EFFECT OF SYSTEM LOCK- IN STRATEGIC POSITIONING ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS OPERATING IN NAROK TOWN

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DECLARATION

This Thesis is my original work and has not been presented for conferment of degree in Maasai Mara University or any other Institution.

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DEDICATION

This work is dedicated to my dear Wife Phyllis and sons Steve, Ryan and Prince.

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ABSTRACT

In the last decade, there has been a rise in the financial services' demand. This has been realized through various avenues, including: banks opening agency services in retail trading outlets, mobile phones, automatic teller machines (ATMs), Point-of-Sale (POS) and mobile banking among others. In many countries, banks are employing various strategies to enhance financial inclusion to ensure that their performance is maintained by reaching as many people as possible. This study investigated the effect of system lock -in strategic positioning on financial performance of commercial banks operating in Narok town in Kenya. Specifically, the study sought to: determine the effect of technology adoption, low-cost strategy service features and exclusive distribution channels on financial performance of commercial banks operating in Narok town in Kenya. The study was guided by the systems, efficiency and positioning theories. Further, the study used a cross sectional research design targeting all the commercial banks operating in Narok town. This census approach was purposeful since the ten banks which provided both qualitative and quantitative primary and secondary data which was not only appropriate but also manageable. Data was analyzed using descriptive and inferential statistics; Pearson correlation and multiple regression analysis. Findings from the study revealed that, from the Pearson correlation coefficient; all the four independent variables had a positive and significant relationship with the dependent variable. In addition, the multiple regression analyses indicated that all the independent variables were significant at 5% level of confidence. The study concluded that system lock-in strategic positioning: Technology adoption, low-cost strategy, service features and exclusive distribution channels significantly enhanced financial performance of commercial banks operating in Narok town. The study recommends that Commercial banks that wish to enhance their financial performance should consider lock- in strategic positioning strategy. The study also recommends further studies incorporating other financial institutions and other elements of system lock-in other than the four elements that have been covered in this study.

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ABBREVIATIONS AND ACRONYMS

ATM: Automated Teller Machine

CBK: Central Bank of Kenya

DEA: Data Envelopment Analysis

FDH: Free Disposal Hull

IT: Information Technology

KCB: Kenya Commercial Bank

LIS: Lock-in Strategic

POS: Point of Sale

ROA: Return on Assets

SLI: System Lock-in

SSB: Self Serviced Banking

US: United States

ATM: Automated Teller Machine

CBK: Central Bank of Kenya

DEFINITION OF TERMS

Channels: for this study it refers to the means through which commercial banks provide their services to the customers.

Commercial Banks: this is a type of bank that accepts deposits from customers and provides credit facilities at an agreed interest rate.

Performance: this is performance of the banks measured by evaluating the financial aspects such as the return on assets and return on equity or non-financial aspects which are measured by market share, customer retention, number of accounts.

Product Differentiation: is ability of the bank to provide different types of products and services to suit the needs of their diverse target market. Differentiation involves creating a product that is perceived as unique. Product differentiation is achieved by offering a valued variation of the physical product.

Service Features: these are the characteristics of the services provided by the commercial banks to their clients.

Strategic Positioning: this refers to a collection of creative activities that manipulates the consumers' mind in favor of the brand.

System lock in: it is a strategy used by firms to compete by ensuring that the customers are unable to move or consider alternative products or services. For this study systems lock in will be conceptualized in terms of technological adoption, product differentiation, service features and exclusive channels systems.

Technology Adoption: this refers to the use of ICT systems to provide efficient services to the customers and hence make it difficult for them to consider moving to other suppliers.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter gives an introduction into the study. It constitutes of the background of the study, statement of the problem, Research objectives, Research hypothesis,and significance of the study, scope of the study, assumptions and limitations of the study. The chapter gives the reader an idea of what the study is about and what is expected to be achieved at the end of the study.

1.2 Background of the Study

The modern markets characterized with high levels of competitions, there is sufficient information on the choice of products and services to derive value. In meeting the customer needs, firms are often seeking the best strategies to meet the customer needs. These firms after being aware of their strategic positioning amidst competition, to enhance their survival and eventual improved performance (Opreana and Vinerean,2015). Increased competition among banks has fostered improved services in terms of diversity to meet the needs of customers. In making these banks improve in offering customers relevant products and services, effective strategic positioning adoption to diversify products and services as the markets expect has been considered an instrumental proposition.

According to Wilkinson and Kannan (2013) a strong strategic positioning helps to create obstacles that make it difficult for the competitors to penetrate the market. He further notes that positioning is an attempt to distinguish the organization from other competitors to be preferred by the customers over other competitors. Technology has been of great importance in enhancing strategic positioning. The performance of both international banks and large financial institutes has been enhanced using strategic positioning. Small financial Institutions are also adopting the use of technology in devising their strategic positioning for improved performance. As services to customers is faced with huge competition by banks and other financial sector actors, the banks are pushed into attracting more customers through strategic service delivery provisions (Kamau andWafula, 2015).

According to Sheth, Sinha and Shah (2016) strategic positioning sometimes end up being dissolved because of improper strategic alliances. Financial service provides will strive to position themselves strategically in order to better their competitive advantages within the dynamic competitive markets. Most banks are directing their strategies towards improving and increasing theircustomers' satisfaction in order maximize their market and profit positions. In a fiercely competitive market, non-price factors like non piece factors have become very critical in enhancing the survival and growth of the banks through effective customer service. This is achieved through effective and efficient service delivery to the customers.

In a study by Bhardwaj (2014) he concluded that most banks are still far from achieving competitive advantage in the market because of their poor service delivery to customers. The introduction of services such as 24/7-hour banking, everywhere banking, internet banking and mobile banking are among the current strategic positioning technologies adopted by the banks to remain competitive in the market. Strategic Positioning is defined as a myriad of activities built on creativity that are geared to the manipulation of the consumers' minds, to determine their choice of brand. Positioning has been considered based on the services and products that create and occupy space in the mind of consumers (Maoto, 2017). Similarly, a re-known brands often hold greater position in the mind of consumers which may prove a challenge for competitors to claim. This position is strictly maintained through well sought out strategies regarding price, place, promotion and product (4Ps). The link between marketer and consumer is very critical in defining effective positioning strategy because it offers the customer benefits tailored towards solving the problems related to their needs in a unique and different way from the competitors (Manhas, Gupta, and Gupta, 2015).

Recent studies further emphasize that product positioning is key for developing enhanced brand equity and customer base. The core considerations for position are majorly product differentiation and target markets. Banks employ a series of service features to better and improve service delivery. Furthermore, firm positioning in terms of the company values based on services that prove unique for the financial institutions is extended to customers. Competition has led to most of the banks adopting strategic approaches and mechanisms to position various services that enhance value to their intended customers (Kanagal, 2018).

Studies show that strategic positioning is concerned about the activities of a firm to gain competitive advantage in the market. Borrowing from the porters 1980 conceptualization of strategic positioning, the main strategies employed to enhance customer's satisfaction were low-cost leadership, product differentiation strategy and focus on identified market niche strategy. The over aim was to enhance the financial performance of the organization (Pike and Page, 2014). They further noted that the basis of any strategic plan is customer bonding which entails attraction, satisfaction, and retention of customers. They further argued that strategic positioning consists of skills and resources available to an organization in a competitive environment. Effective strategic positioning takes into consideration the choices the company makes to create value from that of competitors.

According to Elly and Ojung'a (2013), banks are expected to offer products and services to meet the satisfaction levels of customers and competition thresholds, unlike only the traditional services of certificates of deposits, checking and savings accounts and safe boxes among others. A rise in the brands and extent of publicity within the banking sector has made it quite difficult to customers to place much focus on strategic positioning, unlike the past years. Providing satisfaction based on value aids banks in terms of attracting customers through their various products and services, differentiated from those of competing firms. Moreover, strategic positioning on the banking products or services was carried on by majority of the banks to remain competitive within the Kenyan financial industry.

Offering value satisfaction helps banks to attract customers by distinguishing their products and services from those of competitors. In addition, system lock-in strategic positioning of banking services/products was a concept which most banks undertake so as to be more competitive in the financial industry in Kenya.

System Lock-In (SLI) option is an important aspect of positioning that comprises the relevant firms, customers, relevant suppliers, extended enterprise and complementary (Pike and Page, 2014). The combination translates to increased bonding levels. While the customer continues to be the central focus, the key to this strategic option was to identify, attract, and nurture the complementary. The need to incorporate external players in the strategy requires that the firm identifies them effectively. System Lock-In is realized by either "owning" exceptional or inhibited distribution channels that mainly locks-out competitors or develop extensive set of complementary provisions geared towards supporting the products or services and further locks-in the target customer. Furthermore, increased adoption levels of the product should be significantly expanded, with the value of the product to the customers geared towards creating a self-reinforcing feedback loop (Zineldin & Ismail, 2016).

Lock-In Strategic (LIS) option emphasizes “market collaborators” instead of the product or the customer by addition of economic value to its products or services through attracting, retaining, and nurturing complementary. The SLI suggests that customers choose the business product or service because it is the only one of its kind that satisfies their needs. SLI strategies encompass the entire web of companies that are part of the firm’s network whose strategic strength stems from an extraordinary close linkage between their suppliers and customers. It is the most desirable strategic option with the widest scope and the full economic system (Ghobadi et al, 2015)

A company undertaking SLI effectively could reach the point of locking customers is because of the system and locking out competitors. The SLI addresses the full network as the relevant scope, the gaining of complementary share as the ultimate objective, and the system economics as the driving force. De facto dominance in the market not only guarantees firms a customer “Lock-In” but also a competitor lock-out. The bases for the De facto dominance are the complements. The SLI positioning is challenging to actualize since not every firm has the capability to achieve it. However, to establish SLI positioning, two conditions must be fulfilled: the existence of growing marginal returns, and effect of external networks. Given that these are essential to establishing SLI (Pike and Page, 2014).

The Kenyan banking sector is regulated by the Banking Act, Central Bank of Kenya Act and other regulations provided by the Central Bank. From the liberalization done in 1995, the Kenyan Central Bank has remained a major institution with the policy formulation provision for the entire banking sector. The emergence of the Kenya Bankers Association as a key body as also led to the growth of banks and better their products, deposits, profits and assets through protecting the interests of existing banks (Price Water House Coopers, 2013). Advancements in technology has also been a key strategy that has improved a series of strategies realized by the banking sector over the past decade. The various players within the sector have witnessed a rise in competition over the last periods, emanating from a rise in innovation within players and new entrants in the market (CBK, 2013).

From the Central Bank of Kenya, there are 41 banks licensed and a unit mortgage finance company. Across these 41 commercial banks, 28 are under ownership of locals as 13 are owned by foreigners. The financial institutions owned by locals entail 3 banks that have a great shareholding by the State Corporations and the Government, 24 other commercial banks and a mortgage financial institution (CBK, 2017). The results from CBK (2017) informed that Kenyan banks have led to acceptance of new technologies aided at the betterment of their services. A number of banks have employed alternative approaches for their myriad of delivery systems based on advanced technology aimed at improving the convenience of customers. In this context, a number of newer products leverage on the ICT technologies in place (CBK, 2017). Majority of the banks have strived towards improving their strategic positioning across the market to gain enhanced competitive advantages for improving their performance into the future. Financial performance infers to the adequacy of the financial firms towards meeting their shareholders or owners, depositors, employees and other creditors and customer needs over time. On the same note, the commercial banks must look for ways to satisfy the various government regulators based on their policies on operations, sound loans and investments and protection of the public interest.

The banking sector performance is measured based on both monetary and other non-monetary measures to demonstrate changes in bank profitability over the years (Rasiah, 2018). Bank performance measured through the bank interest margins has been used in previous studies as measures for bank efficiencies. They have been considered as a key driver in measuring performance as they measure the difference between the interest rate paid on deposits and that received from borrowing (David-West et al, 2020).

Despite of other income sources in place for banks, account maintenance fees, over the counter charges, loan interest rates on loan facilities, ATM withdrawal charges and cheque clearing fees among others have been considered the major income sources, hence affecting the banks' performance positively over the years (Bennaceur, et al., 2018).

