



**STRATEGIC INNOVATION AND NON-FINANCIAL PERFORMANCE AT EQUITY BANK, NAIROBI CITY COUNTY,
KENYA**

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ABSTRACT

The motive of the research was to examine the impact of strategic innovation strategies on the non-financial performance at Equity Bank, Nairobi County, Kenya. A case study design was adopted. The 52 Equity Bank Branches in Nairobi County were included. A hybrid questionnaire for data collection was used. Additionally, SPSS facilitated interpretation of the information gathered and presentation of results done in statistical measures. Equity Bank Kenya's product innovation strategies, such as mobile loans and the Equity app, received strong positive feedback, with high agreement (mean 4.24–4.63) on improving customer accessibility, satisfaction, and employee performance. According to the F-test findings, there was a statistically insignificant connection between Equity Bank's non-financial performance and strategic innovation. The T-test results further confirmed that the product innovation strategy had an adverse and statistically insignificant connection with Equity Bank's non-financial performance. Market innovation strategy also had a negative and statistically insignificant connection with non-financial performance. Additionally, organizational innovation strategy had a positive and statistically insignificant association with non-financial performance. Nonetheless, there was a statistically significant and favorable connection between Equity Bank's non-financial performance and process innovation. The findings implied that adopting process innovation strategies such as online banking and automated customer service helped improve Equity Bank's performance. Therefore, Equity Bank should prioritize process innovation strategies over product, market, or organizational innovations to improve its non-financial performance. Policymakers should support the implementation of Internet banking and improve online banking to enhance transaction efficiency. According to the study results, banks should encourage self-service in online banking platforms since it leads to improved customer satisfaction. Moreover, automated customer services should be utilized in banks to ease the workload of employees since they improve performance.

Key Words: Process, Product, Market, Organizational Innovation Strategies

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INTRODUCTION

Non-financial measures have become critical in assessing organizational performance (Wu, Pan, Zhou & Li, 2020). The “non-financial measures of performance” act as complementary to a firm’s short-term financial measures (Kori, Muathe & Maina, 2020). They provide additional information to managers for decision-making (Ahmada & Zabri, 2018). Prior research has shown that employee and customer satisfaction, customer growth, and worker retention are crucial indicators of organizational performance (Salkić, 2024; Wu *et al.*, 2020; Abdullahi, Ardo, Hassan & Ibrahim, 2021). In the banking sector, these non-financial performance indicators are crucial for differentiation and long-term viability given the highly dynamic and competitive environment (Tami, Anna & Gaia, 2021). As a result of technological evolution and ever-changing customer preferences, businesses have resorted to the use of innovative strategies not only for the sake of financial performance but to enhance their non-financial performance (Farida & Setiawan, 2022), which is equally critical for establishing a competitive edge within the industry.

Globally, the banking industry has experienced a transformation that is attributed to strategic innovations in processes, products, organizational structures, and markets. The non-financial performance indicators like brand recognition, service quality and customer satisfaction have become important factors that affect the market position of the global financial institutions (McKinsey & Company, 2022). McKinsey & Company (2024) report indicates that the global banking industry registered outstanding performance in the year 2022 and 2023 for the first time since the financial crisis that occurred between 2007 to 2009. The sector has recorded healthy profitability, liquidity and capital. However, the market remains doubtful as far as long-term value creation is concerned (McKinsey & Company, 2024), which is determined by non-financial performance. In some countries, performance has been poor. For

instance, in 2023, some of the large US banks collapsed (Adrian *et al.*, 2024) despite the spending on technology, the productivity of the US bank has been falling. The number of employees by banks in the US is declining (McKinsey & Company, 2024)

The Banking sector in Africa has been through a major shift in the previous 3 decades (Thorsten, Robert, Davide & Patricio, 2023). The evolution is attributed to innovation and particularly, the mobile money revolution which has enhanced access to banking services for the underserved population (Osabutey & Jackson, 2024). Consequently, there has been an increase in customer acquisition and growth over the past decade and a half (Thorsten *et al.*, 2023). Beyond, cost efficiencies, the adoption of technology strategies and digitization of operations has enhanced service quality. This is achieved through a significant reduction of processing time, preventing payment processing errors as well as enhanced customer and employee satisfaction. This is because digitization enables workers to concentrate on more customer-facing value-added tasks (Dayi, Girancourt, Fjer & Makgatho, 2022).

Locally, the sector has shown improved growth in 2023 an indication of resilience and stability. The performance in terms of growth in employees has increased as it increased by 5.1% in 2023 compared to 2022. This was an increase of 36,107 in December 2022 to 37,933 in December 2023. The management staff, secretariat, and supervisory staff levels have also increased from 513, 920 and 400 respectively (Central Bank of Kenya, 2024). However, the industry net promoter score, that is, the ability of a bank customer to recommend it to a close associate, which ultimately determines the level of customer retention and acquisition, has been on the decline in the banking industry. In 2021, it was 77.6% which dropped to 55.8% in 2022 (KBA, 2023). The industry net promoter score further dropped in 2023 to 54.8% (KBA, 2024).

Consequently, the complaint Resolution rate has also been on the decline. In the 2021 survey, 74%

indicated that complaints are always replied to in two days (KBA, 2023). In the 2022 survey, 68.9% indicated that complaints are always replied to in two days, while in the 2022 survey, 66.4% of complaints are resolved within 2 days, 25.6% indicated that sometimes they are resolved while 4.9 % indicated that they are never resolved (KBA, 2024).

In Equity Bank Limited, non- financial performance indicators confirmed the industry's performance. The Equity bank's net promoter scores were 21% in 2021, 47% in 2022 and 47% in 2023 (Equity Bank Limited, 2022). Equity bank satisfaction score was 81% which is a bit low compared to the highest-ranking bank which was at 90.7%. Concerning the complaints resolution rate, Equity Bank recorded 93% done within 5 days compared to 97.8% of the best-performing bank (KBA, 2024).

Statement of the Problem

Although Equity Bank has sustained superior performance over the years, just like other commercial banks in Kenya, it is faced with very stiff competition as the banks attempt to surpass one another in terms of products, service delivery, and retention of employees. The performance seems to be declining (KBA, 2023). Based on a 2021 banking industry customer satisfaction by the Kenya Bankers Association (KBA), the bank was ranked number three and has not featured in the top 3 ever since based on the 2022 and 2023 surveys (KBA, 2022).

