategies (integration, intensive and diversification) (Sifuna, 2014) and ambidextrous strategies (market development, product development and leveraging on new structures) (Kamau, 2013). The current research investigated the relationship between innovation, marketing, differentiation strategies and financial sustainability of commercial banks in Kenya.

1.1.1.1 Innovation Strategy

Innovation strategies depicts the advancement and development that provides guidance for the numerous advancement executions (Danny, 2010). However, the role of innovation in assisting companies to attain objectives regarding growth is often not clear, and the revenue development from innovation is not sufficient, except when managed with high precision (Walker, 2008). Innovative strategies entail acting on the creative ideas to make distinct and considerable differences in the scope in which innovation has been implemented. Therefore, innovation is the implementation of new thoughts to the products, processes, and management practices and marketing, or any other features of organization activities that lead to better value (Guday & Kilic, 2011).

Vitorino, Filho, and Moori (2018) indicates that technological innovation capabilities enhanced the competitive advantage of the companies as it gave them learning capability, market capability, resource allocation capability, manufacturing capability, and strategic planning capability. Juma (2012) argues that innovation and technology play a critical role in the performance of core functions of financial firms as it positively influences the ability of managers to make decisions, the mechanisms of planning and the nature of product offering in the market. Kamau (2010) indicates that there is a positive correlation between ICT and bank performance. Mwania and Muganda (2011) on information communication technology conceptualization and bank performance conclude that financial innovations brought about by ICT adoption have a significant contribution to the bank's performance in Kenya.

1.1.1.2 Differentiation Strategy

Porter (1980) describes differentiation as a strategy that involves the production of unique products or services in the industry to customers who are not priced sensitive. . Various ways are available to achieve differentiation, for example, design, brand image, technology, features, and customer service and dealer network (Banker, Raj, & Arindin, 2014). Differentiation strategies lead to high profitability when the premium charged on the price exceeds the costs of distinguishing products or services (Tanwar, 2013). Dirisu, Oluwole, and Ibidunni (2013) indicate there is a positive relationship between firms that pursue product differentiation through product innovation, product design, higher quality products, or unique products and firm performance. Banker, Raj, and Arindin (2014) concludes that firms that pursue differentiation strategies achieve superior profits than those that pursue cost leadership strategies.

1.1.1.3 Marketing Strategies

Marketing strategy is a fundamental means of increasing sales and achieving a sustainable competitive advantage (Silva, 2006). Commercial banks in the world have continued to implement market innovation strategies so that they remain competitive (Meenakshi & Sweta, 2014). According to El-Ansary (2016), commercial banks have changed to deliver various services and products to their clients. The innovative market strategies introduced in banks include electronic banking, agency banking, and mobile money has improved business efficiency in rendering services.

In China, Saif (2015) studied how marketing strategy influences firm success and indicates that promotion, pricing, distribution, and those that standardize products lead to better firm success as measured by sales changes, customer satisfaction, and other financial ratios. Kibet (2013) conducted a study on the adoption of growth strategies and notes that market development, product development, market penetration, and market positioning strategies in their operations are the primary growth strategies employed. Karina and Ngugi (2013) found out that product repositioning, product replacement, and process innovation strategies were instrumental to the performance of Kenyan banks.

1.1.2 Financial Sustainability

Financial sustainability is paramount for the functionality and long-term survival of any organization and cannot be overemphasized (Leon & Charl, 2016). The organization can survive for a considerable future by being able to cover costs (Mutinda & Ngahu, 2016). Financial sustainability enables organizations to cover their annual budgets without constraints. Income or revenue of an organization can cover its operational costs for a sustainable future (Bowman, 2011; Christensen, Peirce, Hartman, Hoffman, & Carrier, 2007).

Financial sustainability covers the financial institutions an entity can generate sufficient funds to sustain the costs of its activities which are not limited to product pricing, costs of funds, administrative overheads, loan transactional cost and inflation, and each cost has its significant way of being controlled to influence financial sustainability (Williams, 2017; Innocent, 2016). The critical dimension of financial sustainability is the ability of the entity to support operation and growth that is facilitated through four pillars; strategic and financial arranging, pay broadening, sound organization and money, and salary age (Williams, 2017).

A financially sustainable organization can survive in the long run employing its income-generating activities—short term gains. Any organization to operate a financially optimally, it needs to grow long haul objectives that layout where you need your business to stand monetarily later on and conduct (Karanja & Karuti, 2014). Financial Sustainability is a resultant of better financial performance, which is viewed as a estimation of the consequences of an association's approaches and activities in fiscal terms (Dhandapani, Ganesh, & Babu, 2013). According to Abdulai and Tewari (2017), financial sustainability has been used to define institutional sustainability or the possibility of making a profit out of institutional operations. This study focussed on financial sustainability of commercial banks in Kenya.

1.2 Statement of the Problem

Firms need to do better than their competitors in the field. In a developing economy, numerous organizations wish to pick up the biggest piece of the overall industry to guarantee they can produce enough benefit to fill a need for their reality (Sumer & Bayraktar, 2012). To facilitate sustainable growth and take up new opportunities, innovation, and differentiation become an important function (Banker, Mashruwala, & Tripathy, 2014). To this end, most firms have been leveraging on competitive strategies to drive performance within the firm (Ozdemir & Mecikoglu, 2016). The available literature has not comprehensively examined how competitive strategies impact financial sustainability of commercial banks in Kenya hence there was need to expand on this gap.

Kariuki (2015) studied the sustainability of the financial sector in Kenya and notes that there is a lack of tangible long-term benefits on society, environmental, and business sustainability from firms in the financial sector. Mbithi and Wasike (2019) note that the trends in the Kenyan banking industry have indicated a worsening situation as indicated in the violation of the Banking Act and prudential guidelines in 12 commercial banks in 2016 from 4 banks in 2015. This shows there is increasing sustainability issues among several institutions in the country. CBK (2018) notes that with the increasing competitiveness in the sector, several lenders have been experiencing vulnerabilities from both external and internal shocks. This has led to decreasing resilience within the banking sub-sector. Despite the sustainability trend in commercial banks, there is an inadequate examination of how competitive strategies impact financial sustainability. This creates a gap that this study sought to examine.

Commercial Banks in Kenya have developed growth business strategies intending to ensure that they remain relevant and survive the competitive business environment, which has recently experienced strict regulation from the Central Bank of Kenya (Karina & Ngugi, 2013). Wambugu and Ngugi (2012) revealed that quality of service delivered, branch network, trained staff, and cost of capital influenced the sustainability of KWFT. Tomno (2014) indicated that differentiation, cost leadership, and focus strategies affect the performance of financial institutions. From the above studies, it is evident that competitive strategies are crucial to strengthening the performance of financial institutions. However, there is inadequate empirical data examining the link between competitive strategies and the financial sustainability of commercial banks in Kenya. This study sought to solve this empirical gap and contribute to the body of knowledge.

1.3 General Objectives

The general objective of the examination was to determine the influence of competitive strategies on the financial sustainability of commercial banks in Kenya

1.3.1 Specific Objectives

i. To determine the effect of innovation strategies on the financial sustainability of commercial banks in Kenya
ii. To examine the effect of differentiation strategies on the financial sustainability of commercial banks in Kenya
iii. To establish the effect of marketing strategies on the financial sustainability of commercial banks in Kenya

1.4 Research Questions

i. What is the effect of innovation strategies on the financial sustainability of commercial banks in Kenya?
ii. What is the effect of differentiation strategies on the financial sustainability of commercial banks in Kenya?
iii. What is the effect of marketing strategies on the financial sustainability of commercial banks in Kenya?

1.5 Scope of the Study

The geographical scope of the study focussed on the registered commercial banks operating in Kenya. This study contextually looked at the association between competitive strategies and the financial sustainability of commercial banks. The study examined how diversification strategies, marketing strategies, and innovative strategies influence commercial banks financial sustainability. The theoretical scope of this study was anchored on the theory of competitive advantage and innovation diffusion theory. The methodological scope was constrained to a quantitative approach with the unit of observation being the staff members working within the commercial banks. The study conducted a snapshot survey of the banking industry for the period of April-May 2020.

