

**INFLUENCE OF FINANCIAL INNOVATIONS ON PERFORMANCE OF COMMERCIAL  
BANKS IN KENYA**

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## **ABSTRACT**

Banking sector is a very instrumental player towards economic prosperity in Kenya and across the globe. This sector's performance has been largely associated with various financial

innovations. Despite financial innovations showing fruitful results in some economies, some empirical findings have suggested that it breeds financial unrest in other economies. This leaves the whole issue of whether financial innovations in Kenya should be endorsed or not a debatable subject. This study sought to examine the effect of financial innovations on bank performance in Kenya. The study relied on panel secondary data collected on 40 commercial banks in Kenya spanning from the year 2012 to 2016. The study findings led to the conclusion that an increase in the number of ATMS leads to an increase in returns on Assets of commercial banks in Kenya. Furthermore, an increase in the transactions made through EFTs leads to an increase in returns on Assets of commercial banks in Kenya. The findings showed that an increase in the number of transactions through agency banking leads to an increase in returns on Assets of commercial banks in Kenya. The study further indicated that an increase in the number of transactions made through mobile phone leads to an increase in returns on Assets of commercial banks in Kenya. Of the investigated financial innovations, the study established that online banking doesn't have a significant effect on financial performance of commercial banks in Kenya. Another finding was that user acceptance has a significant moderating effect on the relationship between financial innovation and financial performance of commercial banks in Kenya. The study recommends that since financial innovations technologies such as ATMS, EFTs, agency banking and mobile banking affect financial performance positively, there is a need for commercial banks to consider investing more in these technologies so as to enhance their performance in the long run.

**Key Words:** *ATM, Electronic Funds Transfer, Agency banking, Mobile banking, Online-banking, Financial Performance, Commercial banks*

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