The banks' financial statements are instrumental in measuring whether the banking institutions are successful or not, in attaining the expectations of key stakeholders

(Chung,et al.,2012). The key changes that have been realized in the financial sector comprise of increased instances of privatization, fostered competition and a rise in the need for other market-based banking systems. The key goal for maximization of the shareholders' wealth is a priority for a number of banking institutions. Achieving of these goals and solving the underlying challenges faced is a key concern among the various bank management teams (Koch & Macdonald, 2015).

According to CBK (2014) Banks are now investing heavily in strategic planning including acquisition of the test technology as a way of enhancing their competition in the market. With the many challenges to be dealt with the banking framework is still divided with banks seeking to employ and position themselves by service specific market share that has just added to rivalry in the sector. Technological innovations, exclusive channels system have remained the key drivers of growth and development for most firms in the modern society. In the banking industry there has been expansion in the development of new products, growth in the channels of service delivery both locally and in the global front. Efforts by the banking sector to improve on their performance is still restricted due to the legal requirements of the sector. With a wide population being either under banked or unbanked, banks have continued to employ different competitive strategies (CBK, 2014). This study therefore sought to assess the effect of strategic positioning of system lock –in on enhancing financial performance of commercial banks in Narok.

Internationally, system lock-in has proved to be effective in locking in customers and locking out competitors. The classic example of such multinational companies are companies like the coca cola which have used system in strategy to lock out competition from their products and lock in their customers by tailoring their beverage(Quelch& Jocz,2012,).

Regionally companies like Safaricom has also managed to use the system lock-in strategy by locking in their clients and critically lock out their competitors by introducing superior products/ services .The lock in system has worked very well in this companies because there revenue and profitability has increased due to technology adoption which has resulted to a well thought strategic position employed by the management to enhanced better financial performance, Safaricom profits have progressively increased as follows 2017 KES 48,444,in 2018 KES 55,259 and KES 62,491 in 2019 while coca cola income recorded a profit of $ 1,248 in 2017, $ 6,434 in 2018 and 2019 recorded $ 8,920 this shows that strategic position was increased the financial performers of these companies in the global arena.

1.3 Statement of the Problem

In the last two decades, there has been an increased number of financial institutions within the country, especially banks. This has been necessitated and may be attributed to an increasing demand of financial services. To cope with competition and mitigate the ever-increasing customer service demands, banks have come up with various competitive strategies addressed through a variety of channels, including: banks opening agency services in retail trading outlets, mobile banking, Automated Teller Machines (ATMs), debit cards and credit cards among others.

Across most countries, banks adopt a number of strategies to better their financial inclusion mechanisms and ensure their performance is managed through reaching out to as many customers as possible. The cost decline is the major obstacles to ensure customer retention and enhance financial performance of commercial banks. The increased costs incurred by banks in servicing the accounts with low values and extension of their physical infrastructure to other remote marginalized (rural) areas and the associated costs and time is a greater setback. One of the approaches to address the performance and competition pressures of business is majorly strategic positioning. Nonetheless, the banks are still faced with the strategic positioning problems because of limited plans, inadequate finances, inefficient leadership, challenges on ideologies and shareholder-linked problems (Gachimu and Njuguna, 2017). In Kenya, the Central Bank of Kenya continues to report very impressive performance by commercial banks, for example profit margins between 2019 were triple those of 2017. Despite this impressive performance, banks have not managed to retain their customers to stay loyal and thus hopping from one commercial bank to another in search for better services is a common occurrence. Therefore, for the commercial banks to stay more competitive and retain more customers in the market, they are have opted to employ the system lock strategies such as technology adoption, low-cost in-service delivery, unique service services and exclusive distribution channels so as to be able to lock-in customers and lock out competition in order to gain a strategic position in the market.

Research shows that strategic positioning is one of the many strategies that banks can employ to ensure sustainable and significant profitability. Emphasis have been placed on differentiating services from counter service to service terminals in the bank, building strong brands in the market, cost leadership and channel management as positioning strategies for achieving competitive advantage in the shadow of unknown, risk, uncertain future and enhance bank's performance. Unfortunately, attaining strategic positioning remains a big challenge to many banks in the industry (Muriithi, & Louw, 2017) .Although, there exists preceding scholarly works on strategic management in the banking sector, none has considered the aspects of strategic positioning and specifically system lock –in and how it affects performance of commercial banks from a Kenyan perspective. This study will consequently increase knowledge in the gap regarding the effect of strategic positioning on the performance of firms. This translates to the need for the assessment to determine the impact of the system locks in terms of strategic positioning on the performance of commercial banks in Kenya.

1.4 Objectives of the Study

1.4.1 General Objective

The purpose of the study was to investigate the effect of system lock-in strategic positioning on financial performance of commercial banks operating in Narok town.

1.4.2 Specific Objectives

The research sought to address the following specific Research Objectives:

i. To determine the effect of technology adoption on financial performance of commercial banks operating in Narok town in Kenya.
ii. To analyze the effect of low-cost strategy on financial performance of commercial banks operating in Narok town in Kenya.
iii. To investigate how service feature enhancement affects financial performance of commercial banks operating in Narok town in Kenya.
iv. To find out the effect of exclusive distribution channels on financial performance of commercial banks operating in Narok town in Kenya.

1.5 Research Hypotheses

The study sought to test the following hypotheses:

H_{o1}: There is no statistically significant effect of technology adaption on financial performance of commercial banks operating in Narok town Kenya.

H_{o2}: There is no statistically significant effect of low-cost strategy on financial performance of banks operating in Narok town Kenya.

H_{o3}: There is no statistically significant effect of service feature enhancement on financial performance of commercial banks operating in Narok town Kenya.

H_{o4}: There is no statistically significant effect of exclusive distribution channels on financial performance of commercial banks operating in Narok town Kenya.

1.6 Significance of the Study

In the quest of commercial banks to grow their market share and profitability, various strategic moves have been taken including to help them achieve these objectives. Previous studies have shown that banks have invested a lot in the technological advancements as a strategic move of attracting and enhancing their market base. There is very stiff competition, and the customers are becoming more and more informed of the happening in the sector and hence they demand the banks to be more proactive in their strategic moves than before. The concept of system lock in has been widely used in the telecommunications industry to ensure that customers don't switch from one network to the next with ease. The banking sector has not considered system lock in as a strategic positioning tool, but they have used it in retaining the customers. This study seeks to understand the implications of system lock- in positioning of the banks to enhance performance. This aims at minimizing the ease of customers to switch from one service provider to another. Understanding the strategies adopted by commercial banks in enhancing their service provision and how effective they are in enhancing financial performance of commercial banks.

The results from the study will be helpful to a series of financial institutions' stakeholders including the policy makers, bank customers, managers and customers. Furthermore, they will also help researchers and academicians in future studies. The outcomes from the study will help the banking sector's managers as it will elaborate on the importance of the lock-in system as a tool for strategic positioning towards enhancing customer retention and affecting the banks' financial performance. Moreover, the bank managers will be able to utilize effectively the underlying strategies to better their financial performance into the future.

The government of Kenya will also benefit from the results obtained since they will be able to offer better environment that will be instrumental in the betterment of the banking sector through influencing the best governmental strategies improve commercial banks' performance. The Bankers Association of Kenya is expected to use the findings for this study in formulating rules and regulations to govern the operations of commercial banks. The Central Bank is expected also to use the findings in formulating the future strategic policies on matters of competition and financial performance of the banking sector in Kenya. The various bank customers will be enlightened on various strategies used by the banks to enhance service provision and improve performance of the commercial banks. We also hope that the findings of this study will be valuable to future researchers and academicians as it will suggest areas for further research besides acting as a source of reference. The study will be used by future scholars in strategic management and firm's performance hence improves the level of knowledge in these areas.

1.7 Assumptions of the Study

To understand the strategic position of system lock in, the following assumption were made; that there is a relationship between strategic positioning of system lock in and financial performance of commercial banks. The study also assumed that the ten commercial banks had adopted the system lock in strategy in positioning themselves in the competitive market. And that the customers are well informed about the strategies employed by the bank in enhancing performance.

1.8 Limitations and Delimitations of the Study

Like any other form of research, challenges were inevitable in in this study. The researcher encountered a challenge in collecting the required data as the respondents were reluctant to provide data as some data is used as a competitive strategy for the bank. The researcher however, explained to the management the purpose of the study and gave assurance of confidentiality of data provided and that the data required was mainly for academic purposes by providing a copy of the research permit and the introduction letter from the institution as proof that the data was to be used for academic purposes. There was a challenge when it came to collecting data from the respondents as some tried to project a good image of the organization when filling out the questionnaire. The researcher overcame this challenge by ensuring that the questionnaire had both closed and open-ended question statements to ensure respondents' consistency and accuracy in the data provided. This study was also be limited to Narok town hence only ten commercial banks were studied out of the entire population of the 43 commercial banks in Kenya.

1.9 Scope of the Study

This study covered commercial banks found in Narok town. There are a total of ten commercial banks in Narok town and all of them were included in the study and we are confident that the results from this study is a representation of the other banks in other towns. This research opted to use primary data because it is believed to be timely, accurate and reliable and confidentiality is assured. Also, previous research related on the same is rather sparse hence the need to collect data.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides an overview of the research literature. The report consists of five sections: theoretical review, empirical review, critique of reviewed literature, a summary of examined literature and the research gaps.

2.2 Theoretical Review

The following theories guided the study: Systems Theory, Efficiency Theory and the Positioning theory.

2.2.1 Systems Theory

The proponent of this theory was Ludwig von Bertalanffy (2018) who was a biologist. The theory has become of great importance not only to biologists but also in the understanding of organizations (Drack, 2009). According to this theory the organization must have all the parts work effectively together and any alteration of one of the parts alters all the other parts of the system. Every system constitutes inputs, processes, outputs and outcomes with effective feedback among these parts. A system relies on cohesion of constituent parts, if one part of the system is altered, then the entire system is changed. In a commercial bank, both human and technological resources are critical in the understanding of a system. Through effective planning, organization, motivation and control the inputs are effectively put to effective use to achieve the goals of the organization. System theory assists managers to look at the organization from a broader perspective in the interpretation of patterns and events in the banking industry. To understand the effect of systems, lock in on performance of the commercial banks, this theory was the most appropriate to guiding this study. The theory is applied to this study as it will enhance and understanding of technology adoption, low-cost strategy, service features and exclusive channels in banks and selection and positioning itself in certain target markets to define its space, retain customers and achieve potential available profitable growth.

2.2.2 Efficiency Theory

The efficiency theory was developed by Densetz (1973). It is a proper theory in complementing the existing system theories used to explain that effective organization management has a high likelihood of achieving more efficiency on the results and better the profits of the various firms. The theory on effective management enhances increased market retention and market shares, apart from a rise in profits over the specified periods (Athanasoglou et al., 2015).Birhanu et al. (2014) informs that the efficiency of the firms translates to

The theory is a good complement of the systems theory and it postulate that with effective management the organization can achieve more efficient results and improve a firm’s profits. According to the theory effective management may not only lead to increased profits but also has other benefits such as increased market shares and customer retention According to Birhanu, Lanka, and Rao (2014) efficient firms increase their profits, grow their market share and increase in their size. Onuonga (2014) noted that Efficiency theory is premised on the argument that banks attain profits if they operate more efficiently than their competitors. It also assumes that internal efficiencies influence profitability of commercial banks (Njoroge, 2016). The theory, further notes that, banks that operates efficiently in comparison to their competitors increase their profits due from low operating costs.

From the theory, commercial banks have the ability to encounter increased profits owing to their operational efficiency, resulting in a growth in the market share and eventual financial performance (Micheels & Boecker, 2016). According to Fisseha (2015), the efficiency theory informs that improved results and profitability emanate from the efficiencies associated with cost management and other management strategies across the organization. The underlying efficiency hypothesis is evident in the existence of a positive significant relationship between the market share and profitability (Mensi & Zouari, 2016). According to this study, efficiency theory will aid in explaining how customers can always be locked in the system by improving services and using relevant chain selection for the various customers. Furthermore, the theory also backs the concept of the relationship between performance and profitability of commercial banks in Narok town, owing to the lock systems.