1.6 Significance of the Study

This study will provide insights to the banking industry managers on the need for competitive strategies to achieve better sustainability over their rivals. The managers should also be able to choose the best competing strategies among the many that may be available as per the environment surrounding the business and thereby propelling financial sustainability in their company. Companies. For those managers who may not be aware of which strategy to adopt to boost their companies' sustainability, then they stand to gain from recommendations and conclusions made from this study. For a vibrant economy, the banking industry serves a fundamental role in helping to enhance financial intermediation and accelerate economic growth. The information gained from the results of this study may be used as insights into policy development in the banking industry that would enable regulators and policymakers to come up with regulations and policies geared towards improving the sustainability of the industry. The findings of the study will also be vital in supporting the body of knowledge as source material for future research work.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presented a critical review of the literature that is associated with the variables of the study. This chapter focussed on the theoretical review of literature, the review of empirical studies, and the summary of the research gaps. The chapter presented the conceptual framework and the operationalization of the study variables.

2.2 Theoretical Literature

A theoretical framework comprises of ideas, along with their definitions, and existing hypothesis/speculations that are utilized for a specific report. The hypothetical system associates the analyst to existing information (Kothari, 2014). The study employed both theory of competitive advantage and the innovation diffusion theory as the dominant theories of the research.

2.2.1 Theory of Competitive Advantage

The term competitive strategies as proposed by Michael Porter in 1985 implies they are neither firm nor industry dependent and hence can be used to different kind of firms or industries (Kamau, 2013). Michael Porter developed the five forces framework stating that forces in external environment affect any business and hence there is need to adopt relevant strategies to survive and stay competitive (Muthuri, 2019). The theory of competitive advantage, as viewed by Chaharbaghi and Lynch (1999) postulates that the ability of a firm to win consistently over the long term in a competitive period. Similarly, Wang (2014) viewed competitiveness as the firm’s capacity to give items and administrations more viably and effectively than applicable contenders.

Competitive advantage is attained through industry analysis, resource-based view, culture, technology, and leveraging competencies (Barney, 1991; King & Zeithaml, 2001). Firms that implement a worth making procedure, which isn't actualized by different contenders, and guarantee that the contenders can't mimic or copy the advantages of this system, ultimately gain competitive advantage (Leonidou, Leonidou, Fotiadis, & Zeriti, 2013). Barney (1991) posits that a firm should possess internal resources that are valuable, rare, non-imitable, and non-substitutable. Once a firm has identified resources that possess these evaluations, it should care for and protect the resources, because doing so can improve organizational performance.

Decades of research have focused on identifying how firms can gain a sustained competitive advantage. Various theories have evolved because of this inquiry. Critical theorists include Potter (1990) who looked at the strategies a firm could adopt to create competitive advantage, Barney (1991) who invented the resource-based view theory of competitive advantage, Teece, Pisano, and Shuen (1997). They further develop the resource-based view to include dynamic capabilities, which include innovative capabilities, managerial capabilities, and resource capabilities.

The theory of competitive advantage is of great significance for the current study in two ways. First, the theory helps in conceptualizing the independent variables that are expected to explain how competitive strategies can be adopted within commercial banks because of strengthening the bank's sustainability. Secondly, the theories have help in the definition and measurement of competitive strategies. The study focussed on competitive strategies adopted by commercial banks in Kenya and the competitive advantage theory was critical to conceptualization of the research variables.

2.2.2 Innovation Diffusion Theory

The theory was developed by Rodgers 2003. It posits how, why, and at what rate unique ideas and technologies are assimilated. The theory argues that innovation is considered as a new idea which is aimed at changing the way operations are carried out in the firm. It is through the diffusion process that a given form of innovation flows and gets spread within the social system (Everett, 2003). Dodgson and Salter (2003) idealize that before IT innovations can fully take shape in a market, their inputs and outputs should be seen to be measurable and satisfactory to the users.

According to Everett (2003), diffusion relies heavily on human capital. As such, innovation has to be diffused first to trigger social change. Everett further argues that innovation as a process of diffusion is conveyed after some time among the members in a social framework. Consequently, a new innovative idea is influenced by four key pointers: the innovation itself, channels of communication, Time, and social system. This implies in an organization set up, and innovation must be self-sustaining for it to be widely adopted (Inkinen, Kianto, & Vanhala, 2015).

Diffusion of innovation could be categorized into two: characteristics of innovations measured by relative advantage, complexity, compatibility, observability, and trialability of innovations, while for adopters measured by organizational size, structure, culture, and strategy (Jong &

Doug, 2010). Similarity with what is as of now set up makes another thought clears uncertainty and helps give meaning. Additionally, the idea has to be consistent with employees with existing values and past experiences (Everett, 2003). Complexity stipulates that the innovation has to be perceived as easy to use and understand for a fast adoption rate to be realized. Tribality suggests that if a potential adopter can interact with the development before being confronted with a reception choice, appropriation turns out to be almost certain. At long last, recognizability expresses that the more the aftereffects of an advancement are noticeable to other people, the almost certain the development is to be received (Martín-de, 2015).

Greve and Seidel's (2015) proposition posits that the unmatched value of innovation differs between organizations and either drives adoption or abandonment of innovation "the diffusion of success or failure'. Kang and Yoshio (2010) argue that in as much as an organization may adopt socially legitimized new practices while buffering internal routines and technical activities from significant changes, such a move can bring a mismatch between compatibility attributes of adopted practices with those of adopters and implementation can be compromised.

The study utilized the diffusion innovation theory as a way to integrate novel methods for improved implementation of innovation strategies within the banking industry. The theory helped in improving the available evidence on the interaction of innovative practices and sustainability within the banking industry.

2.3 Empirical Literature

2.3.1 Innovative Strategies and Financial Sustainability

Yen (2013) conducted a study examining how innovation affects the organization's performance of commercial banks in Taiwan. The study adopted a case study research design with qualitative research being utilized. The study adopted the inferential analysis. The findings indicate that the innovative capability of the firm improved the performance of commercial banks. The study indicates that knowledge, skills, abilities, execution, functional diversity were vital to unlocking banks' performance. The study focussed-on performance, while the current study examined the financial sustainability of commercial banks in Kenya.

Akhisar, Tunay, and Tunay (2015) studied the effects of innovations on bank performance in Turkey. The examination depended on both essential and auxiliary information for the period 2005-2013 in the information assortment process. The discoveries of the relapse examination demonstrate that expanded appropriation of electronic-based financial administrations improved bank execution. The examination shows that socio-social structure and electronic budgetary establishment was pivotal for improving bank execution. The examination concentrated on Turkish banks, while the current investigation analyzed the sustainability of business banks in Kenya.

Malak (2014) examined the effects of financial innovation on the financial performance of commercial banks in South Sudan. The examination utilized a causal exploration procedure, with 16 business banks being considered in the examination. The investigation showed that the appropriation of money related developments brought about dependable monetary outcomes in business banks. This examination further notes that comfort, productivity, security, constant settlement, and computerized clearing house improved the after-effects of business banks. The examination focussed on performance, while the current investigation reviewed the financial sustainability of commercial banks.

Afrika (2018) conducted a study on adoption of cloud computing services for sustainable development of commercial banks in Uganda. The study adopted review research design focusing on registered commercial banks in Uganda. The study indicated that maintenance of IT infrastructure, poor storage, and management negatively affected the sustainable development of commercial banks. The study indicates that the deployment of cloud computing systems is integral to the growth in the commercial banks by contributing to active operations in the banks. The focussed only on innovative strategies, while the current study further examined marketing and differentiation strategies as the focus of this study.

Auma (2014) looked at the role of innovation in building competitive advantage. The focus of the study was on export and horticultural firms in the Kenyan context. The design used in the study was descriptive. The study found that the incorporation of IT in product innovation led to an increase in the competitiveness of the companies as sources of information on new ideas, markets, and product improvement were readily available, which the companies adopted. The study recommended that horticulture companies should adopt IT-driven innovations to remain competitive in this extremely competitive world through new product innovations and market innovations. The study focus was on competitiveness, while the current study examined financial sustainability in Kenyan commercial banks.

Kamau and Oluoch (2016) examined the relationship between financial innovation and commercial bank performance in Kenya. The examination led an evaluation overview of the enlisted 41 business banks in Kenya, with information being gathered for the period 2012-2015. The examination shows that ATM banking had a positive connection with bank execution. The examination further shows that the usage of portable banking, web banking, organization banking, and the utilization of credit and platinum cards decidedly improved the exhibition of banks in Kenya. The examination used board information to break down execution. The current examination reviewed the link between various competitive advantage strategies and the financial sustainability of commercial banks.

2.3.2 Differentiation Strategies and Financial Sustainability

Karyani and Rossieta (2018) examined the link between generic strategies and financial performance persistence in the banking sector in Indonesia. The study conducted an empirical examination focusing on 216 firms between 2009-2013. The study results indicate that the differentiation strategies and strategic positioning of firms were crucial to performance. The study indicates that enhancing efficiency, new product development, core capabilities, and segmentation was a predictor of performance within firms. The study, however, did not focus on the sustainability of commercial banks.