Concerning the internal processes, there are still some inefficiencies that could be costing the bank. Some of the challenges with internal processes include delayed reversal, transaction failures, network failures, and fraud (Karimi, 2018). This has significantly affected customer satisfaction. The Equity bank's net promoter scores were 21% in 2021, 47% in 2022 and 47% in 2023 (Equity Bank Limited, 2022)

Recently, cases of fraud have been reported with many customers reporting loss of funds from their accounts (Mwende, 2023). While the management

has assured customers of the safety of their accounts, the issues could still be affecting the bank's performance (Mwende, 2023). Concerning organizational capacity, a review of Equity Bank Limited in relation to career opportunities, culture and values, compensation and benefit, and work/life balance shows that only 79% would recommend the bank to a friend, which shows that overall workforce satisfaction still needs some improvements. A recent report shows that employee satisfaction has been on the decline. As such, the bank has experienced a drop in staff for the first time in four years. This is after 415 staff exit the bank in the year ended December 2023 (Mwangi, 2014). As indicated in equity bank sustainability reports, staff turnover has been on the rise. In 2021, the bank had 6408 employees, yet it had hired 1236 new employees. In 2022, the bank had 8,178 employees but had hired 2044 new employees. In 2023, the bank's employees dropped to 7763, yet it had hired 1,123 new employees during the year. This shows that rate of staff turnover is high an indication of employee dissatisfaction (Equity Bank Limited, 2022; Equity Bank Limited, 2024). Therefore, there is a need for sustained strategic innovations to enhance competitive advantage and superior performance (Roberts & Amit, 2013). Efficient and effective implementation of strategic innovation is crucial for survival and sustenance (Ferreira, Manso, & Silva, 2017).

Several researches have assessed the effect of innovation in the finance sector on organizational performance (Chien et al., 2021; Chipeta & Muthinja, 2018; Muia, 2018; Muchemi & Moronge, 2017). The results showed that innovation significantly influences firm performance. However, the variables involved were mainly financial unlike the current study. This research involves the left-out variables on organizational performance by concentrating on non-financial performance and strategic innovation at Equity Bank, Kenya.

Objectives of the Study

The General Objective of the Study was to assess

the effects of strategic innovation on the non-financial performance at Equity Bank in Nairobi County, Kenya. The study was guided by the following objectives

- To examine the influence of product innovation strategy on non-financial performance of Equity Bank in Nairobi County.
- To determine the impact of process innovation strategy on non-financial performance of Equity Bank in Nairobi County.
- To establish the market innovation strategy effect on non-financial performance of Equity Bank in Nairobi County.
- To analyze the effect of organizational innovation strategy on non-financial performance of Equity Bank in Nairobi County.

The study hypotheses were

- H₀₁ What influence does product innovation strategy on the non-financial performance of Equity Bank Kenya?
- H₀₂ What is the effect of process innovation strategy on the non-financial performance of Equity Bank Kenya?
- H₀₃ How does market innovation strategy affect the non-financial performance of Equity Bank Kenya?
- H₀₄ What impact does organizational innovation strategy have on the non-financial performance of Equity Bank Kenya?

LITERATURE REVIEW

Theoretical Review

Balanced Scorecard Model (BSC)

According to the Harvard Business Review article (1992), the BSC model was advocated by David Norton and Robert Kaplan through their article first published in the year 1992 and later in 1996, the proponents published a book on the BSC Model. It argues that in the measurement of an organization's performance, the operational

measures should also be incorporated to complement the financial measures (Kaplan & Norton, 1992). This enables an organization to be analyzed from various perspectives incorporating financial, customer viewpoint, internal procedures and growth and learning (Kaplan & Norton, 1992).

Kaplan & Norton (1996) submitted that metrics used in the BSC provide a holistic comprehension of how advancements in one section can influence other sections for example an improvement in the internal process can result in enhanced customer satisfaction: This understanding of many interrelationships helps managers make better decisions and solve problems effectively.

The BSC model advocates for the alignment of the strategy and vision across the organization. Additionally, the measures are formed with the aim of bringing human capital in the same direction as the vision of the firm. (Kaplan & Norton, 1996). Among the four viewpoints suggested by the BSC, the study mainly focused on the internal operations, the learning and innovation viewpoint, and the customer perspective.

The Schumpeter's Theory of Innovation

Joseph Schumpeter introduced this view of entrepreneurship and innovativeness through his publication in 1934. Schumpeter indicated that in order to obtain greater returns, business owners should innovate. However, these high returns attract imitators resulting into a decrease in the abnormally high profits in the market. (Schumpeter, J.A, 1934)

Schumpeter (1934) posited that innovative and novel ideas can be realized by entrepreneurs and their actions can alter the market and the process of production. In agreement with Schumpeter's arguments, Solow (1957) highlighted the importance of innovation for a country's development. Schumpeter (1939) put forward an emphasis on the crucial role of big organizations in creating innovations to enhance their competitive edge and encourage economic growth.

Diffusion of Innovation Theory

Everett Rogers (1962) introduced DOI through his book publication in the year 1962. It suggests that innovation refers to a new object, practice, or idea incorporated into a social structure. Conversely, innovation diffusion is the means by which this new concept is transmitted into the social system using predetermined channels over a specific duration. The theory defines the patterns of technology adoption, elaborates on the mechanisms of adoption, and predicts how and whether innovation was successful. Everett Rodgers (1962) submitted that innovations are not accepted at the same rate by various people in the market and that the social system can influence the rate at which adoption occurs. Therefore, the DOI seeks to explain the way innovations are accepted and used in a social system.

The DOI theory has not been without some criticism. Robinson (2009) criticized the DOI theory on the basis that the theory took a drastically diverse outlook, unlike other change theories. He argued that the theory fails to focus on how people can change but perceives change to be largely about the reinvention or progression of products to fit the individual's needs or wants. Robinson (2009) further suggested that the notion of the DOI theory is that people do not change, but innovation needs to be in line with their needs. Sevcik (2004) noted that process of taking in the innovation is not instantaneous, instead it occurs gradually. He further maintains that resistance to change has a great impact on the diffusion of innovation, thereby delaying the acceptance of an innovation.

Resource-Based View Theory

Penrose (1959) initially proposed the RBV theory that was later worked on by Wernerfelt (1984) and advanced in the 1990s by Barney (1991). Penrose (1959) indicated that managers can utilize the resources and capabilities of a company to come up with services and products than meet customer expectations better than their rivals.

It argues that gaining a competitive edge is possible

if an organization focusses on its unique set of resources. Barney (1991) mentioned rarity, lack of substitutability, value and imperfect imitability as the features that can bring about competitive advantage. The RBV can be applied to explain why some businesses may succeed compared to others despite being within the same sector. Spanos and Lioukas (2001) confirmed this argument when they noted that variations in a competitive position in any industry enjoyed by various firms are best explained by this theory.

