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KENYA**

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### ABSTRACT

The Co-operative Bank of Kenya despite its tremendous performance has encountered some challenges that have made the bank not to achieve all its performance targets. The bank has achieved a profit margin of 5% which lower than the 10% industry average. The Return on Asset (ROA) was at 0.8% in the year 2024 way below the 1.5% achieved in the year 2023. This study therefore, examined the effect of Automation strategy on the performance of cooperative banks in Nairobi City County, Kenya. The study was based on the resource-based view theory and the diffusion of innovation theory. The research employed a descriptive research design. The target population for this study consisted of the Co-operative Bank of Nairobi, Kenya. The respondents specifically included 82 employees situated at the bank's headquarters. This study utilized a census method, which encompassed the selection of all 82 respondents. The research used a questionnaire as the primary instrument for data collection. The pilot study involved 8 employees from the Co-operative Bank of Kenya. Content validity and face validity were employed to validate the instrument. The Cronbach's Alpha test served as a statistical method to evaluate the internal consistency of the research instrument and achieved an alpha value 0.785. The qualitative data generated from open-ended questions underwent thematic analysis. The quantitative data gathered from structured surveys was analysed using statistical techniques, including descriptive statistics such as the mean and measures of variability like standard deviation. Inferential statistics, encompassing regression and correlation analyses were utilized to explore relationships between variables, with the results presented in tables, graphs, and charts. The study found that automation strategy ( $\beta=0.0511$ ,  $p=0.002$ ) were found to have had a positive significant influence of performance of Co-operative bank. The study concludes that implementation of automation strategy by the bank has enhanced its performance through streamlined operations and minimization of manual errors leading to improved transactions processing and management of customer accounts. The study recommends that the bank should design a comprehensive evaluation of the present automation structure to establish areas that require improvement and optimization.

**Key Words:** Automation strategy, performance of Co-operative Banks.

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## INTRODUCTION

Financial institutions play a significant role in enhancing a nation's economy by offering essential services and products to both individuals and organizations. These institutions encompass commercial banks, credit unions, and investment companies, which enable customers to deposit and borrow funds, thereby improving the effective distribution of resources (McKillop, French, Quinn, Sobiech & Wilson, 2020). As noted by Yuan, Xiao, Milonas, and Zou (2022), the primary functions of financial institutions include accepting deposits from customers, such as savings and account balance confirmations, which safeguard assets and ensure liquidity. This, in turn, fosters customer trust, encouraging investments and the overall development of the economy. Consequently, financial institutions provide a variety of financial services that significantly contribute to the growth of a country's economy.

The banking sector in France is primarily led by institutions such as BNP Paribas and Société Générale, which have demonstrated significant performance recently due to their strategies of diversifying business models and concentrating on global markets. This focus has led to an expanded market share, the exploration of new international markets, and an increase in income sources. Aboura and Vanroye (2024) note that financial institutions in France have faced a decline in profit margins due to lower interest rates, compelling them to seek alternative sources of income and to innovate in their service delivery methods. Furthermore, these banks have made substantial efforts to embrace comprehensive technological advancements aimed at improving customer experience and achieving optimal operational efficiency.

The ability of an organization to innovate and adapt to evolving market conditions is essential for long-term survival. This encompasses aspects such as product and service innovation, as well as process automation, while consistently responding to the shifting demands of the market (Tanko & Kolawole, 2020). Murphy, Cooke, and Lopez (2023) observed

that in today's rapidly changing business landscape, organizations are persistently innovating to maintain their competitive edge, outperform their competitors, and fulfil customer requirements. This endeavour necessitates a culture of innovation that encourages employees to collaborate and generate distinctive ideas. In this study, performance was assessed based on customer satisfaction, profitability, efficiency, and client feedback satisfaction. Thillaivasan and Wickramasinghe (2020) observe that the automation strategy is a process of identifying processes that can be effectively automated and creation of indicators to assess the automation strategy effectiveness. Parthasarthy and Sethi (2022) observe that the automation strategy is an organized approach that defines the way in which an organization is aiming to influence its automation technology to reach optimum efficiency, reduce expenses and drive its productivity. In addition, it includes the identification of processes that can be automated through selecting the best tool and technology and setting performance targets regarding the automation effectiveness.