Msinga, Ndinya, Ogada, and Omido (2018) reviewed differentiation strategies and performance of insurance companies in Nairobi, Kenya. The study was premised on the Porters theory and the participants were drawn from the registered commercial banks in Kenya. The investigation of information demonstrated that separation procedures essentially impacted the exhibition of protection firms. The examination demonstrates that better item advancement, cost-cutting, and work force preparing and improvement are instrumental to the company's performance. The investigation focussed-on insurance firms, while the current examination analyses the financial sustainability of commercial banks.

Mbugua and Kinyua (2019) studied personnel differentiation and organization performance of deposit taking microfinance foundations in Nairobi City County, Kenya. The investigation utilized an descriptive design, with respondents being drawn from the microfinance firms in Kenya. The consequences of the relapse investigation indicate that personnel differentiation positively influences firm growth. The study indicates that enhancing employee skills, professionalism, and competencies fostered confidence and motivation, which was critical to the performance of the institutions. The study, however, does not examine competitive strategies and sustainability of banks, which is the focus of this study.

Alengo, Okello, and Malenya (2019) examined the influence of product diversification on the operational performance of commercial banks in Kakamega County, Kenya. The investigation tested 26 business banks and used polls in information collection. The outcomes demonstrate that differentiating the bank items prompted an expansion in the quantity of clients, advertise outreach, and institutional execution. The examination further shows that item advancement was an indicator of operational execution. This examination, notwithstanding, doesn't inspect the impact of competitive advantage strategies in Kenyan banks.

Muthuri (2019) led an investigation on the influence of competitive strategies on organizational performance of telecommunication firms in Kenya. The investigation utilized a case overview of Safaricom plc and Airtel Kenya. The research utilized a cross-sectional research design and structured questionnaires were employed. The outcomes show that differentiation was critical to firm performance. The investigation takes note of that when an organization uses a differentiation technique, it concentrates it endeavours on offering a one of a kind support or items. The investigation focussed-on media transmission firms, while the current examination looks at the financial sustainability of commercial banks.

2.3.3 Marketing Strategies and Financial Sustainability

Al-alak (2014) examined the impact of marketing activities on relationship quality in the Malaysian banking sector. The study adopted a survey research design with data being collected from Malaysian banks. The results indicate that increased client and employee relational orientation improved relationship quality in banks. The study further notes that close relationships and enhanced disclosure positively improved relationship management. The focussed on relationship quality while the current study examined financial sustainability in Kenyan banks.

Chacha (2015) conducted a research on customer relationship marketing and its influence on customer retention in the Tanzanian banking industry. The investigation employed a cross-sectional survey research design with questionnaires being utilized in the research. The study adopted both Chi-square and multiple regression analysis. The findings indicate that long-term relations enhanced customer retention within commercial banks. The findings further indicate that trust, commitment, loyalty, and direct-marketing improved customer retention. The study, however, failed to focus on financial sustainability, which was the focus of this study.

Okoh and Eke (2017) explored the link between competitive marketing and financial performance of banks in Nigeria. The examination depended on primary and secondary data that was sourced for the period 2000-2015. The research outcomes show there is a huge relationship between the level of rivalry and execution of business banks. The examination demonstrates that serious showcasing through better market situating, brand acknowledgment, and market division are imperative to improved performance. This examination, nonetheless, depended secondary data in examination of financial performance while current research only relied on primary research data.

Nguru, Ombui, and Iravo (2017) examined the effects of marketing strategies on the performance of Equity Bank. The investigation employed an exploratory, research design with research data being employed from bank employees using strutcured questionnaires. The investigation shows that client relationship advertising, consumer loyalty, correspondence, and client unwaveringness decidedly added to the exhibition of business banks. The examination noticed that improving marketing procedures, for example, division, focusing on, and advertisements will bring about better bank performance. The examination concentrated on a solitary business bank, while the current investigation tested all the business banks working in Kenya.

Gituma, Kimencu, and Muchemi (2018) studied the association between marketing outsourcing and the performance of business banks in Kenya. The examination utilized a cross-sectional exploratory examination plan with the investigation using structured research questionnaires. The investigation demonstrates that there is a positive connection between redistributing promoting forms and the presentation of business banks. The investigation demonstrates that advertise advancement, marking, and statistical surveying improved the presentation of banks. The examination, in any case, broke down execution while the current investigation inspected the financial sustainability of commercial banks.

Sheikh and Kimencu (2017) analyzed the influence of competitive strategies on the performance of barclays bank in Garrisa County, Kenya. The collected research data was analyzed using descriptive and inferential techniques. The findings indicate that competitive strategies positively improved bank performance. The concentrate additionally discovered that improving the competitive aspects of the bank help in enhancing the performance of the firms. The investigation notes that promotions, advertisements, and customer value are essential to improved performance. The research failed to take into consideration the effect of innovative strategies on commercial banks in Kenya.

2.4 Summary of Literature and Research Gaps

Table 2.1 Research Gaps

Author	Title	Findings	Research Gap and Focus of this study
Afrika (2018)	Adoption of cloud computing services for sustainable development of commercial banks in Uganda	The study indicated that maintenance of IT infrastructure, poor storage, and management negatively affected the sustainable development of commercial banks	The focussed only on innovative strategies while the current study examined marketing and differentiation strategies as the focus of this study
Chacha (2015)	Customer relationship marketing and its influence on customer retention in Tanzania banking industry	The findings indicate that long-term relations enhanced customer retention within commercial banks	The study, however, fails to focus on financial sustainability which was the focus of this study
Karyani and Rossieta (2018)	Generic strategies and financial performance persistence in the banking sector in Indonesia	The study indicates that enhancing efficiency, new product development, core capabilities, and segmentation was a predictor of performance within firms	The study, however, did not focus on the sustainability of commercial banks
Mbugua and Kinyua (2019)	Personnel differentiation and organization performance of deposit-taking microfinance institutions in Nairobi City County	The study indicates that enhancing employee skills, professionalism and competencies fostered confidence and motivation which was critical to the performance of the institutions	The study, however, does not examine competitive strategies and sustainability of banks which was the focus of this study
Sheikh and Kimencu (2017)	Influence of competitive strategies on the performance of Barclays Bank in Garissa County	The findings indicate that competitive strategies positively improved bank performance	The research fails to take into consideration the effect of innovative strategies on commercial banks in Kenya

2.5 Conceptual Framework

The conceptual framework attempt s to connect to all aspects of the study. It acts like a map that gives s coherence to empirical inquiry. It is the diagrammatic representation of how the independent and dependent variables of a given study interact (Shields, Patricia & Rangarjan, 2013). The conceptual framework sought to present the interaction between competitive strategies and the financial sustainability of commercial banks in Kenya.