2.2.3 Positioning Theory

The theory was put forth by Harré, and van Langenhove (1998). According to Van Langenhove, and Harré, (1999), the theory postulates that an understanding of people's positions rather than the roles they assume helps one to describe the prevailing situations and unveil what is happening within that group. The theory further indicates that a person can assume a position, or a position can be imposed on that person for a particular role or benefit. Likewise, a position imposed or taken by a person can be assumed by another person for improved results. Positioning is known for its applications in marketing of brands, services, and products (Zelle, 2009). It helps to distinguish between organizations products and those of their competitors to create a market niche. The theory therefore explains the situation or situations using different modes of positioning.

Manhas (2010) noted that effective positioning begins with the understanding of the products, the user, and the market. The first place of positioning before getting to the market is the user's mind. When you position in the customers mind you tend to control the customer and make him or her stick to that specific product (Wafula & Kamau, 2015). It is from this perspective that the theory is applicable to this study and adopted for this study to help in understanding the effect of a system lock in as a strategic positioning for commercial banks to keep their customers locked in the system.

2.3 Empirical Review

A past study sought to assess the influence of Customer Relationship Management System and Customer Satisfaction among Commercial Banks in Kenya. The objectives of the study were; to assess the extent to which CRM system, to assess the relationship between CRM uses and assess the changes facing CRM. The study adopted the marketing theory and used the descriptive design. The study targeted 44 commercial banks and data was collected using a questionnaire. The data was analysis using descriptive statistics of mean, percentages, frequencies and multiple regression analysis. The study established that improved technological infrastructure among the banking systems has made it easier for transfers between banks within the shortest period of time. Technology has improved the convenience which has led to improved business. The choice of the analysis method for the current study is guided by this study in order to test the consistency in the results obtained. However, this study didn't factor the system lock as a strategy which created a gap and this current study will address (Kiplimo, 2018).

Waiguru (2015) conducted a study on assessment of strategic responses adopted by commercial banks. The purpose of the study was to assess the strategic responses adopted by commercial banks in Kenya to enhance customer retention using a case of Eco-bank Kenya Limited. The study objectives were; to determine the strategies adopted by Ecobank to enhance customer retention in Kenya, to assess the extent of use of the strategies adapted by Ecobank in Kenya to enhancing customer retention, to evaluate the extent to which the strategies have led customer retention at Ecobank in Kenya. The study adopted a descriptive survey research design. It comprises all potential 40 participants that could make up the study group. The researcher proposed Primary, secondary and tertiary data. This study used both qualitative and quantitative primary data. The study used questionnaires in order to collect data. Data was analyzed both qualitatively and quantitatively. The quantitative data was analyzed descriptively using mean, percentage and regression analysis. It was established that Customer's perspective indicated that they prefer shopping at certain supermarkets over others because of various factors such as price, information availability, product assortment, quality, and the attitude of the customers besides efficiency of the service delivery. Based on these findings the study established that IT had a very great effect on retaining customers hence creating a system lock- in for the customers hence improving service delivery and enhancing performance of the firms.

Though these studies have effectively discussed the effectiveness of technology on enhancing customer satisfaction and hence retention, the relationship between the technology and system lock in to enhance customer satisfaction and hence improved performance among commercial banks. The purpose of this study is therefore to contribute to the literature to fill this gap.

According to Molapo and Mukwada (2014) the study investigated Customer Retention Strategies among mobile companies in South Africa. The objectives of the study were; to identify the customer retention strategies that are employed by the cellphone network providers in South Africa, to evaluate the effectiveness of the strategies, to explore the benefits and setbacks associated with different customer retention strategies and determine the impacts of these benefits and setbacks on the South African cellular networks, and to recommend the best strategies that work for the South African cellular industry. This study involved an empirical investigation and relied on primary data that were collected using a set of quantitative and qualitative methods. This two-pronged approach, generally referred to as the mixed method approach or triangulation, involves a combination of qualitative and quantitative research approaches, techniques, methods, language or concepts in a single study. In this study, a questionnaire was used due to its cost effectiveness, and also due to the fact that it is easy to analyze. A sample of 500 questionnaires were distributed 429 questionnaires were completed and returned. Statistical Package for Social Scientists (SPSS), version 17.0, was used for data analysis. The data. SPSS, in particular ANOVA and the calculation of frequency values, provided the best way of doing this. In addition, some of the data was analyses qualitatively as the questionnaire that was used also contained open ended questions. Among the factors discussed were related to quality of service, affordability of service and provision of customer support services, which created a gap and current study on system lock in will address to enhance performance and increase profitability.

According to Nair and Ndubisi (2015) in his study on analysis of the channel optimization for customer satisfaction noted that, as banks consider the option of integrating branches, they need to note that this alone will not enhance cost reduction for optimization. The specific objectives of the study were to investigate if customer service is affecting adoption of agency banking in Kenya, assess whether convenience is affecting adoption of agency banking in Kenya and determine whether quality of agents is affecting adoption of agency banking in Kenya. The population of the study consisted of all the bank agents operating within Kajiado North Sub – County. The adoption of other alternative channels such as contact centers, online and mobile banking, ATMs, and relationship managers were considered as very important for enhancing customer's satisfaction. Banks are now trying to enhance their contact centers with extended operating hours and technical knowledge, as well as use of charts, text, and social media capabilities in order to meet customers' changing expectations. This has made it possible for the banks to lock in customers who find the service very convenient for them. However, the study fails to demonstrate how the strategy enhanced the performance of commercial banks and therefore created a gap which the current study tends to fill.

A study by Ndungu (2012) conducted among commercial banks in Kenya sought to assess the effect of distribution channels on the performance of Kenya commercial bank. The purpose of the study was to determine the role of distribution strategies as a source of competitive advantage at Kenya Commercial bank and hence assess the effect of the distribution channels on the performance of the commercial banks. Using a case study design, the study collected data using interview guide and the data was analyzed using content analysis technique. The sampling frame consisted of a list of commercial banks approved to engage in agency baking and represented by an agent in the Sub –county obtained from CBK quarterly reports. Number of agents operating in the area of study was obtained from the agency departments of the various banks represented in the area. Total numbers of agents in the country approved as at 30th June, 2013 were 19, 649 agents. The study established that the distribution channels that had been adopted by the commercial bank had an influence on the performance of the banks. The study further established that the distribution channels that had been adopted by the commercial banks had led to increased performance of the bank in terms of market share, product availability, increased satisfaction of the customers and addressing their concerns more promptly. The current study will demonstrate the system lock in as strategy in enhancing performance of commercial banks which will results to profitability.

Liu, Guo, and Lee (2011) conducted a study to examine how relationship quality and switching barriers influence customer loyalty. Relationship quality consists of two aspects: satisfaction and trust. Antecedents of satisfaction and trust are explored. To test the proposed research model, a survey research methodology was used. Paper survey was distributed to mobile phone users in Taiwan. Structural equation modeling was used to test hypotheses. The study used descriptive analysis and inferential analysis where chi square test was used together with correlation and multiple regressions. Satisfaction, trust, and switching barriers have positive effect on loyalty. In terms of antecedents, it was found that playfulness and service quality impact satisfaction while service quality and intimacy affect trust. From a managerial perspective, this research suggests that practitioner should not only keep improving service quality, but also provide playfulness to ensure customer satisfaction. The active effort of the company to solve the problem helps customers have credit on the service provider and appropriate effort for the service recovery can protect customers from switching the service provider. The study failed to explain the effect of system lock in as strategy on customer loyalty therefore the current study will address this gap.

Argamo (2015) did a study to investigate the effect agency banking had on the financial performance of Kenyan commercial banks in 2014. Chase bank was used as a case study. The study also sought to establish the effect of accessibility of banking services, low cost of service and increased customer transactions through agency banking. The study used a descriptive research design. The target population of this study was 174 staff working at the headquarters of Chase Bank. This study applied stratified random sampling to select 50% of the target population and hence the sample size of this study was 87 respondents. Out of 87 respondents 84 responses were obtained which represent a 97% response rate. Semi structured questionnaires were used in research study to collect primary data. A pretesting that involved 9 staff (10% of the sample size) was conducted at Chase bank at Wabera Street.

From the pilot test findings, accessibility of banking services, low cost of service and increased customer’s transactions had Cronbach alpha of 0.724, 0.732 and 0.698 respectively. This clearly shows that the research instrument was reliable. In the data analysis, descriptive statistics were used to analyze quantitative data and the findings were presented in bar charts, pie charts and tables. Content analysis analyzed data that is qualitative in nature and the findings presented in a prose form. The relationship between the dependent and the independent variables was determined using a multivariate regression analysis. The relationships in the study were positive and significant. The relationship between accessibility of banking services and financial performance of Chase Bank had a coefficient of 1.251 and a p-value of 0.000. In addition, the relationship between low cost of service and financial performance of Chase Bank had a coefficient of 0.800 and a p- value of 0.000. Further, the relationship between customer and the financial performance of Chase Bank had a coefficient of 0.311 and a p-value of 0.008. The study concluded that there is a positive and significant relationship between accessibility of banking services, low cost of service and customer transactions as a result of agency banking and financial performance of Chase Bank. Banking using agency banking excels in service quality and service delivery. Agency banking has low infrastructural cost and hence reduction in cost. Efficiency and convenience in operation in agency banking have increased the banks customers' transactions.

Mchembere (2017) did a study to establish the effects of agency banking operation on profitability of commercial banks. The research design used for this study was descriptive design. The target population was eleven commercial banks offering agency banking in Nairobi. The study conducted a census for all the banks. Data was collected by use of a questionnaire and secondary data. Data was analyzed mainly by use of descriptive and inferential statistics. Descriptive statistics included mean and standard deviation. Data was also presented by use of graphs, pie charts and tables. Multiple regression model was useful to find out the virtual importance of each of the four variables.

From the study finding agency banking branch networking is negative and a statistically insignificant factor of bank profitability. Effect of agency banking withdrawal transaction is positive and statistically significant. Agency banking deposit transactions is statistically significant. Agency banking accounts opening services is also a statistically significant factor, Commercial banks performance indicators is a statistically significant factor of bank profitability. It is possible to conclude that banks do obtain economies of scale and scope when they expand their activities, mainly by mergers and acquisitions. Therefore, expanded product array and potential for cross selling result from larger size and depth of product offering.

Njagi (2014) did a study on contributions of agency banking on financial performance of commercial banks in Kenya. This study was guided by counsels of previous researches undertaken abroad in an effort to find out the contributions of agency banking on financial performance of the commercial banks in Kenya. This study adopted a descriptive survey. The population of the study was 9 Commercial Banks offering agency banking in Kenya. The study selected 4 senior managers from each bank thus forming a sample size of 36 respondents who was used in this study. Primary data was collected by administering a semi-structured questionnaire. Quantitative data collected was analyzed by the use of descriptive statistics. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. Content analysis was used to test data that is qualitative in nature or aspect of the data collected from the open-ended questions. The study found that the move by the central bank to regulate agency banking had a positive influence on the financial performance of commercial banks in Kenya. The study also found that low transaction cost through agency banking had a positive impact on the financial performance of commercial banks in Kenya. The study found that financial services accessibility by customers through baking agencies had a positive impact on financial performance of commercial banks in Kenya.

The study found that increased market share had a positive effect on the financial performance of commercial banks with many banking institutions indicating that increased market share allowed a company to achieve greater scale in its operations which generally improved its profitability. However, it is noted that being a descriptive study it relied on management opinion which could not disclose the true effect of agency banking also the study used nine commercial banks which could not have given a comprehensive effect of agency banking within the banking industry since the number of commercial banks that had adopted agency Banking by then was very low.