Empirical Review

Tsai, Chang, Lin, Cheng and Chih (2020) undertook an investigation on the relationship between product innovation and performance of tech organizations in Taiwan. They targeted 150 firms selected randomly in the tech industry. 600 managers were involved as the respondents and they were sent questionnaires electronically. 135 were responsive and 125 questionnaires were properly answered. The outcome established that innovation of products has a positive impression on organizational outcome. It differs from the current study since it focalized on tech firms in Taiwan. Additionally, it involved tech industry while the study was on the banking industry.

Fidelia and Ogor (2022) conducted investigation concerning innovation of products and its implication on performance of the manufacturing sector. The survey approach was applied and a total 180 participants were targeted from the Asaba area in Nigeria. Based on the 124 respondents selected, the study results indicated an enhancement of manufacturing companies' performance attributed to product innovation. This was focused on manufacturing firms in Nigeria which differs from this study whose focus was on the banking industry.

Cheah, Leong, and Fernando (2022) dwelt on the connection linking performance of SMEs in Malaysia to process Innovation. 123 respondents were targeted. Study research revealed notable improvement in performance attributed to process innovation. It was done in Malaysia as opposed to

the current one that was done in Kenya. Additionally, the focus was on SMEs while the present one was on banks.

Raja and Wei (2014) launched research on innovation of processes consequence on the performance of the service sector in Pakistan. 157 firms were involved the study. Data analysis was conducted and the outcome showed notable influence in service sector firms' performance. This research centered on Pakistan's service sector in general while this research was centered on Equity Bank Limited in Nairobi County in Kenya.

The association between innovation in marketing and Turkish organizations performance was investigated by Atalay, Anafarta, and Sarvan (2013). 113 senior management employees of companies in the automotive industry were interviewed via a questionnaire. A favorable association between innovation in marketing and performance could not be found. The research was conducted in the Turkish automobile sector; hence, the results cannot be applied to Kenyan commercial banks; the market dynamics in banking environment are different compared to the automotive industry in Turkey. As such, this investigation differed from Atalay *et al.* (2013) study.

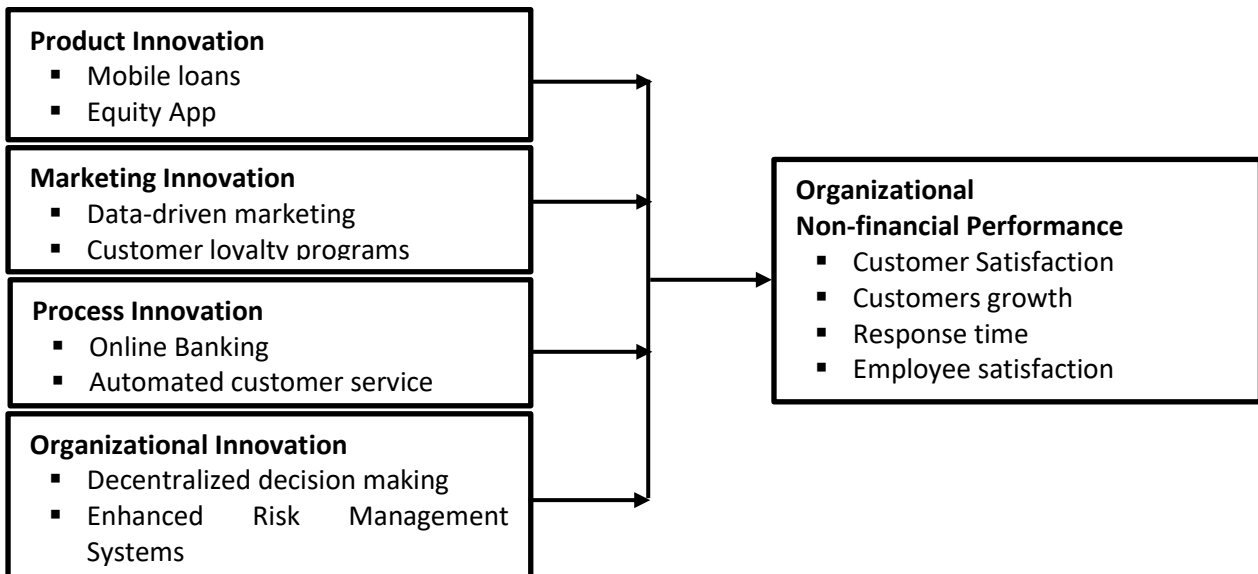
Raja and Wei (2014) studied "the relationship between innovation, quality practices and firm performance" within the service sector in Pakistan. 157 service sector organizations were targeted and

data was gathered and evaluated utilizing inferential and descriptive techniques. The findings indicated that marketing innovation strongly affects both client and societal outcomes. This research majored on organizations in the Pakistan's service industry; hence, the findings aren't generalizable to banks in Kenya.

The connection between innovation within organizations in the aspect of innovation in technology and business performance was explored by Camisón and Villar-López (2014). 50 industrial firms were targeted and a questionnaire was the mode of data collection. It stipulated that organizational innovation can result to exceptional performance. The research centered on industrial companies in Spain, while this investigation concentrated on Kenya's banking sector. Therefore, the cultural, economic, and regulatory contexts are different. Second, the population characteristics differ; hence, the findings of this investigation are not generalizable to Equity Bank in Kenya.

Noruzi *et al.* (2013) explored the association between organizational innovation and performance of manufacturing companies in Iran. 106 companies were targeted out of which 280 top managers made the respondents of the study. The outcome indicated that transformational leadership influences organizational innovation leading to better performance. It differs from current context which was on Equity Bank.

Conceptual Framework



Independent Variables

Dependent Variables

Figure 1: Conceptual Framework

METHODOLOGY

The case study design, which Kothari (2004) states provides a thorough analysis of a single subject or a collection of events was used. This design plays a crucial role in narrowing a broad area or population into something manageable for research. The case study design was suitable as it allowed the researcher to evaluate how different innovation strategies influence non-financial performance at Equity Bank and used it to generalize on commercial banks in Kenya. The study targeted Equity Bank locations in Nairobi County. All the 52 Equity Bank branches in Nairobi County were included. This ensured the collected data was representative and detailed enough. Census method was employed encompassing all the 52 branches in Nairobi County. Data was collected from two top management employee in all the 52 branches. Therefore, 104 respondents were targeted. This was deemed appropriate because in each of these branches regardless of the size, at least two top management staff can be found; that is a Branch manager and an operations Manager.