The Cooperative Bank of Kenya has demonstrated strong performance in various aspects of its operations, reflecting its robust financial health and strategic initiatives. For instance, in the 2024 Financial year, the bank recorded a net profit rise of 12.5% in contrast to 10.57% from the last year, driven by increased lending and improved operational efficiency. The bank has successfully mobilized deposits, with total customer deposits reaching Ksh 11 billion, marking a 16.78% increase. This growth is supported by competitive interest rates and innovative savings products. The Cooperative Bank has solidified its position as one of the leading banks in Kenya, with a market share of approximately 22.69% in terms of total assets and deposits. The bank has invested heavily in digital banking solutions, resulting in a 33.31% increase in online transactions and mobile banking usage (Cooperative Bank Report, 2024).

### Statement of the Problem

The Co-operative Bank of Kenya despite its tremendous performance has encountered some challenges that have made the bank not to achieve all its performance targets. This is witnessed by fluctuations in its net profit with the present years showing that the bank's financial performance has been declining. The bank has achieved a profit margin of 5% which lower than the 10% industry average showing underperformance of the bank. The Return on Asset (ROA) was at 0.8% in the year 2024 way below the 1.5% achieved in the year 2023 which is an indicator of insufficient use of assets. The bank had a decline of KES 100 billion to KES 95 billion customer deposits which could be attributed to lack of customer trust and declining market share. Moreover, there has a rising customer compliant to 1000 per year from 500 since the year 2021 which shows that customers may not be fully satisfied with the bank's services (Co-operative Bank Report, 2024).

**Objective:** Automation Strategy and performance of Co-operative Bank in Nairobi City County, Kenya.

### Significance of the Study

The findings of the study would aid the management of the Co-operative bank in understanding how to effectively implement their Automation strategy. The regulatory body would gain insights from the findings, allowing it to develop policies that align with the growing demands of the banking sector in Kenya. Investors and shareholders would also acquire knowledge regarding the bank's enhanced use of technology and performance, which would encourage them to invest in the bank. Furthermore, the study would identify gaps that other researchers interested in this field may seek to explore.

**Scope of the Study** The research concentrated on how automation strategy has influenced the performance of Co-operative Bank in terms of profitability, customer satisfaction, efficiency and customer feedback.

## LITERATURE REVIEW

### Resource Based View Theory

The theory of Resource Based View was formulated by Penrose (1959) who shows that an organization has its own resources and capabilities that are crucial in attaining its competitive edge and sustainability by stressing that the unique resources are distinctive from its external environment. Penrose (1959) further showed that there are three aspects of resources namely tangible, intangible and human and brought the idea of VRIN structure which meant that resource can improve the competitive advantage of the organization if only they are valuable, rare, inimitable, and non-substitutable. The resources that are valuable assists the organization to obtain opportunities, those that are rare gives the organization a better position within the market, those that cannot be imitated improves the brand of the organization and that which cannot be substituted are not able to be replaced enabling an organization to gain a competitive edge. The theory supports customer online experience strategy, continuous improvement and performance variables.

### Diffusion of Innovation Theory

The diffusion of innovation theory was developed by Rogers (1962) who examined the processes through which new ideas, technologies and practices could widely get to a larger population by pinpointing a number of critical aspects the could affect the individuals accept innovations such as innovative intrinsic elements, channels of communication to be used and alleged innovation traits, the social setting where diffusion happens which could constitute of relative benefit, compatibility, complexity, trialability, and observability. . Moreover, the bank can expect market patterns and needs of its customers making it able to launch unique products and services that are very competitive within the market it has acquired. The theory supports automation strategy in the study.

## Empirical Review

This part presents a number of studies that have been previously done related to the variables under examination and gaps in each study revealed

### Automation Strategy and Performance

Minoo (2023) examined the automation strategies of commercial banks within Kenya and how they had affected the banks' performance. Data was collected from all commercial banks via a Likert scale, achieving a 73% response rate. The analysis, conducted with SPSS, identified accounting software, automated functions, and software security as predictor variables. Bank rates and size were control variables. The findings revealed that 46.5% of bank performance is linked to the automation factors, while 53.5% is influenced by other unexamined variables. However, the research reveals a contextual omission as Co-operative bank was excluded from the banks chosen for the study. The present study examined performance of Co-operative bank of Kenya.