Gitau (2014) did a study on agency banking and operational performance of commercial banks in Kenya. This study sought to establish the contribution of agency banking to operational performance of commercial banks in Kenya. The researcher was guided by the following objectives; to establish the impact of agency banking on operational performance of commercial banks in Kenya; to determine the operational challenges facing agency banking in Kenya and to establish the factors leading to the growth of agency banking. The researcher reviewed relevant literature and conducted a descriptive research design survey study to find out the effect of agency banking on operational performance of commercial banks. Data was collected by use of questionnaire. Data was analyzed and presented using descriptive statistical tools. The results were presented in a continuous prose form. The study showed that liquidity availability in the outlets affected banks performance in addition to leading to frustrated customers. The study also found out that agency infrastructure cost and security was a major influence to banks performance.

The study therefore recommends that, banks should give more attention to security and find better ways of vetting their agents to ensure that large cash transaction are handled effectively. The study also recommends that agents should be more financially included to handle many transactions, like converting cheques into cash, deal with foreign currency exchange among others. However, the study was based on descriptive research design only and only limited to primary data.

Ndirangu (2013) did a study on the effect of agency banking on financial performance of commercial banks in Migori, Kenya. The study was informed by introduction of agency banking into the banking industry and the upsurge of agent outlets in this industry. The main issue was that there had been a dramatic rise in customer numbers and value of transactions carried out by the new service. The profitability of the banking sector has also been on the rise. So, the empirical problem was whether there exists a relationship between Agent activities in terms of the value transacted and banks profitability.

The research design took the form of a census that covered 100% of the banks that are licensed to operate agency banking and had branches in Migori County as at December 31st 2012. The Population of the study was 44 banks licensed to operate in Kenya while the sample contained 10 banks operating agency banking as at the time of the research time frame. The study carried out used regression analysis to find the relationship between agency banking in terms of number of agents and the volume of deposit, withdrawals and loan repayment transactions undertaken through agents and the financial performance of banks as measured by return on equity.

The study carried out shed light on the fact that the number of agents operated by a commercial bank and the resultant volume of transactions (Deposits and withdrawals) are not directly correlated with the banks financial performance as measured by the return on equity. This is further supported by the fact that the R-square for both 2011 and 2012 are considerably low indicating a weak correlation between the predictors and the independent variables as highlighted in the regression analysis models. This attributes that other factors not put in the scope of the study highly contribute the financial performance of commercial banks operating agency banking. Key recommendations were to have greater supervision in the new service segment, banks to allow agents to perform core activities to efficiently utilize their capabilities and enhance security for the agents to ensure they can handle even greater volumes of cash and penetrate deep into the society. The shortcoming of the study is that it used post agency adoption period only and this could not disclose the effect of agency banking on financial performance of commercial banks, further the study was limited to Migori County and therefore the scope for generalization was very limited.

According to Kanyugi et al. (2019) who did a study to determine the effect of agency banking adoption on financial performance of commercial banks in Kenya. The specific objectives of the study were: to establish the effect of agency banking adoption on banks deposits; to determine the effect of agency banking adoption on banks withdrawals; to examine the effect of agency banking adoption on banks funds transfers; to investigate the effect of agency banking adoption on banks bills payments; to establish the effect of agency banking adoption on banks accounts opening; to examine the effect of agency banking adoption on banks Return on Assets; to determine the effect of agency banking adoption on banks Return on Equity; and, to investigate the effect of agency banking adoption on banks Cost to Income Ratio. The study adopted an exploratory non-experimental research design. The study used secondary data. The data covered 14 commercial banks that were licensed by Central Bank of Kenya to carry out agency banking as of December 2014. The data was analyzed using descriptive and inferential statistics. The empirical model of the study was based on Event study.

The study established that there was a statistically significant change in the mean of change in deposits before and after adoption of agency banking (t = 4.072; p – value 0.01). The study also established that the differences in the means of change in withdrawals from all the commercial banks was statistically significant (t = 4.075; p – value 0.01). The study further noted that the difference between the mean of change in funds transfer in commercial banks was statistically significant (t = 3.030; p – value 0.10). On bills payments the study established that there was statistically significant difference between the means of change in bills payment before and after adoption of agency banking (t = 4.292; p – value 0.001). On accounts opening the study established that the difference was not statistically significant (t = 1.891; p – value 0.081). Regarding ROA the study established that the difference was statistically significant (t = 3.421; p – value 0.005).

The study further noted that on ROE the difference was not statistically significant (t = 2.13; p – value 0.053). Finally, on C/I, results showed that the difference was statistically significant (t = -2.482; p – value 0.028). The hypothesis of each of the eight indicators was tested using the paired sample test, where six null hypotheses were rejected and two null hypotheses on accounts opening and ROE were accepted. The study concluded that there was a positive and significant effect of agency banking adoption on financial performance of commercial banks in Kenya. The study recommends that commercial banks should adopt agency banking as a way of increasing their geographical coverage as opposed to branch expansion for positive returns on financial performance. Further, in order to promote adoption and utilization of agency banking channels, the government should consider authorizing more services to be offered through agency banking such as accounts opening. Findings and recommendations from the study will be useful to the banking sector in embedding agency banking in the market penetration and cost management strategies leading to more efficiency especially by the smaller commercial banks.

2.4 Conceptual Framework

2.4.1 Technology Adoption and Performance of Commercial Banks

The rise in competition enhanced by globalization, deregulation and growth in mergers and acquisitions around the banking sector has also led to closing of several branches, resulting in technological advancements such as the self-service banking (SSB) service providers such as internet banking, agencies, mobiles and ATMs. Adoption of technology in the banking sector is quite immense, witnessed by a myriad of changes in terms of strategic positioning of existing banks. The modern innovations are becoming a substitute to the traditional banking roles of tellers. In the wake of this technological advancements, the current study aimed at assessing how the modern systems lock in customers and the possible impact of the lock on the banks' financial performance.

Awasthi et al. (2014) revealed that technological advancements led to speedy and accurate service provisions to the customers with reliable and better services. The Kenyan financial sector has advanced, based on the existence and accessibility of different technologies.

Giesler and Thompson (2016) showed that the ability of organizations to develop proper relationships with customers who require appropriate and effective technologies that offer proper room in understanding the behavior of customers. Technologies were considered to help in integrating IT in various business operations aiding to better the capabilities in place for understanding the customer behavior, developing predictive models and developing effective communications with other customers and responding to these customers in real time with the best nature of information. This move has led customers to gain access to their accounts across the various countries where the banks exist.

Ogongo (2014) in examining the strategies undertaken by commercial banks in Kenya for enhancing customer retention and determining the levels of customer retention among Kenyan commercial banks, noted differences across customers. The study objectives were to examine the strategies used by the commercial banks for determining the levels of customer retention among the Kenyan commercial banks to enhance retention of customers. Provision of competitive interest rates and lower ledger fees for the various were influencers of customers switching from one bank to the other for banking services. The study adopted a cross section research design, in which a census was done on all the commercial banks in Nairobi considered suitable for the study. Data was collected using questionnaires. Moreover, secondary data was also used for the study. The analysis involved both inferential and descriptive statistics, to determine the underlying relationships between the study variables. The findings revealed that the various provisions by the banks towards customer satisfaction were key in retaining the customers.

Young et al. (2017) informed that majority of the US banks indicated a rise in their financial profits after adopting internet banking, hence showing improved performance over the different periods. The study also showed that there existed a relationship between the bank's performance and internet service delivery systems. This was clear that the introduction of internet for delivering the financial services led to a decline in overhead expenses, such as IT, staff and marketing, hence improving the performance of the banks.

Bellingkrodt and Wallenburg (2015) in examining the role of customer relations for customer satisfaction and innovations realized that workplace congestion was one of the causes of dissatisfaction among them. The data for this study was obtained from 778 SPs through an online survey. The analysis method used was the structural equation modelling, for modelling the empirical data. From this study, it was witnessed that mobile money providers and bank partnerships was one of the solutions feasible in easing congestion across the banking halls, hence affecting customer satisfaction. Both of the SP types benefited from the closeness of customer relations tied on customer satisfaction and innovation. Nonetheless, it was noted that ITSPs majorly depend on large customer numbers to be innovative, unlike the logistics service providers (LSPs). LSPs were believed to have the potential to evoke higher customer satisfaction levels, when innovative. The study was limited in that it was done in different countries with heterogeneous banking procedures and rules, hence making the findings not suitable for generalization. The current study is geared at assessing whether the realized findings could be applied in the Kenyan context, to test for the SPs application on bank performance.

2.4.2 Low-Cost Strategy and Financial Performance of Commercial Banks

According to Ogutu and Nyatichi (2012) achieving competitive advantage and promoting customer retention is a key factor in enhancing performance of the organization. Competitive strategy is a business strategy that is concerned with how a company can gain competitive advantage through an approach to competing. Despite the increased competition in the banking industry over the year's multinational banks have maintained their success in Kenya. The main aim of the study was to determine the competitive strategies that the multinational banks have adopted in Kenya to maintain their advantage in the market. Specifically, it sought to determine the extent to which the banks adopted Porter's generic competitive strategies in the Kenyan market. Using a census, the data was collected using a questionnaire with statements that defined various strategies adopted by the bank. The data was analyzed using descriptive statistics such as mean scores, percentages, and frequencies. This study established that low- cost strategy influences the performance of commercial banks. However, the study lacked the inferential aspect in the analysis that helps to establish the level of significance about the relationships between the variables. It is therefore important to evaluate the relationship using inferential statistics in order to effectively convince the stakeholders that the effect is not just by chance.

Grant (2011) noted that differentiation makes a product more attractive by contrasting its unique qualities with other competing products. For instance, some of the products that create competitive advantage and enhances performance include bank credits because they are unique and superior. Low-cost strategy may range from simple packaging of the goods in a creative way to a more complex way where new functional features are incorporated in the goods. Differentiation might also just not involve creating a new product or advertising campaign or sales promotion.

Chuani (2017) conducted a study to investigate various factors that determined customer retention rates at KCB Bank Kenya Limited (KCB). The objectives of the study were; to analyze the effect of service quality levels, to investigate the effect of service or product delivery channels and examine the effect of service cost on customer retention rates at KCB. The study adopted a descriptive research design using a quantitative methodology using KCB as the case of the study. The target population were all the customers with active bank accounts in 2017. The study used stratified random sampling to select the sample. Questionnaires were used to collect the data which was analyzed using both descriptive and inferential statistics by the help of SPSS vs. 23 the analysis were done only descriptively hence lacked an effective conclusion that is needed to ascertain the significance of the relationship between the variables. This study seeks to ascertain this relationship in order to conclusively indicate that the relationship between products differentiation and performance of the bank determines customer retention.

Tauni et al. (2014) conducted a study on impact of customer relationship management on customer retention in the telecom industry of Pakistan indicated that developing retention strategies based on customer profitability in telecommunications firms. A survey was used where all the 60 customers were considered for the study. Inferential and descriptive statistics were used to test for the association between the variables. The results indicated that, maintaining sustainable relationships with the customer enhances customers retention and hence profitable to the firm. The results indicated that effective strategies for retaining customers requires firms to understand customer behavior, customer profitability and customer risk. It was also noted that Banks are using low price to ensure that they lock in low-income consumers of their products. Most of the products have a series of uses making it very difficult for a customer to think of switching to another provider. Earlier research work that sought to assess the effect of service features such as managerial capabilities and knowledge(Ahmed, 2017).Recent studies done in the past have suggested that there is a positive correlation between the customer relations and performance of commercial banks. However, the study did not examine the implication of differentiation of the various product s and services by the bans in enhancing employee performance.

2.4.3 Service Features and Performance of Commercial Banks

Kalungu (2019) conducted a study to examine the effect of customer experience management on customer retention at KCB Bank. The objectives of the study were to; assess the effect of organization service features on customer retention, to examine the effect of customer ware on customer retention and to assess the effect of link ware on customer retention in KCB Bank. Using a descriptive study design the data was collected using both primary and secondary tools. Using stratified sampling a sample of 235 employees of KCB were selected for the study data was collected using a questionnaire. The study used both descriptive and inferential statistics where it was established that there was a relationship that was significant between the variables. The study was conducted only in one ban k hence the results might not be effective for use to other banks. Univariate analysis was used to show the strength of existing relationships between the study variables, and data was presented using tables and figures. The study established that Customers' expectations are defined as what customers' desire based on their antecedent experiences with the firm. He further noted that customer expectations compared with actual service performance results in the assessment of quality that customers obtain from service providers. The study suggested that in order to improve on the loyalty of the customers to continue buying a certain brand, the organization must have employees responding to their queries effectively. The current study has considered a wider scope where all the 11 banks are being used for the study.