A questionnaire was applied for gathering information. Mugenda & Mugenda (2013) posited

that questionnaires are used prevalently to accumulate data from a large population due to their economical nature. The hybrid questionnaire made room for both open and closed questionnaires in order to acquire more detailed information.

The research employed conceptual analysis and summary statistics in the analysis of data gathered. A presentation of the results was done in percentages, standard deviations, mean and frequencies. Additionally, a pictorial presentation in pie charts and bar charts was included. The link between the variables was examined utilizing multiple linear regression.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$$

Where,

Y = Non- financial Performance

B0 = Constant

β1, β2, β3, β4, = R squared

X1 = Product Innovation Strategy

X2 = Process Innovation Strategy

X3 = Market Innovation Strategy

X4 = Organizational Innovation Strategy

ϵ = Error term

RESULTS

Response Rate

92 questionnaires were completed and returned. In contrast, 12 remained unanswered, accounting for 11.5% of the total. This represents an 88.5% response rate, reflecting strong participant engagement.

Descriptive Statistics

The findings for the four research variables are shown in this section. It outlines the key findings for each variable showing the trends in their performance.

Product Innovation Strategy

Equity Bank Kenya's product innovation strategy demonstrates strong positive outcomes. 56.5% of participants agreed, and 33.7% strongly agreed that bold initiatives like mobile loan services improved credit accessibility, yielding a high mean of 4.2391 (SD = 0.6179). Only 9.8% remained neutral, with no disagreement, signaling broad consensus. Similarly, 88% (40.2% agree + 47.8% strongly agree) linked innovative products like mobile loans to enhanced customer satisfaction, though the higher standard deviation (0.7719) suggests slight variability in

experiences. The mobile application role in customer experience saw even stronger approval with 91.3% agreeing and strongly agreeing (mean = 4.4130, SD = 0.7133), reflecting tighter alignment on its accessibility benefits. Notably, 94.5% tied product innovations like the Equity app to higher overall customer satisfaction (mean = 4.4891, SD = 0.6711), with negligible disagreement (2.2%), underscoring its effectiveness. However, while 92.4% believed innovations boosted employee performance (mean = 4.4891), the higher SD (0.7631) and 4.3% disagreement hint at mixed internal perceptions. Finally, mobile banking's impact on customer acquisition was perceived to be strong with 67.4% strongly agreeing and 28.3% agreeing (mean = 4.6304, SD = 0.5687), with no dissent and the lowest variability, affirming its role in market growth. Overall, Equity Bank's product innovation strategy is widely viewed as successful with minor divergences in employee-related impacts. The study validates the findings of Kawira (2021), Fidelia and Ogor (2022) and Tsai et al. (2020) who did studies on the effect of product innovation on performance and found a high level of agreement on good product innovation improves employee's performance, and customer satisfaction.

Table 1: Product Innovation Strategy

	SD	D	N	A	SA	Mean	SD
The bank has imaginative, bold and early product development like mobile loan service which has improved the accessibility of credit facilities for customers.	0%	0%	9.8%	56.5%	33.7%	4.2391	.6179
The bank has innovative products like mobile loans which have enhanced customer satisfaction.	0%	3.3%	8.7%	40.2%	47.8%	4.3261	.7719
The bank's product innovation like the mobile app has improved customer experience by making banking services more accessible.	0%	2.2%	6.5%	39.1%	52.2%	4.4130	.7133
The bank's product innovations like the Equity app have enhanced customer's overall satisfaction with Equity Bank's services.	0%	2.2%	3.3%	38.0%	56.5%	4.4891	.6711
The bank's product innovation like the Equity app has enhanced the employee's performance.	0%	4.3%	3.3%	31.5%	60.9%	4.4891	.7631
Mobile banking has attracted new customers to Equity Bank.	0%	0%	4.3%	28.3%	67.4%	4.6304	.5687

Equity Bank Kenya's product innovation strategy reveals a stark divide in perceptions. About 39.1% (36 of 92 respondents) agreed that it is effective. However, a majority of 60.9% (56 respondents) disagreed. This signals potential gaps in execution or alignment with stakeholder needs. Among those who agreed, respondents highlighted a customer-centric and collaborative approach to identifying and prioritizing new product ideas. Customer insights emerged as a cornerstone. Many respondents emphasized customer feedback, citing phrases like "through talking with our customers," "customer opinions," "feedback from customers," and "customer satisfaction from their feedbacks."

The focus on customer insights was paired with efforts to gauge customer loyalty and satisfaction. Responses included statements like "customer satisfaction and loyalty to the new products" and "customer feedback based on their satisfaction." Additionally, internal collaboration played a critical role. Methods such as brainstorming with employees, department meetings, employee inputs in meetings, and workshops organized by departments helped foster ideation. Respondents also stressed market-driven strategies. These included conducting market research, identifying trends, and analyzing market trends to align innovations with industry dynamics. Structured evaluation through feasibility analysis further ensured practicality. Responses highlighted this through phrases like "feasibility analysis" and "ensuring practicality before implementation." Hybrid approaches combined both external feedback and internal teamwork. Statements such as "engaging employees and customers" and "regular meetings with employees" underscored this integration.

Process Innovation Strategy

The results of Equity Bank Kenya's process innovation strategy indicate a strong positive reception to technological advancements in banking services. The implementation of advanced

technologies such as internet banking has significantly improved service efficiency. Among respondents, 52.2% agreed with this statement and 42.4% were neutral. Just 2.2% strongly disagreed while 3.3% disagreed. The mean of 4.4457 suggests a strong consensus that these technologies have reduced service time. The 0.66900 standard deviation suggests that responses did not vary widely. Similarly, the bank's investment in online banking has been well received. About 60.9% of respondents agreed that it has enhanced transactional efficiency and speed, while 30.4% were neutral. Just 1.1% strongly disagreed, while 7.6% disagreed. The 4.5109 mean score shows a positive perception. The 0.68732 standard deviation indicates a little degree of response variance but still indicates a strong agreement overall.

The utilization of innovative technologies such as automated customer service and online banking has helped ease the workload on employees. This, in turn, has contributed to improving employee satisfaction. A majority of 55.4% of respondents agreed with this assertion, although 38.0% were undecided. Only 3.3% strongly disagreed, and another 3.3% disagreed. A mean of 4.4565 suggests general agreement that these technologies benefit employees. The 0.71734 standard deviation shows moderate variation in opinions. Additionally, online banking has significantly enhanced the overall customer experience. About 69.6% of respondents agreed with this, while 21.7% maintained a neutral stance. Just 2.2% of the participants disagreed strongly, whereas 6.5% disagreed. The high average score of 4.5870 supports the idea that online banking has improved service delivery. The standard deviation of 0.71333 implies a uniformity in agreement among participants.