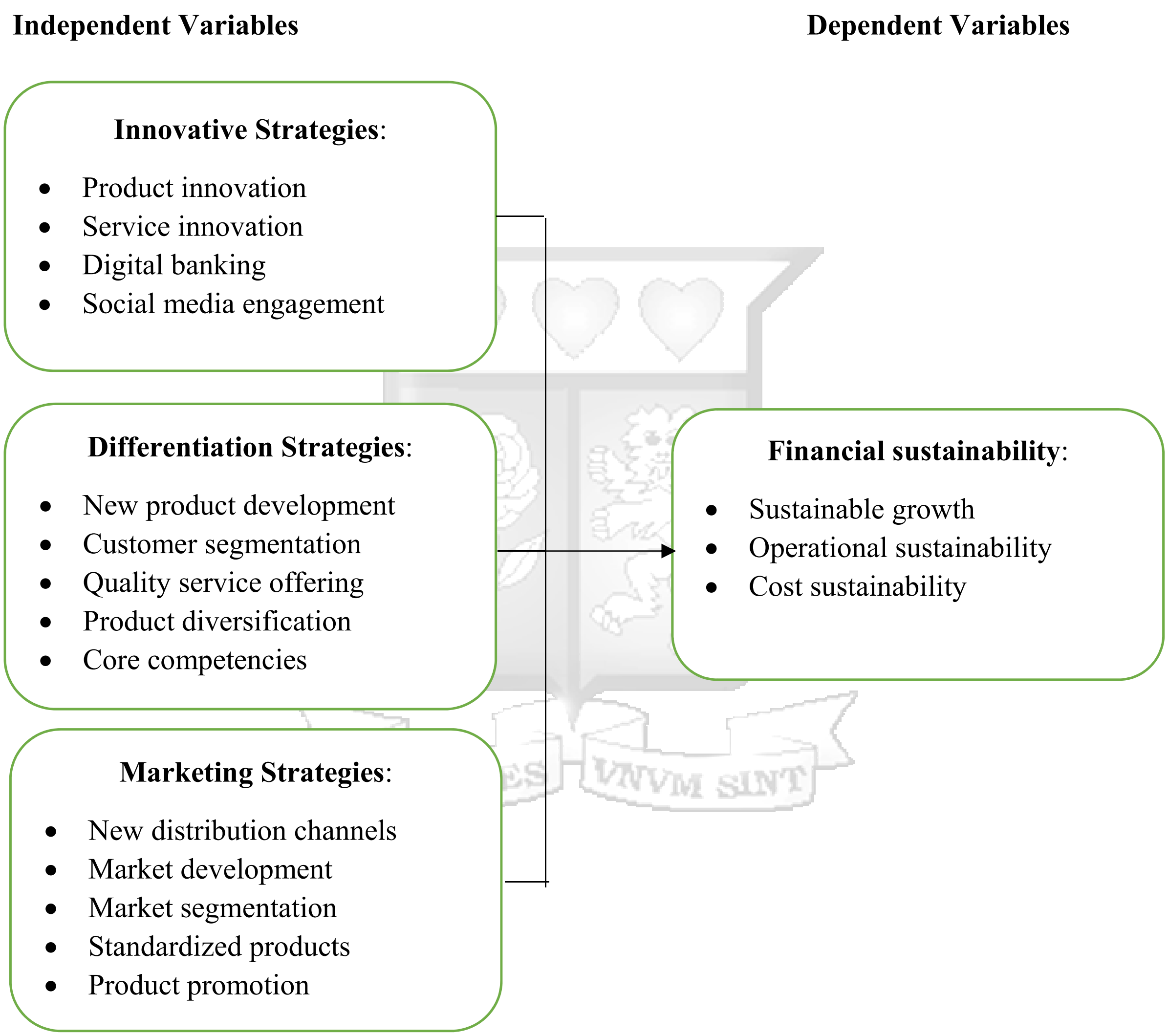

Figure 2.1 Conceptual Framework

The conceptual framework above conceptualized the interaction between the various competitive strategies and financial sustainability of banks. The competitive strategies were assessed based on innovative strategies, differentiation strategies, and marketing strategies. Financial sustainability was measured based on the cost, growth, and operational measures of commercial banks in Kenya. Operationalization of the variables is presented in Table 2.2 below:

Table 2.2 Operationalization of Research Variables

Variable	Constructs	Data Collection Tool	Data Analysis	Supporting Literature
Innovative Strategies	• Product innovation • Service innovation • Digital banking • Social media engagement	Structured questionnaire	Measures of central tendency Correlation tests Regression tests	Akhisar, Tunay and Tunay (2015); Auma (2014); Kamau and Oluoch (2016)
Differentiation Strategies	• New product development • Customer segmentation • Quality service offering • Product diversification • Core competencies	Structured questionnaire	Measures of central tendency Correlation tests Regression tests	Msinga, Ndinya, Ogada and Omido (2018); Mbugua and Kinyua (2019); Muthuri (2019)
Marketing Strategies	• New distribution channels • Market development • Market segmentation • Standardized products • Product promotion	Structured questionnaire	Measures of central tendency Correlation tests Regression tests	Al-alak (2014); Chacha (2015); Okoh and Eke (2017); Gituma, Kimencu and Muchemi (2018)
Financial sustainability	• Sustainable growth • Operational sustainability • Cost sustainability	Structured questionnaire	Measures of central tendency Correlation tests Regression tests	(Abdulai & Tewari, 2017; Innocent, 2016)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on the presentation of the methodology that was utilized in solving the research problem. This chapter in detail presented the design that was utilized in the study, the population, sampling design, and sample size as well as the data collection instruments. The chapter presented the data collection procedures and data analysis and presentation. This chapter presented the ethical considerations that were considered in this study.

3.2 Research Design

Cooper and Schindler (2008) opine that a research design can be conceptualized as the plan or the framework through which the researcher organizes the study. As such, it denotes a blueprint for the study by defining integral aspects of the research process, including the steps that the research intends to take in the course of conducting the research (Saunders, Lewis, & Thornhill, 2015). This study adopted a cross-sectional research design that allowed for a snapshot survey of the study constructs. Furthermore, this research design emerged from the fact that such an approach facilitates the assessment of how and why (Cooper & Schindler, 2008). The study applied a quantitative approach in the examination of the association of the research variables using quantitative techniques.

3.3 Target Population

A target populace is a gathering of occasions, people, or things of intrigue who share at least one attributes for all intents and purpose that are important to the analyst (Kothari, 2014). The unit of examination of the exploration was the 41 business banks working in Kenya as of January 2020. The unit of observation was the finance manager, the marketing manager, and the research and development managers. The study selected the staff members as they are deemed to have the requisite information on the selected competitive strategies, which was pivotal to solving the research problem.

Table 3.1 Target Population

Category	No. of Banks	% Proportion of population
Finance department	41	33.33
Marketing department	41	33.33
Research and development department	41	33.33
Target Population	**123**	**100%**

3.4 Sampling Design and Sample Size

The sampling frames as a conglomeration of events and happenings from which a sample be drawn. It contains a list of individuals, items, or events, which the research can sample for the study (Cooper & Schindler, 2008). The sample frame for the study was drawn from the finance manager, operations manager, and marketing managers within the commercial banks in Kenya. Kothari (2014) defines a sample as a subset of a large population and argues that a good sample should have the characteristic of the population. The sample size for the study was calculated using the Yamane formula, as shown below:

$$\frac{N}{1+N(e)^2} = n$$

n =sample size,

N = population size

e =level of precision

$$\frac{123}{1+123\ (0.05)^2} = 94$$

The study utilized convenience sampling in the selection of the respondents of the research from the commercial banks. The sample respondents for the study were 94 respondents selected from the banks within Nairobi City County.

3.5 Data Collection Instruments

This study relied dominantly on primary research data. The study collected primary data using a structured questionnaire. A questionnaire was used to collect data from the target population. Compared to other instruments such as interviews, online surveys, questionnaires are less costly, easy to comprehend, and guarantee anonymity of respondents in cases where sensitive information is required (Abbott & McKinney, 2013). The study constructed a structured questionnaire using the 5-point Likert Scale. The statements on the questionnaires were informed by the conceptualization of the research variables. According to Cooper and Schindler (2008), a numerical scale is reliable and objective. It helps reduce subjectivity, focuses on is relevance in the study, helps in generalization, and further ease data interpretation.

3.6 Data Collection Procedures

A self-administered questionnaire was used to collect data. An online questionnaire was considered based on the assumption was that not all respondents could have Time to answer the physical questionnaires; thus, with access to the internet, the respondents can answer the questionnaires at a convenient time. Further, based on research regulations, the study sought letters of approval from the Strathmore Business School and the National Commission for Science Technology permit before embarking on the data collection. The study further ensured that the consent of the respondents is given following ethical requirements for participation in the study. The study further piloted the study instrument, with 10% of the sample respondents who were not considered in the main study. The pilot test supported the reliability tests and validity tests of the study instrument.

3.6.1 Reliability Tests of Research Instrument

Cooper and Schindler (2008) state that reliability is the overall consistency of a measure that is the extent to which results are consistent over time. According to Korkmaz, Çakir, and Özden (2017), if a research tool meets criteria of consistent, stable, predictable, and accurate, then it's said to be reliable. The study adopted the Cronbach alpha, which is the main test for the internal consistency of the research instrument. The study adopted all the study constructs with a Cronbach alpha of 0.7 and above, which is the standard measure.

Table 3.2 Reliability Results

Construct	Cronbach's Alpha	N of Items
Innovative strategies	.0740	5
Differentiation strategies	0.850	5
Marketing strategies	0.934	6
Financial sustainability	0.860	4

The research findings that the study variables had all achieved Cronbach Alpha scores of above 0.7, as showed by the Table 3.2 above; thus, they were used in the main research.