According to Aduda and Kingoo (2012) the Banking sector in Kenya is quickly evolving from the past to an era where clients are accorded efficient and convenient banking services. On the same note delivery of excellent services, largely banks in Kenya are deploying vast capital in information and communication Technology. Whereas investment in technology is paramount, it should also be noted that its uptake requires a lot with regards to budget allocation for the bank. As it is, aside from employee expenditures, technology is commonly second in the list of the entry in the firms' budget. Further to this, there is the challenge of card fraud, usually on lost, stolen cards and counterfeit card fraud and online frauds. Thus, banks have had and are required to manage these technology-associated risks. Accordingly, it is imperative that e-banking innovations are crafted after thorough research on the risks associated and costs to be incurred so as to ensure optimal profitability is maintained. According to the findings there was a positive correlation between technology adoption and the performance of commercial banks in Kenya. According to Njeru and Kibera, (2016) it was noted that drawing from the results it is empirically clear that; uptake of technology has and will continue to positively contribute to profitability of commercial banks in Kenya. There is a clear affirmative relation between the two independent and dependent variables.

Agbor (2011) conducted a study to examine the relationship between customer satisfaction and service quality in service sectors with respect to the service quality dimensions. The study used a sample of 100 students who were selected using convenience sampling technique to assess their satisfaction levels. Data analysis was done using both descriptive and interferential statistics where Chi square test was used to test the hypotheses separately and in a group. The results indicated that there was a statistically significant relationship between service quality dimensions and service quality/customer satisfaction. According to the study the dimensions of service quality remain very critical features affecting customer satisfaction which leads to customer retention hence increased loyalty and performance. The outcome of the study indicated that customer satisfaction can only be improved with improved organizations service features. In terms of meeting the customers' expectation.

Wafula and Kamau (2015) the effect of strategic positioning of service delivery on customer satisfaction a case of Fina Bank Mombasa. The Specific objectives of the study were to determine the effect of technology advancement, to analyze the effect of product classification, to investigate how customer segmentation and to find out the effect of brand benefits contribute to customer satisfaction at Fina bank. A descriptive survey was used to ensure and a population comprised of customers and the staff totaling to 250 respondents. Stratified proportionate random sampling technique was used and data was collected using questionnaires. Both qualitative and quantitative techniques were used to analyze the data collected. Data was analysed using both descriptive and inferential statistics. The study findings were presented using tables, histograms, bar charts and pie charts. Correlation analysis was used to assess the relationship between the variables. It was established that there was as strong and significant correlation between the variables and hence it was concluded that strategic positioning has an impact on the retention of the customers in the banking industry. This study however used only one bank and hence the results might be limited to the banks performance and hence not appropriate for the other banks.

2.4.4 Exclusive Channels and the Performance of Commercial Banks

Baptista et al. (2021) in his study titled is Mobile Money Changing Rural Africa? Evidence from a field experiment sought to evaluate the impact of introducing mobile money services in rural Mozambique; the researcher selected a sample from rural areas where mobile money services had never been made available before. 102 rural Enumeration Areas (EAs) were chosen from the study area. The randomized intervention evaluated included both the introduction and dissemination of mobile money services in 51 rural locations indicated, it is important to note that System Lock-In can be achieved through very effective and exclusive distribution channels that aim at locking out the competitors. The results indicated that administrative records show that mobile money availability translated into substantial adoption of these services. It also improved consumption smoothing by treated households, which became less vulnerable to both adverse geo-located weather and idiosyncratic shocks. However, mobile money led to reduced investment, especially in agriculture. Our findings suggest that mobile money facilitated rural out-migration by reducing the transaction.

Molapo and Mukwada (2014) noted that the aim of channel optimization is to assess the different ways through which customers interact with a bank for a cost-effective process. This study involved an empirical investigation and relied on primary data that were collected using a set of quantitative and qualitative methods. This two-pronged approach, generally referred to as the mixed method approach or triangulation, involves a combination of qualitative and quantitative research approaches, techniques, methods, language or concepts in a single study. A questionnaire was used to collect the data. SPSS, in particular ANOVA and the calculation of frequency values, provided the best way of doing this. In addition, some of the data was analyses qualitatively as the questionnaire that was used also contained open ended questions. The evaluation is based on the perceptions of the customers of five cellphone network providers that operate in South Africa. The study concluded that though there are many customer retention strategies that are employed in the South African cellphone industry, the most effective are those related to quality of service, affordability of service and provision of customer support services.

Fatima and Razzaque (2014) sought to examine the antecedent and mediation effect of core, relational and tangible service quality on rapport and customers' overall satisfaction. The objectives of the study were to assess the effect of Core service quality, to examine the effect of relational service quality of the service provider; to determine the effect of tangible service quality of the service provider and to analyses the effect of tangible service quality of the service provider on overall customer satisfaction. The study adopted the survey which was conducted on 212 bank customers to validate the conceptual model. Structural equation modeling was used for data analysis. It was noted that through electronic banking customers can access account openings and are able to carry out other banking services without having to go to the banking hall. The findings demonstrated that the relation service qualities demonstrated a significant and mediation effect on rapport-reliant relationships. The core qualities demonstrated greater influence in terms of rapport, as there existed no significant relationship on the service quality and performance. Offering attention to various customers and understanding their different needs are desired as important steps relevant for the service employees in enhancing better rapport with their different customers. Making promises and providing services that are considered as flawless prove more important for customers unlike the tangible features from the banks. The managements are required to consider most of these effective rapport enhancements since they have direct and strong implications on the customers and their satisfaction levels. This study sought to assess the relationship between exclusive distribution channels used by the banks and the performance of these banks.

Amara et al. (2017) assessed the relationship between marketing distribution channels and performance of commercial banks established that there exists a strong correlation between performance of the banks and the distribution channels in place. They noted that the distribution channel strategies result to increased sales, market share and profits, the bank being able to market changes more effectively and enhanced ability of the bank to generate, disseminate, and respond to market changes. This implies that distribution channels affect performance of the commercial banks. There is however need to analyze how the system lock in strategy affects the commercial banks' performance in relation to the distribution channels. This relationship has not been considered in previous studies conducted in Kenya.

2.4.5 Performance of Commercial Banks

The determinants of bank performances can be classified into bank specific (internal) and macroeconomic (external) factors. These are stochastic variables that determine the output. Internal factors are individual bank characteristics which affect the banks performance. These factors are basically influenced by internal decisions of management and the board. The external factors are sector-wide or country-wide factors which are beyond the control of the company and affect the profitability of banks. The overall financial performance of banks in Kenya in the last two decades has been improving. However, this doesn't mean that all banks are profitable, there are banks declaring losses they further noted that bank specific and macroeconomic factors affect the performance of commercial banks.

A study by Nair and Ndubisi (2015) sought to assess the effect of channel optimization on performance of the firm. It was noted that as banks consider the option of integrating branches, they need to note that this alone will not enhance cost reduction for optimization. The adoption of other alternative channels such as contact centers, online and mobile banking, ATMs, and relationship managers were considered as very important for enhancing customer's satisfaction. This noted that product differentiation demonstrated a positive effect on the banks' performance. Similarly, in regard to product differentiation, the banks in a bid to manage their customers and enhance performance have offered new products and services to their customers. There is constant and frequent product development that is appealing to the customers. The banks are also funding several products and services to make it difficult for customers to think of switching to the competitors' products. The banks are also ensuring that they form partnerships with other service providers to offer their services to the customers at a reasonable price. This strategy affects clients' switching behavior hence enhancing the product support by the clients to the bank hence enhancing performance of the banks.

Liu et al. (2011) examined the relationship between product differentiations and performance of commercial banks. The study established that there is a positive relationship between the variables of the study. From literature the nonparametric methods of efficiency measurement include the Data Envelopment Analysis (DEA) and the Free Disposal Hull (FDH). The most widely used is DEA, a programming technique that provides a linear piecewise frontier by enveloping the observed data points and yields a convex production possibility set. As such, it does not require the explicit specification of the functional form of the underlying production relationship. In the context of the present analysis, the nonparametric efficiency estimates serve well as performance measures compared to their parametric equivalents. Indeed, regressing efficiency estimates obtained from parametric techniques would almost certainly result in problems of statistical consistency.

According to Anjichi, (2014) financial performance is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Profitability analysis focuses on the relationship between revenues and expenses and on the level of profits relative to the size of investment in the business. Four useful profitability ratios and measures are the return on assets (ROA), return on equity (ROE), operating profit margin and net income. The ROA measures the return to all assets and is often used as an overall index of profitability and the higher the value, the more profitable the business. For this study performance was measured in terms of return on assets, which is a measure of the performance of commercial banks in terms of the asset volume and the amount of net profit after tax that the firm has generated.

Podder et al. (2012) showed the efficiency of banks generating earnings is based on their profitability. The banks performance translates to improved economic development of countries through the profits being invested back to the business, hence resulting in more employment opportunities for the citizens, hence a rise in revenues through taxes

It is also noted that the performance of any commercial organization normally contributes to the economic development of a country through the fact that the profits can be reinvested back into the business and thus offer additional employment to the citizens of the country and thus increased revenue for the country through taxation (Ayanda et al., 2013). Furthermore, the performance of commercial organizations translates to a rise in investor wealth through the increased dividends paid, which results in a rise in the quality and standards of living of citizens. As explained from the discussions, the banks performance is quite critical, with the poor financial performance across the country's industry being quite critical and hence poor results from the banks can result in negative effects on the growth and country's development and on its citizen's well-being (Ongore & Kusa, 2013).For this study financial performance was measured by return on assets where the net profit and the net assets was used.