The bank's automated customer service system received a relatively lower level of approval in reducing customer wait times. A majority of 58.7% of respondents disagreed with this assertion, while

13.0% took a neutral position. Only 23.9% agreed, and 4.3% disagreed strongly. This led to a lower mean score of 3.5652. Among the replies, the largest standard deviation was 0.90547, suggesting considerable variation in opinions. Despite this, online services have encouraged self-service, which has enhanced customer satisfaction. A majority of 63.0% of respondents agreed with this, while 30.4% remained neutral. A mean of 4.5652 was high, and the standard deviation of 0.61670 was relatively low. This reflects consistency in responses. Finally, online banking has effectively reduced customer flow to physical branches, thereby easing staff workload. A striking 75.0% of respondents agreed with the assertion while 19.6% were neutral. Only 5.4% disagreed. The exceptionally high mean of 4.6957 and the standard deviation of 0.56915 indicate substantial and steady agreement. This implies that digital banking solutions have had a positive impact on employee workload management. Overall, these results highlight the

bank's ability to successfully use technology for process innovation. However, challenges remain in the effectiveness of automated customer service. This study validates the findings of Akpoviroro et al. (2019), who did a study on the impact of process innovation on organizational performance and found that respondents strongly agreed that process innovation enhances efficiency and overall performance. This study also aligns with the findings of Atalay, Anafarta, and Sarvan (2013), who examined the relationship between innovation and firm performance and found that firms implementing innovative processes experienced better operational and financial results. Additionally, this study supports the findings of Nyamoita (2015), who investigated the effect of process innovation on financial performance in utility companies in Kenya and found consensus on the benefits of process innovation in enhancing profitability and operational efficiency.

Table 2: Process Innovation Strategy

	SD	D	N	A	SA	Mean	SD
The bank has implemented advanced technologies like internet banking which have made services point to take less time.	0%	2.2%	3.3%	42.4%	52.2%	4.4457	.66900
The bank has invested in Online banking which has enhanced transactional efficiency and speed.	0%	1.1%	7.6%	30.4%	60.9%	4.5109	.68732
The use of innovative technologies like automated customer service and online banking has eased the workload on employees which in turn improves employee satisfaction.	0%	3.3%	3.3%	38.0%	55.4%	4.4565	.71734
The bank's online banking system has enhanced customer's overall banking experience.	0%	2.2%	6.5%	21.7%	69.6%	4.5870	.71333
The bank's Automated customer service has reduced customer's wait time which enhances their satisfaction.	0%	4.3%	58.7%	13.0%	23.9%	3.5652	.90547
The bank's online services have encouraged self-service hence enhanced customer satisfaction.	0%	0%	6.5%	30.4%	63.0%	4.5652	.61670
Online banking has reduced customer flow to the branch thus easing staff workload.	0%	0%	5.4%	19.6%	75.0%	4.6957	.56915

The findings show that majority of participants, 85.9% (79 out of 92), stated that there has been no recent process improvement initiative at Equity Bank Kenya. In contrast, only 14.1% (13 respondents) acknowledged such an initiative. This suggests that while some employees recognize efforts toward process improvements, the majority do not perceive any recent changes. Among those who agreed that the bank has undertaken process improvement initiatives, various methods were highlighted for employee involvement. One common approach was departmental meetings, where employees could share insights and contribute to process enhancements. Group discussions provided a platform for employees to exchange ideas and collaborate on solutions. The bank also engaged employees through innovation programs, encouraging them to contribute creative solutions to improve processes. Cross-department collaboration was another key method, allowing employees from many departments of the company to collaborate in identifying and implementing improvements.

Regular group meetings were mentioned as a way to facilitate discussions. Feedback and communication channels ensured that employees could voice their concerns and suggestions effectively. Some respondents specifically pointed out the role of WhatsApp groups. These groups were used for discussions and group meetings, enhancing real-time communication among employees. Furthermore, training workshops were conducted. These sessions equipped employees with the skills and knowledge necessary for process improvement. Departmental discussions and meetings were also frequently cited. They served as structured forums where employees could contribute ideas. The responses indicate that Equity Bank Kenya employs multiple engagement strategies. These efforts help involve employees in identifying process improvement opportunities. However, these initiatives may not be widely recognized across the organization.

Market Innovation Strategy

Equity Bank Kenya's market innovation strategy shows mixed results across different initiatives. Personalized marketing campaigns are well-received, with 91.3% of customers agreeing that the bank tailors efforts to their needs. Only 4.3% were neutral or strongly disagreed, leading to a standard deviation of 0.30 and a mean of 3.00, confirming strong consensus. Targeted campaigns for new customers perform even better, with 54.3% strongly agreeing and 40.2% agreeing that the bank uses customer behavior effectively. Disagreement is minimal (4.3% D, 1.1% SD), resulting in a high mean (4.45) but a moderate deviation (0.73), suggesting slight variation in perceptions.

Customer engagement is particularly strong, with 72.8% strongly agreeing and 25.0% agreeing that marketing efforts boost interaction. The mean (4.70) is near-perfect, and the low deviation (0.55) indicates consistent positive feedback. However, loyalty programs show weaker performance. While 71.7% agree they encourage continued service use, only 17.4% strongly agree, and 9.8% remain neutral. The mean (3.43) is lower, and the higher deviation (0.79) reveals mixed opinions. Similarly, just 13.0% strongly agree that loyalty programs improve satisfaction, though 75.0% agree. The mean (3.29) and deviation (0.75) suggest this area needs improvement. In summary, Equity Bank excels in personalized and targeted marketing but must enhance its loyalty programs to boost customer satisfaction further. This study validates the findings of Atalay et al. (2013), who did a study on the relationship between innovation and firm performance and found a consensus that firms adopting market innovation experienced improved competitiveness and customer satisfaction. Similarly, this study supports the findings of Mugo (2015), who examined innovations and performance in Kenya's wine industry and found widespread recognition of market innovation's role in expanding market share and increasing performance.