3.6.2 Validity Tests of Research Instrument

Validity is the degree to which the results obtained through research instruments give an actual representation of the phenomenon under study (that is whether the researcher has measured what he/she set out to measure (Korkmaz, Çakir, & Özden, 2017). Five tests are commonly used to determine the validity of the research instrument: face, content, concurrent, predictive, and construct validity, respectively. The study considered both content and face validity tests. To ensure content validity, the researcher critically evaluated the literature review to ensure items included in the questionnaire are in tandem with competitive strategies and financial sustainability constructs. Face validity was upheld through establishing a logical link between each item in the instrument and the variables of the research.

3.7 Data Analysis and Presentation

After the data is collected from all administered questionnaires, a data clean-up was conducted to establish errors such as missing or double entries. Afterward, the responses in questionnaires were categorized and converted into numeric codes and coded into SPSS 24. The investigation utilized the utilization of both descriptive and inferential analysis. The descriptive measures included the means, and standard deviation. The inferential examination included ANOVA tests, correlation analysis and regression analysis. The results of the investigation were introduced graphically utilizing diagrams, reference diagrams, and tables. The study adopted the following regression model;

$$\mathbf{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Where: Y = Dependent Variable (financial sustainability of commercial banks)

Independent variables, which include:

X_1 is innovation strategies

X_2 is differentiation strategies

X_3 is marketing strategies

α = the constant

$\beta_{1\text{-}3}$ = the regression coefficient or change included in Y by each X

ϵ = error term

3.8 Ethical Considerations

In adherence to the ethical guidelines, the study ensured that an introduction letter is attached to the research instrument and sought the consent of the respondents before participating in the study. The study further ensured that research approval is obtained from SBS before undertaking the data collection. The study further sought ethical approval, and an exploration grant from NACOSTI was used during the information assortment. The examination further guaranteed that all the gathered exploration information is just used for scholarly purposes, and the secrecy of the respondents is maintained throughout the study.

CHAPTER FOUR
RESULTS AND FINDINGS

4.1 Introduction

This chapter focussed on the presentation of the results drawn from the collected research data. The chapter presented the background information, the descriptive results, correlation results, the diagnostics tests, and the regression analysis.

4.2 Background Information

The study sought to collect study data from a sample of 94 staff members drawn from commercial banks operating within Nairobi County. The study was able to obtain a response rate of 82% (N=77), which was deemed sufficient for undertaking the quantitative analysis.

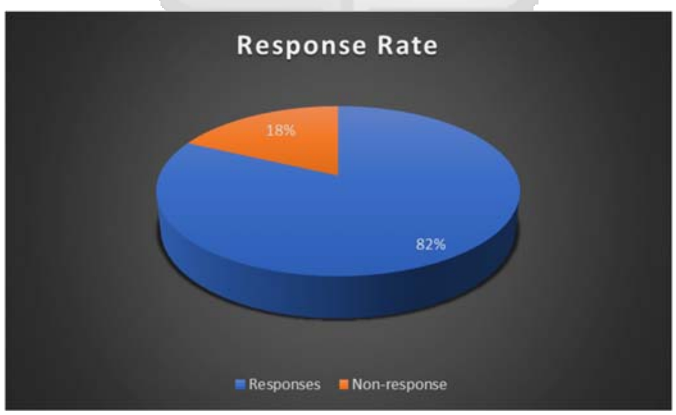

Figure 4.1 Study Response Rate

4.2.1 Demographic Information

The research sought to explore the demographic profile of the study participants. The study examined the gender of participants, their age profile, education attainment, and the department of operations.

4.2.1.1 Gender of Respondents

Majority of the research respondents (68%) were male in contrast, 32% of the who were female staff members as indicated in Figure 4.2

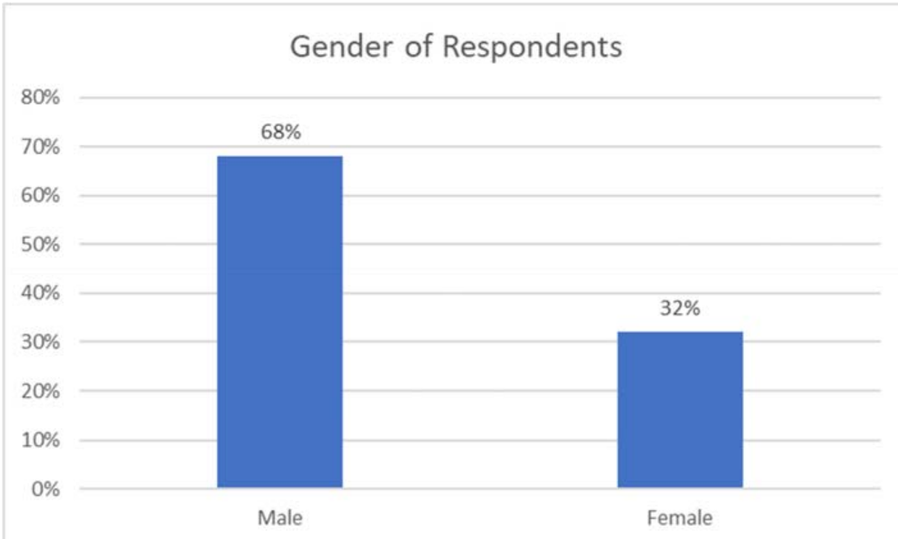

Figure 4.2 Gender of Respondents

4.2.1.2 Age of Respondents

The study reviewed the age distribution among the participants of the study, and the results are shown in Table 4.1

Table 4.1 Respondents Age

Age of respondents	Frequency	Percent
30-40 years	24	31.2
41-50 years	42	54.5
51-60 years	11	14.3
Total	77	100.0

The results show that the majority of the respondents, 55% were aged between 41-50 years, 31% were between age 30-40 years. On the other hand, only 14% of the respondents were of the ages 51-60 years.

4.2.1.3 Length of Service Experience

The research examined the length of service experience among the staff of the commercial banks. The findings are indicated in the Table 4.2.

Table 4.2 Years of Service Experience

Length of service	Frequency	Percent
0-2 years	34	44.2
3-6 years	37	48.1
7-9 years	6	7.8
Total	77	100.0

The results indicate that most of the participants (48%) had served in the banking industry for 3-6 years, 44% of the participants 0-2 years. In contrast, only 8% of the study participants had served for between 7-9 years in the banking industry.

4.2.1.4 Level of Management

The research examined the level of management in which the study participants operated within the banks. The results show that 54% of the participants worked within the finance department, 42% worked within the marketing department, while only 4% were in the research and development department in the commercial banks.

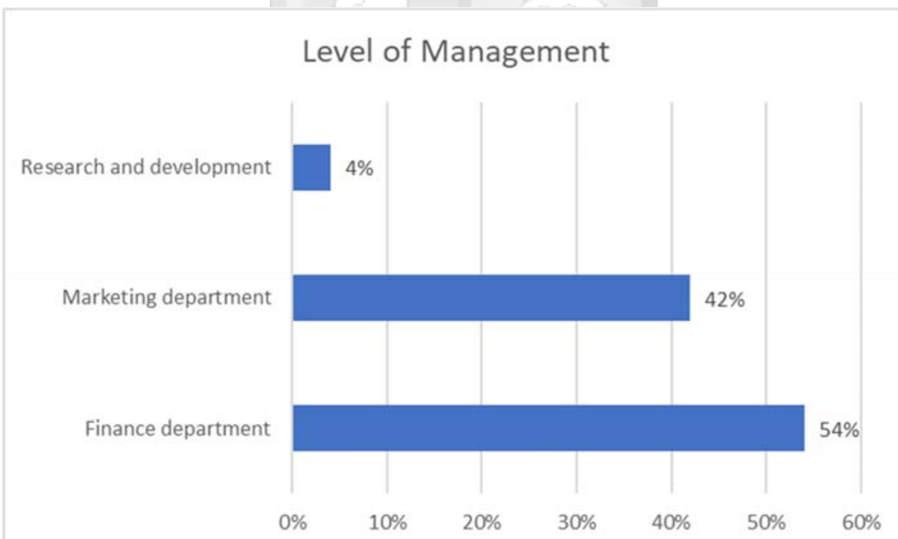

Figure 4.3 Department of Operations

4.3 Descriptive Analysis

The response from the study was tabulated using descriptive statistics such as sum, means, and standard deviation. The results were presented in line with the study objectives. In testing for normality, the researcher intended to assess whether the distribution was normal. The study adopted the Normal P-P plot in determining the scatter in the data obtained in the research.