Mutisya, Nyamboga, and Njeru (2022) investigated how process innovation strategies influence the performance of tier 2 commercial banks in Kenya. Using an explanatory design, they collected primary data through questionnaires and secondary data from literature and annual reports. The study targeted 144 top management employees, with 120 responding. Data analysis employed descriptive and inferential statistics, revealing a significant impact of process innovation strategies on bank performance. However, the study used explanatory design presenting a methodological gap.

Doguru (2018) examined the effects of automation on the operational efficiency of Guarantee Trust Bank in Nigeria using a descriptive research design and a stratified sampling method selected 98 employees from the National Bank head office for structured questionnaires. Analysis was based on employing descriptive and inferential statistics, including regression and correlation analyses. The findings revealed that the bank perceived automated systems as significantly enhancing customer service and relationships, ultimately

improving organizational performance. However, the study context was Guarantee Trust Bank in Nigeria.

## METHODOLOGY

**Research Design:** The research utilized a descriptive research design. The design laid the basis for gaining knowledge about the interactions of the study variables assuring that the findings reflected the respondents' perspectives on the subject matter.

**Target Population:** The population included 82 employees stationed at the Co-operative Bank of Kenya's several head office locations, which serves as the central hub for the bank's operations and strategic decision-making. This group consisted of 15 senior managers, who held key leadership positions and are responsible for shaping the bank's strategic direction, as well as 67 additional staff members who play various roles in the implementation of the bank's policies and initiatives.

**Sampling Design and Sample Size:** Given that the study population was limited, a census method was utilized, resulting in a sample size of 82 respondents.

**Data Collection Instrument:** Data was collected using a questionnaire which had mixture of open and closed-ended questions to allow the respondent to give a complete response regarding each variable.

**Pilot study, Validity and Reliability of Research Instrument:** The study piloted 8 questionnaires that was 10% of the sample guided by Mugenda and Mugenda (2003). This research utilized two main validity evaluations: content validity and face validity. In this study, the assessment of reliability was conducted using the Cronbach's Alpha test. Consequently, a value of 0.744 was obtained, indicating a strong reliability of the questionnaire.

**Data Analysis and Presentation:** The qualitative data from the study was analysed thematically, and the results were presented in a narrative format. The quantitative data underwent analysis through descriptive methods, including percentage, mean, and standard deviation, to assess the level of agreement among respondents. Inferential analysis methods, such as correlation and regression analysis, were employed to investigate the relationships between variables. This analysis was conducted using the Statistical Package for Social Sciences (SPSS) software. The findings were illustrated using figures, charts, and tables.

## FINDINGS AND DISCUSSIONS

### Response Rate

The questionnaires were distributed to a sample of 82 respondents, with the expectation of receiving

### Automation Strategy

**Table 1: Automation Strategy**

Statements	SD %	D %	N %	A %	SA %	M	SD
Workflow automation decreases the time needed to finish repetitive tasks, enabling employees to concentrate on more strategic endeavours.	12.8	3.8	2.6	37.2	43.6	4.01	0.99
Workflow automation minimizes the chances of errors that can arise from manual procedures, resulting in more dependable results	0.0	5.1	0.0	50	44.9	4.55	0.45
Self-service portals provide tailored experiences according to customer preferences and actions, resulting in increased satisfaction	2.6	1.3	0.0	25.6	70.5	3.68	1.32
Self-service portals include features for customer feedback, allowing banks to gather insights and make data-driven decisions	11.5	5.1	0.0	38.5	44.9	4.27	0.73
Customer service automation handles multiple simultaneous inquiries, minimizing wait times and enhancing customer satisfaction	38.5	26.9	12.8	8	12.8	8.9	3.49
Automated customer service tools enable the bank to gather and analyze data on customer interactions, preferences, and behaviors, providing valuable insights for decision-making	15.4	8.9	3.8	30.8	41.1	3.93	1.07
<b>Aggregate score</b>	<b>13.5</b>	<b>8.5</b>	<b>3.2</b>	<b>32.5</b>	<b>42.3</b>	<b>3.99</b>	<b>1.01</b>

**Source: Research Data (2025)**

The automation strategy adopted by the co-operative bank was found to have influenced the performance of the bank since on average the

all of them back. However, not all the questionnaires were returned, making a response rate of 95.1% and a non-response rate of 4.9% from the 4 respondents who did not submit their questionnaires. The response rate (95.1%) achieved as Mugenda and Mugenda (2003) recommends is that it could represent the sample since it was over 70% allowing for valid analysis.