Table 3: Market Innovation Strategy

	SD	D	N	A	SA	Mean	SD
The bank conducts marketing campaigns that are personalized based on customer's banking needs and preferences.	0%	0%	4.3%	91.3%	4.3%	3.0000	.29650
The bank engages in targeted marketing campaigns to reach new customers based on customer banking behavior.	0%	4.3%	1.1%	40.2%	54.3%	4.4457	.73176
The bank's targeted marketing efforts have increased the customer's engagement with the bank's services.	0%	1.1%	1.1%	25.0%	72.8%	4.6957	.54951
The bank's loyalty programs encourage customers to continue using the bank's services.	0%	1.1%	71.7%	9.8%	17.4%	3.4348	.78872
The bank's customer loyalty programs have improved customer's overall experience and satisfaction.	0%	4.3%	75%	7.6%	13.0%	3.2935	.74918

The data reveals that only a small minority of respondents (9.8%, or 9 out of 92) agreed that their bank actively identifies and evaluates new market opportunities. In contrast, the vast majority (90.2%, or 83 out of 92) did not agree. This significant disparity suggests that most respondents believe their banks are not sufficiently engaged in exploring new market opportunities. It could indicate a lack of proactive market analysis or innovation within these institutions. The high percentage of "No" responses highlight a potential gap in strategic market exploration. This gap could hinder competitiveness and growth. On the other hand, the small fraction of "Yes" respondents implies that only a few branches are actively pursuing such initiatives. These banks may have an edge in adapting to market changes and meeting customer needs.

Among those who agreed, banks used different methods to identify and evaluate new market opportunities. Some encouraged internal collaboration, bringing employees together to share insights. Others relied on feasibility studies or feasibility analysis to test new ideas before implementation. Customer feedback also played a role. Some banks conducted surveys to understand client needs. Meanwhile, others tracked market trends or performed market research to spot

emerging opportunities. Leadership involvement was another key factor. A few respondents noted that company executives helped by sharing information and guiding decisions. These varied approaches show that successful banks use multiple strategies. They combine data-driven research, leadership direction, and direct customer input. This flexibility allows them to stay competitive and adapt to changing markets.

Organizational Innovation Strategy

The results indicate that Equity Bank Kenya's organizational innovation strategy focuses on decentralized decision-making and risk management. The first statement examines whether decentralized decision-making facilitates quicker responses to customer needs at the branch level. A significant 92.4% of respondents remained neutral, while 3.3% agreed and 1.1% disagreed. The low standard deviation of 0.33078 and the high mean of 3.9783 suggest a general consensus that this strategy is effective. The second statement evaluates whether the empowerment of branch managers has improved customer experience. Responses were more mixed. A majority of 78.3% were neutral, 16.3% agreed, and 3.3% participants disagreed. The standard deviation was 0.50511 and the mean score was 3.1739 indicating moderate variation in perceptions. This suggests that while

some employees see improvements, many remain uncertain about the effect of managerial empowerment on customer experience.

Employee satisfaction due to branch manager empowerment received mixed responses. 3.1522 was the average score, while 0.62783 was the standard deviation. A majority of 71.7% of those surveyed stayed neutral, while 15.2% agreed and 8.7% disagreed. This suggests uncertainty about the effectiveness of this empowerment in improving employee satisfaction. Views on whether decentralized decision-making has reduced service delivery delays were more divided. About 52.2% of respondents remained neutral, while 31.5% agreed and 9.8% disagreed. The mean value was 3.3478, while the standard deviation was 0.74767. This shows greater diversity of viewpoints regarding the matter. The statement on enhanced risk management systems improving customer confidence also showed varied responses. About

41.3% remained neutral, 39.1% agreed, and 4.3% disagreed. 3.6522 was the mean, while 0.79053 was the standard deviation. That suggests that while some respondents see the benefits, a large percentage remains unclear. Overall, the findings suggest that decentralized decision-making and risk management strategies are in place. However, their effectiveness is not universally perceived. These results highlight areas where further improvements may be needed. This study validates the findings of Noruzy et al. (2013), who examined the relationships between innovation and performance in manufacturing firms and found strong agreement that organizational innovation strategy enhances performance. Similarly, this study aligns with the findings of Atalay et al. (2013), who investigated the link between innovation and firm performance and revealed consensus among respondents, emphasizing innovation's role in sustaining long-term firm success.

Table 4: Organizational Innovation Strategy

	SD	D	N	A	SA	Mean	SD
The bank's decentralized decision-making facilitates quicker responses to customer needs at the branch level.	0%	1.1%	3.3%	92.4%	3.3%	3.9783	.33078
The empowerment of branch managers to make decisions has improved customer's experience with Equity Bank's services.	0%	3.3%	78.3%	16.3%	2.2%	3.1739	.50511
The empowerment of branch managers to make decisions has improved employee satisfaction.	0%	8.7%	71.7%	15.2%	4.3%	3.1522	.62783
The bank's decentralized decision-making has reduced delays in service delivery.	0%	9.8%	52.2%	31.5%	6.5%	3.3478	.74767
The bank has implemented enhanced risk management systems which improve customer's confidence in bank services.	0%	4.3%	41.3%	39.1%	15.2%	3.6522	.79053

The data reveals that only a small minority of respondents (10.9%, or 10 out of 92) confirmed that Equity Bank had implemented new organizational methods, systems, or procedures in the past year. In contrast, the vast majority (89.1%, or 82 respondents) reported no such changes. This suggests that while innovation is happening within the bank, it may not yet be widespread. It could

also indicate that these changes are not fully communicated across all levels of the organization. The low percentage of affirmative responses may mean that the changes are recent, limited to specific departments, or still in the early stages of adoption. However, those who acknowledged the changes highlighted several positive outcomes. They mentioned improved customer and employee

satisfaction, increased efficiency, and business growth. These insights suggest that while innovation efforts exist, there may be a need for broader implementation and better communication.

Among those who agreed that new methods or systems were implemented, several benefits were highlighted. Some respondents noted that refinements to the online platform led to increased customer satisfaction and loyalty. Others observed that these changes contributed to an expanded customer base. Additionally, some respondents pointed out that the new systems reduced time wastage. They mentioned that these improvements streamlined operations and enhanced productivity. A few also highlighted improved employee satisfactions. This suggests that the new procedures may have positively impacted workplace morale and efficiency. These improvements indicate that Equity Bank is working to enhance both customer and employee experiences using process optimization. However, since only a fraction of respondents acknowledged these changes, there may be a need for better internal communication. The bank could also broaden the implementation of these initiatives to ensure wider recognition and adoption across the organization.