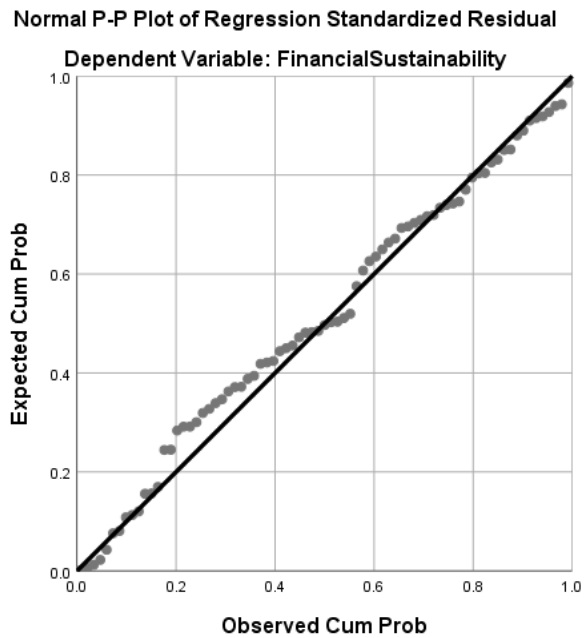

Figure 4.4 Normal P-P Plot

The findings above indicate that the data in the study fitted along the normal curve; hence the study indicates the data was from a normal distribution.

4.3.1 Innovative Strategies

Respondents were asked to make a selection on various aspects of the innovative strategies within the commercial banks and the responses obtained from the study are presented below.

Table 4.3 Innovative Strategies Descriptive

Innovative Strategies Statements	N	Sum	Mean	Std. Deviation
There is an improvement in the introduction of automation in the banking services	77	314.00	4.0779	1.02298
There is improved product innovation in the commercial bank product offering	77	309.00	4.0130	.97998
There is increased customer engagement through social media sites	77	295.00	3.8312	1.12861
There is increased utilization of digital banking platforms within the commercial bank	77	308.00	4.0000	1.08821
There is an improvement introduction of emerging technologies within the commercial banks	77	285.00	3.7013	1.07685

The results above indicate agreement among participants that there is an improvement in the introduction of automation in the banking services (Mean = 4.0779). The findings show an agreement that there is improved product innovation in the commercial bank product offering (Mean = 4.0130, SD = (.97998), denoting moderate variation in responses. The results also indicate agreement that there is an improvement introduction of emerging technologies within the commercial banks (Mean = 3.7013). Findings further show agreement that there is increased customer engagement through social media sites (Mean = 3.8312, SD = 1.12861), denoting high variation in responses.

4.3.2 Differentiation Strategies

The study further sought views from study respondents on various statements on the differentiation strategies in commercial bank. The results are presented in the table below.

Table 4.4 Differentiation Strategies Descriptive

Differentiation Strategies Statements	N	Sum	Mean	Std. Deviation
There is an improvement in new product development within the commercial bank	77	316.00	4.1039	.80434
There is an improvement in customer segmentation efforts within the bank	77	319.00	4.1429	.86928
The institution ensures there is quality service offering throughout the branches	77	320.00	4.1558	.85939
There is an improvement in the diversification of the financial products within the commercial bank	77	312.00	4.0519	.77623
There is an improvement in the core competencies of the commercial bank which improves competitiveness	77	303.00	3.9351	.99125

The study findings show an agreement among participants that the banking institution ensures there is quality service offering throughout the branches (Mean = 4.1558). Concerning there is an improvement in customer segmentation efforts inside the bank, there was understanding among respondents (Mean = 4.1429, SD= .86928). The investigation results demonstrate understanding among respondents that there is an improvement in the core competencies of the commercial bank, which improves competitiveness (Mean = 3.9351, SD = .99125), denoting moderate variation in responses. Findings further show that there was agreement among participants that there is an improvement in the diversification of the financial products within the commercial bank (Mean = 4.0519, SD = .77623).

4.3.3 Marketing Strategies

The third predictor variable for the research was the marketing strategies employed by commercial banks, and the results are presented in the table below.

Table 4.5 Marketing Strategies Descriptive

Marketing Strategies Statements	N	Sum	Mean	Std. Deviation
The commercial banks have adopted new distribution channels in their product offering	77	293.00	3.8052	1.08869
There is an improvement in the development of new markets within the commercial banks	77	305.00	3.9610	1.37115
There is an increase in the adoption of new market segmentation activities within the bank	77	303.00	3.9351	.93665
There is an improvement in the standardization of the product and service offering within the bank	77	306.00	3.9740	.88814
There is increased utilization of new product placement within the bank	77	282.00	3.6623	1.09557
The bank relies on new technologies to improve precision marketing and advertising	77	297.00	3.8571	1.02231

Concerning the improvement in the development of new markets within the commercial banks, there was agreement among study respondents (Mean = 3.9610, SD = 1.37115) indicating high variations in responses. The study showed agreement among respondents (Mean = 3.9740) that there is an improvement in the standardization of the product and service offering within the bank. The findings of the study showed agreement (Mean = 3.6623) that there is increased utilization of new product placement within the bank. The results also indicate agreement that the commercial banks have adopted new distribution channels in their product offering (Mean = 3.8052, SD= 1.08869).

4.3.4 Financial Sustainability

The dependent variable for the research was the level of financial sustainability among the commercial banks, and the findings are shown below.

Table 4.6 Financial Sustainability Descriptive

Financial Sustainability of Commercial Banks	N	Sum	Mean	Std. Deviation
The bank has been able to maintain sustainability in its growth measures	77	281.00	3.6494	1.12116
There is an improvement in the operational sustainability of commercial banks	77	284.00	3.6883	1.26968
There is an increase in the cost-sustainability measures within the commercial banks	77	300.00	3.8961	.95400
There is sustained growth in the financial growth within the commercial bank	77	312.00	4.0519	1.03741

The findings indicate there was agreement (Mean = 4.0519) among participants that there is sustained growth in the financial growth within the commercial bank. The results showed agreement that there is an increase in the cost-sustainability measures within the commercial banks (Mean = 3.8961, SD = .95400). Respondents indicated agreement (Mean = 3.6494) that the bank has been able to maintain sustainability in its growth measures.

4.4 Correlation Analysis

The study sought to establish the type of effect between competitive strategies and the financial sustainability of commercial banks. The study applied the Spearman correlation tests, and the results are shown below.

Table 4.7 Correlation Results

Variable			Innovative Strategies	Differentiation Strategies	Marketing Strategies	Financial Sustainability
Spearman's rho	Innovative Strategies	Correlation Coefficient	1.000			
		Sig. (2-tailed)	.			
		N	77			
	Differentiation Strategies	Correlation Coefficient	.400**	1.000		
		Sig. (2-tailed)	.000	.		
		N	77	77		
	Marketing Strategies	Correlation Coefficient	.410**	.338**	1.000	
		Sig. (2-tailed)	.000	.003	.	
		N	77	77	77	
	Financial Sustainability	Correlation Coefficient	.593**	.357**	.481**	1.000
		Sig. (2-tailed)	.000	.001	.000	.
		N	77	77	77	77

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

The first objective examined the effect of innovative strategies on the bank's financial sustainability in Kenya. The results demonstrate there was a positive and significant effect of innovative strategies on the financial sustainability of commercial banks (*Correlation = .593, Sig = .000<.05*). These findings are consistent with Yen (2013), who found that innovative capability positively affects the exhibition of business banks.

The research further analysed the relationship between differentiation strategies and the financial sustainability of business banks. The outcomes show that there is a positive and significant association between differentiation strategies and financial sustainability of business banks in Kenya (*Correlation = .357, Sig = .001<.05*). Karyani and Rossieta (2018) similarly revealed that differentiation strategies and positioning were vital to the performance of commercial banks.

The third objective reviewed the correlation between marketing strategies and the financial sustainability of commercial banks. The outcomes showed there is a moderate positive and significant effect of marketing strategies on the financial sustainability of commercial banks (*Correlation = .481, Sig = .000<.05*). And Eke (2017), in their study, also established that employing competitive marketing strategies was key to the improved financial performance of commercial banks.

4.5 Diagnostic Tests

The study conducted three main tests of linear regression assumptions before conducting the regression tests. The study employed autocorrelation tests, normality tests, and collinearity tests.

4.5.1 Autocorrelation Tests

The study employed the Durbin-Watson statistic to test for autocorrelation. The findings are shown in the table below.

Table 4.8 Autocorrelation Results

Model	Std. Error of the Estimate	Durbin-Watson
1	2.18319	1.985

a. Predictors: (Constant), Marketing Strategies, Innovative Strategies, Differentiation Strategies

b. Dependent Variable: Financial Sustainability

The results indicated no autocorrelation (*DW= 1.985*), as shown in Table 4.8. Durbin-Watson Scores between 1.5 and 2.5 represent independent observations. This shows no first-order correlation in the tests.