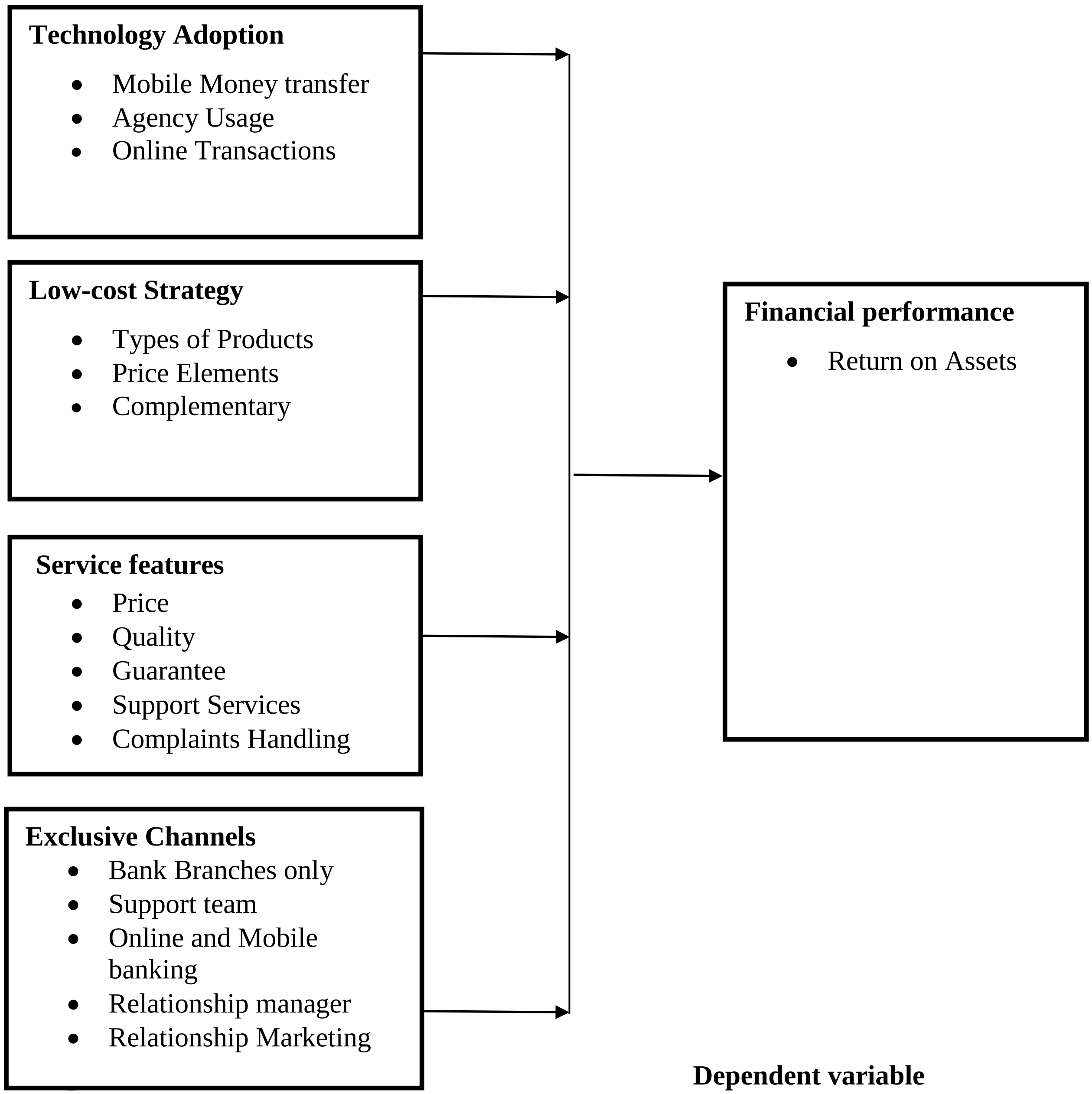

Figure 2.2: Conceptual Framework

2.5 Summary of Literature Review and Research Gaps

Previous researchers have demonstrated the importance of increasing understanding of strategies to resolve customer complaints and more to study the behavior of customers. Van-Oordt (2015) noted that organization should attempt to resolve complaints from the customers informally, taken orally and should make proper records and the complaint should be resolved as soon as possible so the problem does not persist. They have also emphasized differences in complaints against the Service Counter and self-service terminals (Narteh, 2015) was the nation that the use of self-service terminals in the bank to reduce customer complaints, but rather a circumstance where there is 40 per cent of users are not satisfied with the self-service. These studies did not consider the banking industry and specifically the performance of commercial banks in relation to system lock in. Fatima and Razzaque (2014) indicated that when customer stays with an organization there is more utility created from the customers. It was noted that due to the high initial costs of introducing and attracting a new customer, increases in both the value and number of purchases, the customer's better understanding of the organization, and positive word-of-mouth promotion. Liu, Guo, and Lee (2014) also noted that extensively discussed service features in terms of Quality, in terms value, timeliness, efficiency, ease of access, environment, inter-departmental teamwork, commitment to the customer and innovation, which help in customer loyalty and retention.

These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for satisfaction measurement as an integrated model. The usual measures of customer satisfaction involve a study with a set of statements using a Likert scale. The customer was asked to evaluate each statement and in term of their perception and expectation of performance of the organization being measured. Based on their responses, customers can be categorized into one of three groups: promoters, passives, and detractors. In regard to developing exclusive channel for the distribution of the products previous studies have indicated that performance of the firm can be enhanced through effective channel exclusion. However, these studies have given general strategic effect of channel exclusion to most service firms in enhancing a firm's performance. Firms that have considered the strategic positioning concept have adopted the delta triangle model and have looked at the three aspects of the model. Most researchers have considered total customer solutions, best products and systems lock in, in line with performance. However, these studies have not put more emphasis on the effect of systems lock in on performance of firms and particularly in the banking sector. This study sought to address this gap by adding to the current literature on strategic positioning, of commercial banks and performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines, the research design, target population, sample size and sampling technique, data collection instruments and procedure, pilot study validity, reliability and data analysis and research model.

3.2 Research Design

Methodology is the plan by which the researcher will ensure that the study is conducted procedurally with maximum control over factors that may interfere with the validity of the findings. Zikmund et al. (2010) indicated that research methodology is a systematic description of the methods employed by the researcher to conduct the study. This study adopted a cross sectional design to collect data from respondents drawn from different commercial banks in Narok. According to Sekaran and Bougie, (2011) a cross sectional design is used in studies where data is to be collected from different units over a specific period of time. The design was appropriate for this study because it assisted the researcher to understand the characteristics of the various groups provide a systematic thinking about different concepts of the study and also offer ideas for further research. The design assisted the researcher to analyze the what, when, who and how of the research (Zikmund et al, 2010). The design also enhanced the understanding of the effect of strategic positioning of system lock in on banks' performance. Cross-sectional research design was adopted for comparing data collected from different banks. The design provided qualitative or numeric descriptions of trends, attitudes and perceptions of the population by studying a sample of that population (Kothari, 2014).

3.3 Target Population

A population is a group of individuals, items or events with a similar characteristic of interest to the researcher (Sekaran & Bougie, 2011). The study's target population comprised of ten (10) banks having branches in the town of Narok since 2019 December as shown in appendix (II). The unit of analysis comprised of 10 branch managers of the various banks. The reason for selecting this group is that the commercial banks are among the firms that have adopted the systems lock in strategic plan in retaining their customers and enhancing their performance.

3.4 Sampling Frame

According to Upagade and Shende (2012), this is a list of all the names of items or groups of people in the population who were involved in the study and from whom the sample was selected. Sampling frame is very important in providing the actual list of people who are expected to take part in the study and from whom data was collected. The sampling frame for the study were ten managers of all commercial banks listed and authorized to operate in Narok town based on CBK records. The study collected data for the period 2017 to 2019.

3.5 Sample Size and Sampling Procedure

Connaway and Powell (2010) indicated that sampling is a process of selecting a small group of items from the population to make the research process more effective and efficient. Various researchers have suggested different ways through which an appropriate sample size can be selected from a large population. Mugenda and Mugenda (2012) suggested a sample of between 10-30% as being appropriate for large populations. However, most of these scholars have indicated that the use of a census where all the elements in the population are considered for the study is most appropriate as it eliminates the sampling errors from the study. This study deployed purposeful sampling technique to select 10 branch managers from the ten commercial banks operating in Narok town. This technique was necessary since it ensured that the selected sample had the capacity to satisfactorily respond to the questionnaire. The sample size for this study is shown in table 3.1

Table 3.1: Sample Size

S/ No.	Name of Commercial Bank	Branch Manager
1	Equity Bank	1
2	Family Bank	1
3	Trans National	1
4	Bank of Africa	1
5	ABSA bank	1
6	Kenya Commercial Bank	1
7	National Bank of Kenya	1
8	Diamond Trust Bank	1
9	Cooperative Bank	1
10	SBM Bank	1
Total		**10**

3.6 Data Collection Methods

This study deployed both primary and secondary data. Primary data was collected in understanding the effect of strategic position of system lock in on performance of Commercial Banks in Kenya. The data was collected using questionnaires. A questionnaire is considered a very appropriate data collection tool because it can collect both qualitative and quantitative data. It is also considered appropriate as it can be used to collect data from a population that is widely dispersed and where the respondents might not be available to personally meet with the researcher. Besides them being cost effective, they are also considered appropriate for this study because they allow the respondents to reflect on the subject before responding (Bryman, 2012). Open type of questions helped to collect the qualitative data while the closed type of questions helped to collect the quantitative type of questions (Zikmund, et al., 2010). The researcher allowed the respondents at least 5 days to fill in the questionnaire before returning. On the other hand, secondary data was drawn from the banks' data base to particularly avail the needed dependent variable; return on assets (ROA) information.

3.7 Data Collection Instrument

The study used written instrument in form of questionnaire to collect primary data and also to request specific secondary data from the bank manager. The questionnaire captured the specific bank measurements that the manager needed to provide to the study so as to aid in attaining its objectives. It also contained primary information about the bank that concerns the day to day operations of the bank that the bank manager was required to provide. The study sought the use of written survey instrument because due to the busy nature of the bank managers, the instrument gave the managers ample time to respond to the required data.

3.8 Data Collection Procedure

This section informs the approaches taken for collecting the relevant data from the interviewees. The study developed the questionnaire which was used in the collection of the data. The researcher then requested for an introduction letter from the school of Business and Economics of Maasai Mara University which was used to apply for a research permit from the National Commission of Science, Technology and Innovation

(NACOSTI). The questionnaires were dropped or mailed to the respective commercial banks and picked after five days for analysis. The reason for allowing five days was in consideration of the fact that the respondents being in senior management positions might require time to attend to the questionnaire.

3.9 Pre-Testing of the Questionnaire

This procedure is very critical in any descriptive research as it helps to judge the correctness, effectiveness, strengths and weaknesses and correlation of the questionnaire. The pretest is usually done to test the validity and reliability of the research instrument before the actual study is conducted. Pilot testing is very crucial for any study whether it's using secondary data or primary data. The main purpose is to reduce the errors in responding to the questionnaire hence establish the accuracy and appropriateness of the research design and instruments (Orodho, 2009; Bryman, 2012).

According to Cooper, Seiford and Zhu (2011), the rule of the thumb is that at least ten percent of the sample should constitute the pilot test taking into consideration the time, costs and practicability of the exercise. Mugenda and Mugenda (2012) on the other hand indicated that the appropriate sample for carrying out a pretest is at least 1-10% of the actual study sample. The questionnaires were administered to 2 branch managers for cooperative and equity bank in Bomet town. The results showed that the questions contained in the instrument were valid and could be used to capture the required data.

3.10 Validity of the Instruments

This refers to the extent to which an instrument measures what it is supposed to measure. According to Mugenda and Mugenda (2012), this is the degree to which the results obtained actually answered the research questions and also test the hypothesis of the study. It is the degree to which a test measures what it is intended to measure. For this study both face and content validity were tested. Face validity helps to assess the size of the questionnaire and the time expected for a respondent to respond to the questions and it was determined by using expert assess to help ensure that the research instrument was clear and precise to meet the requirements of the respondents. While content validity measures the level of data collection done using a provided study instrument informs a specific concept. The content validity was measured using a professional or expert in the field of finance. Factor analysis helps to reduce the question statements and this helps to improve the reliability of the instrument and the sampling adequacy (Field et al., 2009). The Kaiser-Meyer-Olkin Measure of Sampling Adequacy was used in testing the validity of the research instrument. The instruments were considered valid if the KMO value were more than 0.4. Technically, KMO which ranges from 0 to 1, should be higher than the factor loading of 0.4 to be considered as an acceptable value for a good factor analysis and the Barltlett's test of sphericity significant level must be smaller than 0.05. Here, items on the questionnaire are checked against the objectives of the study so as to ensure that there is adequate coverage of items. The views of those who participated in the pilot were used to improve on the content of the questionnaire.

3.11 Reliability of Research Instruments

Reliability is a measure of the consistency of the data as assessed using the split-half test or the test-retest reliability method (Kothari, 2014). The level of reliability can be increased by using an appropriate measure with similar items. An instrument is said to be reliable if it can give similar results with different samples drawn from the same population. Reliability test helps to correct inconsistencies arising from the instruments hence it ensures that the instrument measures what it intended to measure.

The pilot test results from the two banks in Bomet were subjected to a Cronbach alpha coefficient test. The reliability analysis was computed by the help of the statistical package for social science version 26 and an alpha reliability coefficient of 0.70 or more will imply a high degree of data reliability.

3.12 Data Analysis Procedure

This section describes the data analysis process. After the questionnaires were collected back from the respondents the researcher assessed them for completeness and commence the data analysis process. The researcher computed both the descriptive, inferential and test statistics in order to assess the effect of the independent variables on the dependent variable. The data was coded to ensuring proper grouping of the categorical variables. Since the data collected was quantitative in nature the analysis was done quantitatively by the help of the Statistical Package for Social Sciences tool (SPSS, V. 22.0). The findings were presented by use of frequency distribution tables.