Non-financial Performance

The results indicate that Equity Bank Kenya's non-financial performance has been positively influenced by various innovation strategies. Customer satisfaction due to product innovation strategies received strong agreement. About 72.8% of respondents agreed, while 23.9% remained neutral. 1.1% strongly disagreed, while just 2.2% disagreed. The low standard deviation of 0.57282 and the high mean of 4.6848 indicate strong positive perceptions with minimal variation among respondents. Similarly, market innovation strategies have contributed to notable customer growth. This is represented by a mean score of

4.0978 with a standard deviation of 0.47021. Most of those surveyed (80.4%) remained neutral on this aspect. However, 15.2% agreed, and only a small percentage (3.3%) disagreed. This indicates a generally positive but slightly less conclusive assessment.

Process innovation strategies have also played a role in customer growth. About 55.4% of respondents agreed, while 37.0% remained neutral. Only 6.5% disagreed. This produced a standard deviation of 0.67043 and a mean of 4.4674, suggesting a solid consensus. However, the effect of organizational innovation strategies on response time to customer inquiries and issues was more varied. About 48.9% of respondents remained neutral, while 31.5% agreed. A notable 19.6% disagreed. A mean of 3.8261 with a standard deviation of 0.88465 indicate a wider range of opinions. This implies that some respondents have not yet experienced notable improvements. Lastly, employee satisfaction due to organizational innovation strategies received strong agreement. About 63.0% of respondents agreed, while 32.6% remained neutral. Only a small fraction (3.3%) disagreed. A mean of 4.5761 and a standard deviation of 0.61544 resulted from this. These results show that Equity Bank Kenya's innovation strategies have positively impacted customer satisfaction, customer growth, and employee satisfaction. However, the effectiveness of some initiatives, such as response time improvements, may require further enhancement. This study validates the findings of Atalay et al. (2013), who examined the relationship between innovation and firm performance and found strong agreement that customer satisfaction and market growth were key outcomes of innovation strategies. Similarly, this study supports the conclusions of Mugo (2015), who analyzed innovation in Kenya's wine industry and found high respondent agreement that non-financial measures significantly contributed to performance.

Table 5: Non-financial Performance

	SD	D	N	A	SA	Mean	SD
Customer satisfaction has improved due to the product innovation strategies at Equity Bank Kenya.	0%	1.1%	2.2%	23.9%	72.8%	4.6848	.57282
Notable growth in the number of customers can be attributed to market innovation strategies at Equity Bank Kenya.	0%	1.1%	3.3%	80.4%	15.2%	4.0978	.47021
Customer growth has been positively influenced by process innovation strategies at Equity Bank.	0%	1.1%	6.5%	37.0%	55.4%	4.4674	.67043
Improved response time to customer inquiries and issues have resulted from organizational innovation strategies	0%		48.9%	19.6%	31.5%	3.8261	.88465
Employee satisfaction has been enhanced by organizational innovation strategies within Equity Bank Kenya.	0%	1.1%	3.3%	32.6%	63.0%	4.5761	.61544

Inferential Statistics

Correlation

The research shows varying degrees of connection between innovation approaches and non-financial performance at Equity Bank Kenya. The product innovation strategy has a negative correlation with non-financial performance (-0.078). This indicates a very weak inverse relationship. It means that changes in product innovation strategy have little effect on non-financial performance. There is a weak positive connection (0.230) between the innovation in processes and non-financial performance. This suggests that improvements in process innovation may slightly improve non-financial performance. However, the relationship is not strong. The market innovation strategy has a negative correlation (-0.138) with non-financial performance. This signifies a very weak inverse

relationship. It suggests that market innovation may not significantly influence non-financial performance. The organizational innovation strategy has a correlation of 0.054 with non-financial performance. This is a very weak positive correlation. While there is some relationship, it is minimal and not statistically significant. Overall, process innovation strategy has the strongest relationship with non-financial performance, though it remains weak. The other innovation strategies exhibit very weak correlations, implying they have little to no direct impact on non-financial performance. This study contrasts with the findings of Raja and Wei (2014), who examined the relationship between innovation and firm performance and found only a weak correlation between these variables and performance outcomes.

Table 6: Correlations

			Product Innovation Strategy	Process innovation strategy	Market innovation strategy	Organizational Innovation Strategy	Non-financial performance
Product Innovation Strategy	Pearson Correlation		1	-.013	.179	-.047	-.078
	Sig. (2-tailed)			.903	.087	.657	.459
	N		92	92	92	92	92
Process innovation strategy	Pearson Correlation		-.013	1	-.010	.006	.230*
	Sig. (2-tailed)		.903	.922	.958	.027	
	N		92	92	92	92	92
Market innovation strategy	Pearson Correlation		.179	-.010	1	.189	-.138
	Sig. (2-tailed)		.087	.922	.072	.191	
	N		92	92	92	92	92
Organizational Innovation Strategy	Pearson Correlation		-.047	.006	.189	1	.054
	Sig. (2-tailed)		.657	.958	.072	.610	
	N		92	92	92	92	92
Non-financial performance	Pearson Correlation		-.078	.230*	-.138	.054	1
	Sig. (2-tailed)		.459	.027	.191	.610	
	N		92	92	92	92	92

Coefficient of Determination

The percentage of the variation of non-financial performance that can be accounted for by the strategic innovations is measured by the coefficient of determination. In this model, R² is 0.080, meaning that only 8.0% of the variation in non-financial performance at Equity Bank is explained by these strategic innovations. The other 92% is impacted by variables not included in the model. The R² value of 0.080 indicates that the model has weak predictive power. That implies that the strategic innovation variables explain just a small proportion of the changes in non-financial

performance. This indicates the fitness of the data is poor because most of the variation is influenced by other unaccounted factors. This study validates the findings of Atalay et al. (2013), who did a study on the relationship between innovation and firm performance and found that there was a weak model fitness, which aligns with the findings of this study. The study aligns with the Resource-Based View Theory by suggesting that the weak predictive power of the model may stem from innovations lacking the unique, valuable, and inimitable qualities needed to significantly enhance firm performance.

Table 7: Model Summary

Model	R	Adjusted R Square	Std. Error of the Estimate	Change Statistics			Sig. F Change	
				R Square Change	F Change	df1		df2
1	.282 ^a	.080	.28121	.080	1.881	4	87	.121

Analysis of Variance

The regression's overall significance is assessed in

the table above. It does this by comparing the explained variance to the unexplained variance. In

this model, the F-statistic is 1.881. This statistic measures how well the independent variables explain the variation in non-financial performance compared to random chance. A low F-statistic would indicate that the model is not effective in elaborating the dependent variable's fluctuation. Furthermore, 0.121 is the p-value (Sig.). This exceeds the 0.05 threshold of significance. Therefore, the model is statistically insignificant. The findings shows that the independent variables do not collectively have a significant effect on non-financial performance. Consequently, the model does not offer compelling proof that strategic

innovation significantly influences non-financial performance at Equity Bank. This study validates the findings of Atalay et al. (2013), who did a study on the relationship between innovation and firm performance and found that the combined effect of innovation strategies had an insignificant effect on non-financial performance. The study also aligns with the null hypothesis of the Resource-Based View (RBV) Theory, which emphasizes that possessing resources like innovation alone does not guarantee improved performance unless they are valuable, rare, inimitable, and well-organized.