### Descriptive Statistics Results

The finding of quantitative data was done using descriptive statistics to evaluate the degree of agreement among respondents regarding how automation strategy influenced the performance of the Co-operative bank. The findings were expressed in percentages (%), Mean (M), and Standard Deviation (SD).

respondents agreed on all the statements indicated by aggregate mean and standard deviation score of 3.99 and 1.01 respectively. This was generally

agreed by majority (74.8%) of the respondents, 3.2% indicated neutral and 22.0% disagreed. The results is an indicator that the respondents perceived positively on the implementation of automation strategy by the bank on enhancing it performance. The finding concurs with Minoo (2023) research which identified accounting software, automated functions, and software security as predictor variables. In addition, the findings revealed that 46.5% of bank performance is linked to the automation factors, while 53.5% is influenced by other unexamined variables. Further, the study sought to from the respondents to indicate any alternative ways in which the

automation strategy of Co-operative bank had influenced its performance. The responses obtained were; 'The strategy had enhanced the services provided by the bank making its employees to focus of other core activities thus improving performance of the bank. The bank could collect, analyse and utilize data obtained from the customers to align its products and services to the changing needs of the market demands. The bank is able to minimize its expenses use that cash to fund other projects. The strategy has improved the scalability of the bank's operation addressing effectively its customer demands.'

## Performance

**Table 2: Performance**

Statements	SD %	D %	N %	A %	SA %	M	SD
The digital transformation strategy of the bank has enabled it to increase its market share.	41.1	38.5	0.0	12.8	7.7	3.09	1.91
The bank's approach to digital transformation has enabled it to offer products and services that meet customer needs.	48.7	39.4	5.1	3.8	2.6	2.96	2.04
The bank's digital transformation strategy has allowed its employees to be more innovative.	15.4	23.1	11.5	33.3	16.7	3.52	1.48
<b>Aggregate score</b>	<b>35.1</b>	<b>33.7</b>	<b>5.5</b>	<b>16.6</b>	<b>9.0</b>	<b>3.19</b>	<b>1.81</b>

**Source: Research Data (2025)**

The aggregate mean and standard deviation score of 3.19 and 1.81 respectively is an indicator that there was neutral view from the respondents regarding the level of performance of Co-operative bank. This was on average disagreed by majority (68.8%) of the respondents, 5.5% indicated **Neutral And 25.6% Agreed.**

## CONCLUSIONS AND RECOMMENDATIONS

The study generally investigated the influence of automation strategy on the performance of Co-operative Bank in Nairobi City County, Kenya. Data was gathered from respondents who were bank employees through a semi-structured questionnaire. The data analysis employed descriptive statistics to assess the respondents' level of agreement, as well as inferential statistics

to explore the relationships between variables. The study assessed the influence of automation strategy on the performance of Co-operative Bank in Nairobi City County, Kenya and revealed that automation strategy had a significant positive influence on the Co-operative bank's performance ( $\beta=0.0511$ ,  $p=0.002$ ). Workflow automation reduces the likelihood of errors associated with manual processes, leading to more reliable outcomes. Self-service portals offer functionalities for customer feedback, which enables banks to collect insights and make informed, data-driven decisions. Workflow automation shortens the n duration required to complete repetitive tasks, allowing employees to focus on more strategic initiatives

The study concluded that the implementation of automation strategy by the bank has enhanced its

performance through streamlined operations and minimization of manual errors leading to improved transactions processing and management of customer accounts.

The study recommended that the bank should design a comprehensive evaluation of the present

automation structure to establish area that requires improvement and optimization. The bank should implement sophisticated technologies like artificial intelligence to improve on its decision-making processes within the automation structure

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