Moreover, regression modelling was used to test for the relationship between the study' variables. Regression mode has been used previous by other researchers to test the relationship between variables. Aduda (2011), Ngugi et al. (2010) and Njeru (2016) all used regression analysis to test the relationship between study variables in the area of finance in Kenya. Regression helps to test how well the model fits the data. The R value represents the correlation between the variables while R square represents the magnitude of the effect of the independent variable on the dependent variable.

The F-test or the Fischer distribution was used to test for the existence of a significance between the error mean and the regression mean. The test was conducted at a 5% level of significance. This was undertaken by analyzing the analysis of variance (ANOVA) outcome from the regression model. Furthermore, the t-test was used to test for the significance of the model parameters for the developed regression model. In this case, the t-statistic between -2 and +2 proves that the parameter is not considered significant, hence we fail to reject the null hypothesis, and considered true. On the contrary, when the t-value is above +2 or being less than -2, the null hypothesis was then rejected. In the event that the p-value was higher than 0.05, the model was considered insignificant, hence not viable in explaining the dependent variable.

Further analysis was done using multiple regression models so as to test the level of significance of the relationship between independent variables (Technology Adoption, Low-cost Strategy, Service features and Exclusion Channel) and the dependent variable (financial performance of commercial banks). The multiple regression models provided below.

$$Y = \beta_0+\beta_1 X_1+\beta_2 X_2+\beta_3 X_3+\beta_4 X_4+ e \qquad (3.1)$$

Where:

Y = Financial Performance

$\beta 0$ = the Y intercept

$X1$ = Technology adoption

$X2$ = Low-cost Strategy

$X3$ = Service features

$X4$ = exclusive distribution channels

e = the error term

3.12.1 Correlation Analysis

Correlation analysis is a statistical tool used to measure the degree of linear relationship between two variables (Senthil Nathan, 2019). Ordinary Least Square assumes that there exists a linear regression for the dependent and the independent variables. The study checked the existence of a linear relationship between each of the independent variables and the dependent variable, using person's moment correlation coefficient. The test for existence of a linear relationship was carried out at 95% level of confidence based on the following null and alternative hypothesis:

$$H_0 : r = 0$$

Against

$$H_1 : r \neq 0$$

The hypothesis was tested using the t-statistic for correlation coefficient. The test statistic for the test was given by;

$$t = \frac{r}{\sqrt{\frac{1-r^2}{n-2}}} \quad (3.2)$$

The test statistic follows a t-distribution with *n – 2* degree of freedom. Based on the test, the rejection of the null hypothesis would show that the particular independent variable has a linear relationship with the dependent variable, this shows that there is a possibility that the particular independent variable does affect the performance of commercial banks.

The correlation coefficient also assisted in measuring the type and degree of relationship between the independent variable and the dependent variable. The correlation coefficient assumes values between -1 and 1, with negative correlation coefficient showing and inverse relationship while positive correlation coefficient showing a direct relationship. The degree of association between the variables based on correlation analysis would measure based on the size of the correlation coefficient as illustrated in Table 3.2.

Table 3.2: Correlation Analysis

Absolute Correlation Coefficient	**Interpretation**
0	No relationship
0.00 to 0.30	Very weak relationship
0.30 to 0.50	Weak relationship
0.50 to 0.70	Moderate relationship
0.70 to 0.90	Strong relationship
0.90 to 1.00	Very strong relationship
1	Perfect relationship

3.12.2 Multiple Linear Regression Model

In order to answer the research hypothesis, the study fitted multiple linear regression model to assist in testing the four-research hypothesis of the study (see equation 3.1)

Regression mode has been used previous by other researchers to test the relationship between variables. Aduda (2011), Ngugi et al. (2010) and Njeru (2016) both adopted regression models to model the underlying relationship between various financial variables in Kenya. Regression helps to test how well the model fits the data.

In order to assess the research hypothesis, the study tested the adequacy of the regression model and the model parameters. The adequacy of the regression model was assessed using the F-test while the test for adequacy of the regression parameters were carried out using the t-test.

3.12.2.1 F-test for adequacy of regression model

The adequacy of the regression model test is mean to test the hypothesis that at least one of the independent variables in the regression model do affect the dependent variable. In the study, the test was carried out at 95% level of confidence based on the following null and alternative hypothesis;

$$H_0 : \theta_0 = \theta_1 = \theta_2 = \theta_3 = \theta_4 = 0$$

Against

$$H_1 : \theta_0 \neq \theta_1 \neq \theta_2 \neq \theta_3 \neq \theta_4 \neq 0$$

The hypothesis testing is based on an F-statistic which is given by;

$$F = \frac{SSR / (p-1)}{SSE / (n-p)} \qquad (3.3)$$

Where;

SSR – is the sum of square due to regression

SSE – is the sum of square due to Error/residuals

n – Sample size

p –Number of regression parameter

The test statistic follows an F distribution with *p – 1* degrees of freedom and *n – p* denominator degrees of freedom. The rejection of the null hypothesis would show that at least one of the independent parameters do affect the performance of commercial banks.

3.12.2.2 T-test for adequacy of individual regression parameter

When the test for adequacy of the regression parameter leads to the rejection of the null hypothesis, the test for adequacy of individual parameters was carried out to determine the particular independent variable that affect the commercial banks' performance. The t-test was carried out at 95% level of confidence based on the following null and alternative hypothesis;

$$H_0 : \theta_i = 0$$

Against

$$H_1 : \theta_i \neq 0$$

The test statistic for the hypothesis is given by;

$$t = \frac{\hat{\theta}_i}{SE\left(\hat{\theta}_i\right)} \quad (3.4)$$

Where;

$\hat{\theta}_i$ -Estimate of the regression parameter

$SE\left(\hat{\theta}_i\right)$-Standard error of the regression parameter estimate.

The rejection of the null hypothesis of the test would show that the parameter is significantly different from zero meaning that the independent variable that is coefficient by the given coefficient $\hat{\theta}_i$ do have significant effect on the performance of commercial banks, otherwise the failure to reject the null hypothesis would show that the independent variable coefficient by the particular parameter estimate $\hat{\theta}_i$ do not affect the performance of commercial banks.

3.12.2.3 Assumptions of the multiple linear regression analysis

The Social Sciences Statistical Package (SPSS) version 26 was used as a tool for data analysis. Descriptive statistics was used to check for the spread and dispersion of the study variables as regression model was used for modelling the variables with the response variable. Factor analysis was used to establish the overall variance between the items of each variable so that they can be used in the correlation and regression analysis. The study used both simple regressions to test the relation on each variable and the multiple regressions to test the combined effect of the independent variables on the dependent variable.

3.12.2.4 Test of Assumptions

The assumptions for the Multiple Regression Analysis Model to be tested include:

3.12.2.4.1 Normality of the Variables

Normality is the assumption that the scores on a continuous variable are normally distributed about the mean (Tharenou, et al., 2007). Normal is used to describe a symmetrical bell-shaped curve, which has the greatest frequency of the scores in the middle with smaller frequencies towards the extremes and that the scores are distributed about the mean (The bell-shaped distribution). Normality of data can be tested using both statistical and graphical methods. Statistical methods include Skewness and Kurtosis. As rule of thumb, the value of Skewness should be less than + 1 or greater than -1 (Baumgartner, *et. al.* 2011). Variables that produce Skewness outside the range of + 1 or -1 can be transformed accordingly to establish if they affect the regression results.

3.12.2.4.2 Linearity

Linearity refers to the degree to a variation in the independent variable influences the outcomes of a dependent variable (Hair et al., 2010). There could be a linear relationship between the predictor and the response variable. Pearson correlation test was used to test for the linearity between the model variables. The aim of this will help to check the inter-correlations among all pairs of predictors and determine whether multi-collinearity was likely to be a problem (Baumgartner, et. al., 2011).

3.12.2.4.3 Independence of the Error Term

This means to test the presence of serial correlation among the residuals. Independence of errors requires that residual terms of any two observations are independent. Each case or observation should be independent of one another such that residuals or errors in prediction do not follow a particular pattern from case to case. This implies that the models could not suffer from the problems associated with correlated errors. The regression model assumes that the errors from the prediction line are independent. This is an assumption for statistical tests to be accurate. Durbin Watson Test was used to determine the independence of errors. Durbin Watson Test value statistics ranges from 0 to 4 (Hair et al., 2010).

3.12.2.4.4 Multi-Collinearity

According to Sudfeld et al, (2010), multi-collinearity refers to the presence of correlation between the predictor variables. Multi-collinearity occurs when two or more independent variables are highly correlated. Multi-collinearity makes it difficult to determine the separate effects of individual variables. Highly correlated independent variables cause computational and interpretational problems (Saunders, Lewis and Thornhill, 2009). In order to test for multi-collinearity among the predictor variables, variance-inflation factor (VIF) and tolerance were applied. Pearson's Product Moment Correlation will also be used to test for multi-collinearity. A higher correlation of greater than 0.8 will depict a multi-collinearity problem (Ott & Longnecker, 2001).

3.12.2.4.5 Homoscedasticity and Heteroscedasticity

Homoscedasticity was observed through scatterplots and other partial regression plots developed from the dependent and independent variables. The average of the dependent variable was considered to have similar variability within the provided regression line to imply that the average was equal to the provided spread. The outliers considered as the standard residual values higher than 3.3 or lower than -3.3 (Tabachnick &Fidell, 2007) are also considered. The assumption checks for the visual displays for the standardized residuals through the existing regression standardized forecasted values.

3.13 Operationalization of the Variables

This section provides the operational summary of the analysis of variables. This is shown in Table 3.3.

Table 3.3: Summary of the analysis

Hypothesis	Variable	Measures	Analysis Technique
Technological adoption has no significant impact on the performance (financial) of Narok town banks (Kenya).	-Technology adoption -Financial Performance	Scale	Correlation, linear regression, ANOVA, t -test
There is no significant effect of service feature enhancement on financial performance of commercial banks operating in Narok town Kenya.	-Service features enhance -Financial Performance	Scale	Correlation, linear regression, ANOVA, t- test
There is no significant effect of exclusive distribution channels on financial performance of commercial banks operating in Narok town Kenya.	-Exclusive distribution channels -Financial Performance	Scale	Correlation, linear regression, ANOVA, t- test

3.13 Ethical Considerations

Ethics is the integrity of the researcher to be able to handle the data collected and the information about the respondents responsibly. The researcher ensured that all the relevant permits were acquired before the data collections. The researcher sought permission from relevant authorities including the university, National Commission for Science Technology and Innovation. The researcher also ensured that the respondent's identity was concealed by ensuring that they did not write anything that would lead to them being identified. The researcher also assured the respondents that the data collected would be used purely academic purposes and not for any other purpose.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the research findings and their discussion. The chapter contains: Introduction, Response rate, Effect of technology adoption, low-cost strategy, service features and exclusive distribution channels on the performance (financial) of various banks within Narok town.

4.2 Response Rate

The researcher distributed the questionnaire to 10 branch managers of all the ten banks within Narok town. The researcher was able to collect back 8 questionnaires from 8 commercial banks. This represents a response rate of 80% which was considered adequate. According to Marton et al. (2006) a response rate above 70% is considered appropriate for a descriptive study. Therefore, the 8 questionnaires were included in the analysis.

4.3 Technological Adoption and Performance

The study carried out descriptive statistical analysis such as frequency tables, measures of central tendency and measures of dispersion on the technological adoption in the banks and the results were as presented in section 4.3.1

4.3.1Descriptive Statistics

Objective one was set to explain the impact of adoption of technology as a system lock-in strategy on the performance (financial) of commercial banks within Narok town. The interviewees were queried on the technologies used by existing commercial banks. The responses were presented in Table 4.1.