Table 8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.595	4	.149	1.881	.121 ^b
	Residual	6.880	87	.079		
	Total	7.475	91			

Regression Coefficients

Table 9: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.740	.678		5.515	.000
	Product Innovation Strategy	-.033	.076	-.046	-.440	.661
	Process innovation strategy	.227	.102	.228	2.212	.030
	Market innovation strategy	-.125	.094	-.142	-1.326	.188
	Organizational Innovation Strategy	.061	.083	.077	.734	.465

CONCLUSION AND RECOMMENDATIONS

The research revealed that innovation in processes had a beneficial and statistically significant connection with non-financial performance. This means that improving process innovation directly enhances non-financial performance. Equity Bank's investment in internet banking, online banking, and automated customer service has improved transaction efficiency. It has also reduced waiting times and eased employee workload. These results emphasize the important role of continuously improving banking processes. Enhancing processes

helps to improve customer experience and employee satisfaction. For Equity Bank, this means prioritizing process innovation. Further automation, AI-driven service solutions, and self-service banking options could sustain positive performance outcomes. The results suggest that improving efficiency in service delivery is an important determinant of customer happiness and operational effectiveness.

The research revealed a negative statistically insignificant connection between market innovation strategy and non-financial performance.

This shows adjustments in market innovation strategies do not meaningfully affect non-financial performance. Despite Equity Bank's targeted marketing campaigns, loyalty programs, and customer engagement efforts, these strategies do not directly affect performance. This could mean that while marketing initiatives attract customer interest, they may not necessarily lead to better customer satisfaction. For Equity Bank, this implies that marketing efforts should be integrated with service quality improvements. Ensuring long-term customer retention and satisfaction requires more than just promotions. The findings suggest that the bank should refine its marketing strategies. Aligning them with customer needs and expectations is crucial. Promotional efforts must also be matched with high-quality service delivery to drive better outcomes.

The research found a positive statistically insignificant connection between organizational innovation strategy and non-financial performance. This means that changes in organizational innovation strategies do not strongly impact non-financial performance. Equity Bank's decentralized decision-making, risk management improvements, and branch manager empowerment have improved service delivery and employee satisfaction. The absence of statistical significance indicates that these measures alone may not be enough to drive substantial improvements. For Equity Bank, this implies that while decentralization and employee empowerment are beneficial, they should be supported by additional strategies. Leadership training, enhanced communication, and better alignment of organizational structures with service delivery goals are crucial. The findings suggest that organizational innovation must be strategically implemented. It should work alongside other improvement initiatives to achieve stronger results in customer and employee satisfaction.

In Conclusion, The research shows that non-financial performance was favorable and statistically significantly impacted by the process innovation strategy. It can be concluded that

investing in process innovation directly enhances customer satisfaction, employee performance, and operational efficiency. In contrast, product innovation strategies showed no association with non-financial performance that was statistically significant. This means that while these innovations do not directly improve customer satisfaction. It is concluded that Equity Bank should focus on integrating product innovations with better service delivery. This includes refining product usability and strengthening customer engagement. Marketing strategies should align with service quality improvements. Strengthening the connection between innovative banking solutions and customer-centric service approaches will help maximize the impact of these strategies. Market innovation findings underscore the strength of personalized and targeted marketing but reveal weaknesses in loyalty programs and proactive market exploration. Equity Bank should revamp its loyalty programs by incorporating customer feedback and benchmarking against industry leaders to boost retention and satisfaction, addressing the high neutrality among respondents.

Similarly, innovation in organizations had a statistically insignificant influence on non-financial performance. This means that while decentralized decision-making, risk management improvements, and branch manager empowerment enhance operational efficiency, they do not independently drive customer satisfaction or employee performance. Equity Bank should complement its organizational innovation efforts with leadership training and improved communication structures. Aligning organizational processes with service delivery goals is also essential. This approach will ensure that decentralized decision-making and employee empowerment lead to meaningful improvements. Ultimately, it will enhance customer experience and overall performance. The organizational innovation strategy results showed strong employee satisfaction but limited impact on customer experience and response times.

The recommendations given indicate that the

banking industry will benefit from this study by prioritizing process innovation as an important driver of non-financial performance. Regulations should promote the utilization of digital banking technologies while ensuring that innovation corresponds with the objectives of financial inclusion and consumer protection. Policymakers should develop guidelines that encourage banks to integrate digital transformation strategies with customer-centric service delivery. This study offers significant value for future researchers. The findings demonstrate that process innovations substantially enhance service efficiency, customer satisfaction, and employee workload management, as evidenced by strong respondent agreement and the regression analysis. process innovation's broader applicability.

Further studies have to focus on the long-term impact of process innovation on financial performance in the banking sector. Further research could examine how these innovations influence financial indicators like revenue growth, cost reduction, and profitability. A longitudinal study would help assess whether sustained investments in digital banking, automation, and process improvements lead to long-term financial success. Additionally, researchers could investigate client adoption rates in determining the efficacy of process innovations. Key factors to consider include technological literacy, accessibility, and customer trust in digital banking systems.

Further studies should examine the aspects that affect the connection between product, market,

and organizational innovation strategies and bank performance. Future research could explore whether factors such as customer service quality, employee engagement, corporate culture, or regulatory policies affect these relationships. These factors may either strengthen or weaken the impact of innovation strategies. Researchers could also investigate how banks can integrate innovation strategies more effectively to achieve better performance outcomes. A comparative study between banks that successfully leverage these innovations and those that do not could offer valuable insights. Such studies would assist in determining optimal procedures for innovation management in the banking sector.

Future research should conduct a comparative analysis across different financial institutions. This would help determine whether the effects of innovation strategies vary between commercial banks, microfinance institutions, and digital-only banks. Such a study could reveal whether traditional banks face unique challenges in implementing innovation compared to digital-first institutions. Additionally, future studies should evaluate the effects of external environmental factors on innovation effectiveness. Key factors to consider include economic conditions, competitive pressures, and evolving customer expectations. This research will offer a deeper comprehension of how banks can adapt their innovation strategies. It would also help them stay competitive in an increasingly digitalized financial landscape.

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