4.5.2 Collinearity Tests

The study conducted multicollinearity tests to determine the level of association between the independent variables. The study employed the VIF value in the tests.

Table 4.9 Collinearity Results

Variable		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Innovative Strategies	.719	1.391
	Differentiation Strategies	.708	1.413
	Marketing Strategies	.723	1.383

a. Dependent Variable: Financial Sustainability

The results above indicate all variance inflation factors (VIF) values are less than 10, indicating no multicollinearity issues in the variables used when testing the nature of the interaction.

4.6 Regression Analysis

The study adopted ordinal least squares regression in examining the relationship between competitive strategies and the financial sustainability of commercial banks in Kenya. The results of the regression are as indicated.

Table 4.10 Regression Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.672[a]	.451	.428	2.18319	1.985

a. Predictors: (Constant), Marketing Strategies, Innovative Strategies, Differentiation Strategies

b. Dependent Variable: Financial Sustainability

The study yielded a coefficient of determination ($R^2 = .451$). This implies that holding other factors constant 45.1% of the variations in the financial sustainability of commercial banks can be determined by the competitive strategies' proxies (marketing strategies, innovative strategies, differentiation strategies). Tomno (2014) also found a positive relationship between the competitive strategies employed by commercials banks and their financial performance. Muthuri (2019), in a research study, also established there is a positive and significant link between competitive strategies and organizational performance.

Table 4.11 ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	285.774	3	95.258	19.986	.000[b]
	Residual	347.941	73	4.766		
	Total	633.714	76			

a. Dependent Variable: Financial Sustainability

b. Predictors: (Constant), Marketing Strategies, Innovative Strategies, Differentiation Strategies

The results of the ANOVA tests show; F- calculated = *19.986,* which was larger than F- (**critical f; 1.162**). The study also yielded a S*ig = .000<.05,* indicating that the research model was statistically significant in predicting the relationship between competitive strategies and financial sustainability.

Table 4.12 Regression Coefficient Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.918	2.155		2.426	.001
	Innovative Strategies	.438	.094	.474	4.638	.000
	Differentiation Strategies	.065	.114	.059	.571	.570
	Marketing Strategies	.192	.074	.266	2.606	.011

a. Dependent Variable: Financial Sustainability

The results of the regression coefficients show a regression equation output as;

$$\mathbf{Y = .918 + .438X_1 + .065X_2 + .192X_3 + 2.155}$$

The study results show a constant = .918, which was statistically significant .001<.05. The results show a beta coefficient for innovative strategies (B1= .438, Sig = .000<.05). This indicates that a unit change in innovative strategies will bring about a .438 change in the financial sustainability of business banks. Findings of the investigation demonstrate a beta coefficient for differentiation strategies (B2= .065, Sig = .570>.05). The results show that differentiation strategies have an insignificant effect on financial sustainability. The results show a beta coefficient for marketing strategies (B3= .192, Sig = .011<.05). This indicates that a unit change in marketing strategies will result in a .192 change in the financial sustainability of commercial banks.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study results and the discussion of the research findings. The chapter also presented the conclusions and recommendations drawn from the study. The chapter further outlined the areas for further research.

5.2 Summary

This study sought to determine whether competitive strategies influence the financial sustainability of commercial banks. The study specifically focussed on how innovative strategies, differentiation strategies, and marketing strategies affect the financial sustainability of commercial banks. The study employed a cross-sectional research design with the unit of analysis being the operational 41 commercial banks in Kenya. The study targeted three respondents from each bank drawn from the finance department, the marketing department, and the research and development units. The research utilized a structured research questionnaire in the data collection. The study conducted a pretest of the research instrument among ten employees drawn from commercial banks. The research adopted quantitative analysis through descriptive and inferential statistics. The study was able to obtain an 82% response rate, with the majority of the respondents being over 41 years of age.

The study further shows that most of the participants had served for at least six years within the banking industry, with the majority of the respondents being drawn from finance and marketing departments. In general, the research showed a positive and significant effect of innovative strategies on the financial sustainability of commercial banks (*Correlation = .593, Sig = .000<.05*). The study further indicated there is a positive and significant effect of differentiation strategies on the financial sustainability of commercial banks (*Correlation = .357, Sig = .001<.05*). The study results showed that there is a positive and significant effect of marketing strategies on the financial sustainability of banks (*Correlation = .481, Sig = .000<.05*). The research shows that 45.1% of the changes in financial sustainability were determined by the level of competitive strategies employed by commercial banks.

5.3 Discussion

5.3.1 Innovative Strategies and Financial Sustainability of Commercial Banks

The study sought to examine the link between innovative strategies on the financial sustainability of commercial banks. The findings of the research indicated that there was a positive association between innovative strategies and the financial sustainability of commercial banks. The study findings border the results of Akhisar, Tunay, and Tunay (2015). They contend that the introduction of new electronic-based products and the utilization of automated banking infrastructure was a key component for sustained bank performance. Malak (2014), in their study, also showed that the adoption of automated clearing services, efficiency, and secure services was critical to improved financial results of commercial banks.

The study results also show increased customer engagement through social media sites. Research findings also showed that commercial banks had witnessed an increase in the utilization of digital banking platforms and the introduction of emerging technologies within commercial banks. The results are supported by Afrika (2018), who notes that the deployment of cloud computing systems fostered the growth in commercial banks and led to sustainable development. Kamau and Oluoch (2016) found out that innovation in commercial banks positively improved the performance of commercial banks in Kenya.

5.3.2 Differentiation Strategies and Financial Sustainability of Commercial Banks

The results of the research demonstrated agreement among respondents that differentiation strategies are key to financial sustainability of commercial banks. Research findings indicated that differentiation strategies may result in a .065 change in the financial sustainability of commercial banks. The results are consistent with Karyani and Rossieta (2018). They revealed that fostering efficiency and new product development was integral to bank performance. Msinga, Ndinya, Ogada, and Omido (2018) similarly indicate that better product development and cost-cutting measures were vital to driving the performance of financial institutions. The results also showed agreement that banks have shown an improvement in customer segmentation efforts. The results are consistent with earlier observations by Alengo, Okello, and Malenya (2019). They show that an increase in the number of customers and market outreach activities has led to the improved operational performance of commercial banks.

Findings also showed consensus among participants that the banking institution ensures there is quality service offering throughout the branches. The results are supported by Muthuri (2019), who indicates that improving the firm focus through the provision of unique services and products was essential for better organizational performance. The study further indicated agreement that there is an improvement in the diversification of the financial products within the commercial bank. The study also indicates that there is an improvement in the core competencies of the commercial bank, which improves competitiveness. Mbugua and Kinyua (2019) found out that differentiation was instrumental in positively improving the growth of commercial entities as a result of enhanced service quality and firm competencies.

5.3.3 Marketing Strategies and Financial Sustainability of Commercial Banks

The third variable of the study analyzed the effect of marketing strategies on the financial sustainability of commercial banks. The results show consensus among respondents that banks have adopted new distribution channels in their product offerings. Okoh and Eke (2017) similarly suggested that market positioning and segmentation efforts positively improved bank performance. The study also showed that there an improvement in the development of new markets within the commercial banks and the adoption of new market segmentation activities within the bank. Chacha (2015), in a research study, suggested that enhancing direct-marketing, loyalty programs, and commitment was critical to client retention and growth in commercial banks.

The findings indicate agreement among respondents there is an improvement in the standardization of the product and service offering within the bank. In agreement with the above results, Gituma, Kimencu, and Muchemi (2018) suggested that enhancing promotional activities, branding, and market research are essential for improving the performance of commercial banks in Kenya. The study also noted agreement among participants; there is increased utilization of new product placement within the bank. The results are consistent with Sheikh and Kimencu (2017). They found out that promotional activities and new product placement are key to the commercial bank's performance. The respondents also showed agreement that the bank relies on new technologies to improve precision marketing and advertising. Nguru, Ombui, and Iravo (2017) contend that improving customer relationship marketing and communication practices are ideal for the sustained performance of commercial banks in Kenya.

5.4 Conclusions

The study concludes that competitive strategies have a positive relationship with the financial sustainability of commercial banks in Kenya. The study found there is a positive and significant effect of innovation strategies on the financial sustainability of commercial banks. The research further concludes that there is an insignificant positive influence of diversification strategies on the financial sustainability of commercial banks. The study further concludes that marketing strategies have a positive and significant effect on the financial sustainability of commercial banks.

5.5 Recommendations

5.5.1 Practical Recommendations

The study also recommends that commercial banks should focus on developing and implementing effective strategies that will enable them to survive in the competitive environment under which they operate. The research recommends that commercial banks should continually invest in new technologies that can drive the utilization of digital banking platforms to achieve better performance. With the proliferation of financial technology firms, there is a need for commercial banks to reinvent their market position and offer financial products to foster their competitiveness. The study also recommends that banks should adopt a continued drive to digital banking as this will help in expanding the range of banking services and products and serve a larger customer base. This can be done by undertaking more research and development to ensure that digital banking services offered are in line with customer demands.

Concerning the differentiation strategies in the commercial banks, the study recommends there is a need for commercial banks to improve and change their internal processes continuously. This can be fostered through commercial banks, creating value for their customers, and creating a niche market that can offer sustained market performance. The study results further showed that differentiation strategies in the banks had not been a significant predictor of sustainability; hence the study recommends that commercial banks should conduct an internal and industry-wide review to ensure that differentiation efforts undertaken meet an underserved market. This will ensure there is no replication of product and service offerings by the commercial banks.

This study recommended that commercial banks in Kenya must continually invest in market segmentation strategies to enhance the levels of service quality, which will lead to sustained growth in commercial banks. The commercial banks should conduct a detailed analysis of their operating environment to ensure that marketing operations are precise and centered on meeting the customer-centric needs. The study further recommends that commercial banks should review their segmentation practices to ensure that every product and service is tailored to specific banks' customer pool. Commercial banks should further ensure there is greater interaction with the customers to ensure that relevant information is shared, and this can be critical to relationship building, which will support better customer relationships.

5.5.2 Policy Recommendations

To the industry regulators, the study results can be critical in driving sustainable banking activities in commercial banks through the development of guidelines that can help commercials bank is initiating competitive strategies. The study further recommends that the regulator can support commercial banks through developing policies to guide new product and service development, which is in line with strategies being adopted by commercial banks in Kenya.

5.6 Suggestions for Further Research

The study results have shown there is limited differentiation in commercial banks; hence this research suggests that a more comprehensive study should be undertaken to explore and evaluate the diversification challenges facing commercial banks in Kenya. This will help in directing future differentiation efforts of commercial banks in Kenya.

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APPENDICES

Appendix I: Questionnaire

This questionnaire is an attempt to assess the **"ESTABLISH THE INFLUENCE OF COMPETITIVE STRATEGIES ON THE FINANCIAL SUSTAINABILITY OF COMMERCIAL BANKS IN KENYA".** Please answer the questions honestly and diligently following the instructions given. The answers you give was used for the research purpose only and your identity was treated with uttermost confidentially.

Section A: Bio-data

1. **Gender**

   Male [ ]

   Female [ ]

2. **Age of Respondents**

   Below 29 years [ ]

   30-40 years [ ]

   41-50 years [ ]

   51-60 years [ ]

   61 years and above [ ]

3. **Education Level**

   Graduate level [ ]

   Postgraduate Levels [ ]

   Other Specify …………………….

4. **Years of service**

   0-2 Years [ ]

   3-6 Years [ ]

   7-9 Years [ ]

   Over 10 Years [ ]

5. **Which level of management (department) do you operate in?**

   Finance department [ ]

Marketing department [ ]

Research and development department [ ]

PART B: ESTABLISH THE INFLUENCE OF COMPETITIVE STRATEGIES ON THE FINANCIAL SUSTAINABILITY OF COMMERCIAL BANKS IN KENYA

Please tick the level of agreement of the following statements

1= Strongly disagree; 2= Disagree; 3= moderately agree; 4= Agree; 5=Strongly agree

No	**Innovative strategies**	**1**	**2**	**3**	**4**	**5**
6.	There is an improvement in the introduction of automation in the banking services					
7.	There is improved product innovation in the commercial bank product offering					
8.	There is increased customer engagement through social media sites					
9.	There is increased utilization of digital banking platforms within the commercial bank					
10.	There is an improvement introduction of emerging technologies within the commercial banks					

Please tick the level of agreement of the following statements

1= Strongly disagree; 2= Disagree; 3= moderately agree; 4= Agree; 5=Strongly agree

No	**Differentiation strategies**	**1**	**2**	**3**	**4**	**5**
11.	There is an improvement in new product development within the commercial bank					
12.	There is an improvement in customer segmentation efforts within the bank					

13.	The institution ensures there is quality service offering throughout the branches					
14.	There is an improvement in the diversification of the financial products within the commercial bank					
15.	There is an improvement in the core competencies of the commercial bank which improves competitiveness					

Please tick the level of agreement of the following statements

1= Strongly disagree; 2= Disagree; 3= moderately agree; 4= Agree; 5=Strongly agree

	Marketing strategies					
16.	The commercial banks have adopted new distribution channels in their product offering					
17.	There is an improvement in the development of new markets within the commercial banks					
18.	There is an increase in the adoption of new market segmentation activities within the bank					
19.	There is an improvement in the standardization of the product and service offering within the bank					
20.	There is increased utilization of new product placement within the bank					
21.	The bank relies on new technologies to improve precision marketing and advertising					

Please tick the level of agreement of the following statements

1= Strongly disagree; 2= Disagree; 3= moderately agree; 4= Agree; 5=Strongly agree

	Financial sustainability					
22.	The bank has been able to maintain sustainability in its growth measures					
23.	There is an improvement in the operational sustainability of commercial banks					
24.	There is an increase in the cost-sustainability measures within the commercial banks					
25.	There is sustained growth in the financial growth within the commercial bank					

Thank you for your Time

Appendix II: NACOSTI Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **346422**

Date of Issue: **28/March/2020**

RESEARCH LICENSE

This is to Certify that Miss.. Beatrice Owaga of Strathmore University, has been licensed to conduct research in Nairobi on the topic: INFLUENCE OF COMPETITIVE STRATEGIES ON THE FINANCIAL SUSTAINABILITY OF COMMERCIAL BANKS IN KENYA for the period ending : 28/March/2021.

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Appendix III: Ethical Review Letter

Strathmore UNIVERSITY

21st May 2020

Mrs Owaga, Beatrice
Beatrice.owaga@strathmore.edu

Dear Mrs Owaga,

RE: Influence of Competitive Strategies on The Financial Sustainability of Commercial Banks in Kenya

This is to inform you that SU-IERC has reviewed and **approved** your above research proposal. Your application approval number is **SU-IERC0789/20.** The approval period is **21st May 2020 to 20th May 2021.**

This approval is subject to compliance with the following requirements:

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

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

Yours sincerely,

for: Dr Virginia Gichuru,
Secretary; SU-IERC

STRATHMORE UNIVERSITY INSTITUTIONAL ETHICS REVIEW COMMITTEE (SU-IERC)
21 MAY 2020
TEL: +254 (0)703 034 000
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Chairperson; SU-IERC

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Appendix IV: List of Banks

1. ABSA Bank Kenya Plc
2. African Banking Corporation Limited
3. Bank of Africa Kenya Limited
4. Bank of Baroda (K) Limited
5. Bank of India
6. Charterhouse Bank Limited
7. Chase Bank (K) Limited
8. Citibank N.A Kenya
9. Consolidated Bank of Kenya Limited
10. Co-operative Bank of Kenya Limited
11. Credit Bank Limited
12. Development Bank of Kenya Limited
13. Diamond Trust Bank Kenya Limited
14. DIB Bank Kenya Limited
15. Ecobank Kenya Limited
16. Equity Bank Kenya Limited
17. Family Bank Limited
18. First Community Bank Limited
19. Guaranty Trust Bank (K) Ltd
20. Guardian Bank Limited
21. Gulf African Bank Limited
22. Habib Bank A.G Zurich
23. I & M Bank Limited
24. Imperial Bank Limited
25. Jamii Bora Bank Limited
26. KCB Bank Kenya Limited
27. Mayfair Bank Limited
28. Middle East Bank (K) Limited
29. M-Oriental Bank Limited
30. National Bank of Kenya Limited
31. NCBA Bank Kenya PLC
32. Paramount Bank Limited
33. Prime Bank Limited

34. SBM Bank Kenya Limited
35. Sidian Bank Limited
36. Spire Bank Ltd
37. Stanbic Bank Kenya Limited
38. Standard Chartered Bank Kenya Limited
39. Trans-national Bank Limited
40. UBA Kenya Bank Limited
41. Victoria Commercial Bank Limited