Table 4.1: Technology Adoption

Technological adoptions	**Frequency (F)**	**Percentage (%)**
Mobile banking	8	100%
Online banking	8	100%
Agent banking	6	75%

From Table 4.1 above, the resultsimply that all the sampled commercial banks had adopted mobile banking at 8 (100%) whereas the online banking being 6 (75%) as the least at 6 (75%) stating agency banking. The various commercial banks had mobile banking, online banking and agency banking options, witnessed from ABSA, KCB, Equity bank, NBK, KCB and Family bank. Nonetheless, the banks that failed to adopt agent banking were NCBA and DTB. This informs the results of Gitau (2014) that revealed both online banking and mobile banking adopted by all the banks in Kenya. These findings also relate to those from Kanyugi (2019) that stated that 43% of the banks in Kenya had agency banking as part of their services.

The interviewees were asked to show the client numbers deploying a particular service delivery mode since 2017 to 2019. The results are presented in Table 4.2.

Table 4.2: Registered clients from 2017-2019

Technology	Year 2017	Year 2018	Year 2019
Mobile Banking	61,290	59,578	67,314
Online Banking	2366	4255	12937
Agent Banking	42,800	49,500	54,580

The findings from table 4.2 implied that Mobile banking had the greatest proportion of the registered customers from 2017-2019. Mobile banking had 61,290 customers as explained in 2017, 59,578 in 2018 and 67,314 in 2019. Online banking technologies had 2,366 customers in 2017, 4,255 in 2018 and 12,937 customers reported in 2019. Agent banking had 42,800 customers in 2017, 49,500 customers in 2018 and 54,580 in 2019. The findings were also in line with those from Gitau (2014) that informed that mobile banking was more dominant in the number of clients when compared to the other technologies adopted by the banks. This informs that majority of the Kenyans owned mobile phones, hence increasing access to mobile banking services. Summary of table 4.2 is presented in figure 4.1.

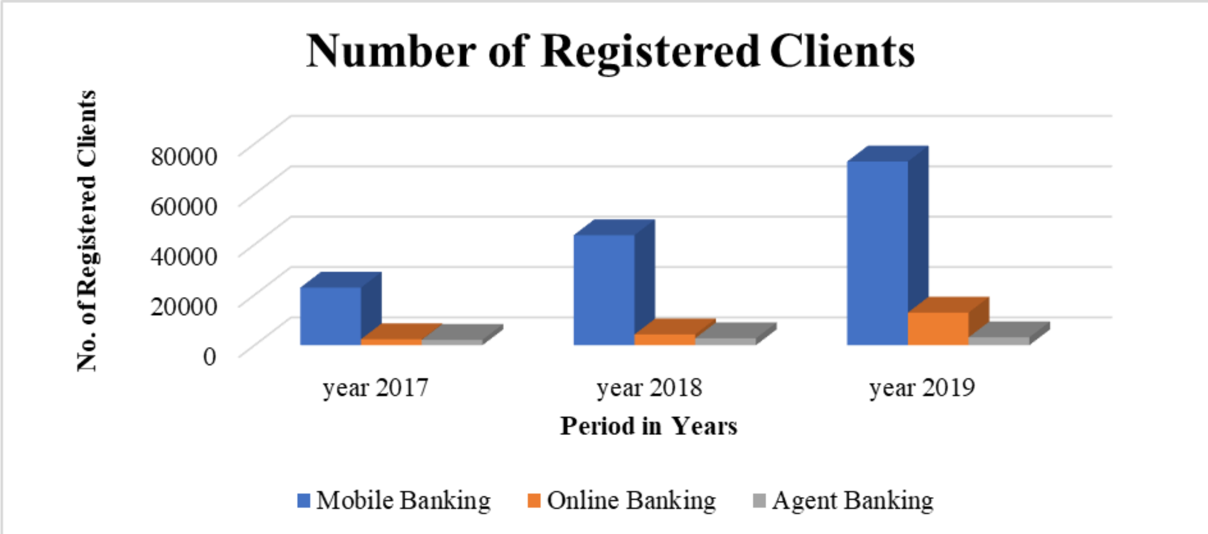

Figure 4.1: Customers registered from 2017-2019

The findings from figure 4.1 indicates that Mobile banking had the biggest number of customers registered from 2017-2019. In the second position was online banking in terms of the number of customers for the three years. Mobile banking had had the least customer numbers for the three years. The results from the study correlate with that from Gitau (2014) in which mobile banking was considered as having the greatest proportion of customer when compared to other banking technologies in place. This can be related to the idea that a huge chunk of Kenyan populace own various mobile phones, hence the ease of access for mobile banking services. Moreover, the outcomes also related to Ndirangu (2013) in which online banking translated to increased customer numbers owing from the improved internet coverage across different regions, hence improving access to online banking via reliable internet. The interviewees are queried on the revenues obtained from the various forms of mobile banking, agency banking and online banking from 2017-2019. The findings are explained in tables 4.3-4.5.

Table 4.3: Revenues Generated from Mobile Banking

Bank	Year 2017 KES. '000'	Year 2018 KES. '000'	Year 2019 KES. '000'
Equity Bank	22238	23246	23981
KCB	18738	20302	28209
NBK	7232	7928	8432
NCBA	13143	15236	15259
Co-op Bank	16464	18091	18949
Family Bank	8588	8762	9344
ABSA	14759	15291	16387
DTB	9040	9609	9532
Total	110202	118465	130093
Mean	13775.25	14808.125	16261.625

The findings from table 4.3 implied that Equity bank had the highest revenues obtained from mobile banking across the three years. In second place was KCB as NBK reported the least revenues from the mobile banking operations over the three years.

Table 4.4: Revenues Generated from Online Banking

Bank	**Year 2017**	**Year 2018**	**Year 2019**
	KES. '000'	**KES. '000'**	**KES. '000'**
Equity Bank	4621.00	6330.77	7869.1471
KCB	4164.00	5704.68	7090.9172
NBK	1619.00	2218.03	2757.0113
NCBA	2193.00	3004.41	3734.4816
Co-op Bank	3859.00	5286.83	6571.5297
Family Bank	1947.00	2667.39	3315.5658
ABSA	3352.00	4592.24	5708.1543
DTB	2929.00	4012.73	4987.8234
Total	**24684.00**	**33817.08**	**42034.63**
Mean	**3085.50**	**4227.135**	**5254.3288**

The outcomes from table 4.4 informed that Equity bank was leading from the online banking revenues for the three years. In second place was KCB bank as NBK had the least of the revenues obtained from online banking from 2017-2019

Table 4.5: Revenues Generated from Agent Banking

Bank	**Year 2017** **KES. '000'**	**Year 2018** **KES. '000'**	**Year 2019** **KES. '000'**
Equity Bank	987.00	1260.712	1322.58
KCB	887.00	1143.112	1188.58
NBK	336.00	595.136	450.24
Co-op Bank	812.00	1054.912	1088.08
Family Bank	496.00	983.296	664.64
ABSA	746.00	1077.296	999.64
Total	**4264.00**	**5014.464**	**5713.76**
Mean	**710,667**	**835,744**	**952,293**

(CBK 2020)

The results from table 4.5 reported that Equity bank had the highest revenue levels from agent banking services for the period. In second place was KCB, whereas NBK had the least revenue amounts reported from agency banking from 2017-2019.

The results from tables 4.3-4.5 inform that mobile banking reported the highest amounts of revenue from 2017-2019. The average revenue generated was Ksh. 13,775,250 for 2017, Ksh. 14,808,125 for 2018 and Ksh. 16,261,625 for 2019. Online banking came second with an average of Ksh. 3,085,500 in 2017, Ksh. 4,227,135 in 2018 and Ksh. 5,254,329 in 2019. Agency banking reported lowest revenues with an average of Ksh. 710,667 in 2017, Ksh. 835, 744 in 2018 and Ksh.952,293 in 2019. The results related to Gitau (2014) in which mobile banking had the greatest revenues when compared to other technologies employed by banks. The rise in mobile phone ownership may be an influencer of the mobile banking access among consumers.

The interviewees were queried on their intentions to come up with other new technological innovations into the future. The outcomes were reported in table 4.6.

Table 4.6: Technological innovations in the future

Response	Frequency (F)	Percentage (%)
Yes	6	75%
No	2	25%
Total	8	100%

The findings from table 4.6 show that most of the banks accepted that they would develop newer technological advancements in the near future 6(75%) while another 2(25%) of the banks had no plans for developing newer technological innovations in the future. The banks with the intentions for developing newer technologies in the future comprised of Equity bank, KCB, NBK, Co-operative bank, ABSA and Family bank. The banks that did not have intentions of developing newer technological innovations into the future were NCBA and DTB. The findings related to those from the Kenya Bankers Association of 2019, in which majority of the existing banks were struggling to be innovative to manage the high costs associated with service delivery. The results also related with CBK (2018) in which Equity bank and KCB were the leaders in technological adoption in Kenya.

4.3.2Inferential Statistics

The study carried out Pearson correlation analysis to assess whether technology adoption had a significant linear relationship to financial performance of commercial banks in Narok Kenya. The results of the analysis were as illustrated in table 4.7;

Table 4.7: Pearson's Correlation Analysis of the Relationship between Technology Adoption and Financial Performance

		Financial Performance
Technology Adoption	Pearson Correlation	0.373^{**}
	p-value	0.002
	N	8

p>.05 (2-tailed); *a* =0.05.

The findings from table 4.7 inform that there exists a positive significant relationship between technological adoption and performance (financial) of the Narok town's banks ($r = 0.373, p = 0.002$). This informed that technological adoption was a significant influencer of financial performance among the various banks in Narok town. The results corroborated to those of Mawanza et al., (2017) that showed that technological adoption was instrumental in influencing financial performance of various companies dealing in insurance services in Kenya. These findings could further be elaborated by the implication of technological adoption in lowering the cost-of-service delivery and eventually enhance insurance companies' financial performance in Kenya.

In testing the null hypothesis, a linear regression model was developed, as explained in table 4.8.

Table 4.7: Regression Coefficients Results of Technology Adopted on Financial Performance

R Square	Beta	F	t-value	p-value
0.139	0.395	15.182	3.896	0.002

According to the findings from table 4.8, it is clear that there existed a weak goodness of fit statistic between adoption of technology and commercial banks financial performance within Narok town The study reported that ($R^2 = 0.139$), which informed that improvement in technology adoption will lead to enhanced performance by approximately 13.9%. The F-test statistic was 15.182 with a p-value that was lower than 0.05. This informed that technological adoption was key in influencing the performance of the various banks. Furthermore, a t-test statistic value of 3.896 was considered higher than the critical value, hence providing sufficient evidence to reject the null hypothesis. This informed that the technological adoption in terms of the system lock-in approach had a significant effect on the performance of the banks. The study findings relate to

Mwanza et al., (2017) in which adoption of technology was a positive effect on financial performance of various insurance firms over the various years. Moreover, the findings also relate to Ndirangu (2013) in which the innovations and adoption of advanced technologies were key in influencing the performance of various organizations. This was possibly explained by the existence of lower cost-of-service delivery witnessed from technological adoption since the transformation of fixed to variable costs hence costs incurred only during various transactions. Moreover, adoption of technologies for the new products that suit the customer needs could later be realized, locking majority of customers within the developed systems. In this case, high number of loyal customers and other low-cost financial performance of banks are realized within Narok town.

4.4Low-Cost Strategy and Financial Performance

4.4.1. Descriptive Statistics

The second objective of the study sought to establish the effect of low-cost strategy on financial performance of commercial banks operating in Narok town. The respondents were asked to indicate the type of products/services offered by their respective banks. Descriptive statistics were calculated and results are presented in Table 4.9.

Table 4.9: Types of Products Offered

Type	Frequency (F)	Percentage (%)
Savings accounts	8	100%
Loans	8	100%
Insurance	3	37.5%
Credit Cards	8	100%
Overdrafts	8	100%

The results presented in Table 4.9, it is evident that all commercial banks operating in Narok town offered savings accounts, loans, credit cards and overdraft services. Three commercial banks i.e., NCBA, NBK and ABSA did not offer insurance services. The findings are consistent with the findings of Mutua, (2013) who established that commercial banks in Kenya offered similar products.

The respondents were asked to indicate how their products/services differ from those of their competitors. Descriptive statistics were tabulated and presented in table 4.10

Table 4.10: Commercial Banks Embracing Low-cost Strategy

Technique	Frequency (F)	Percentage (%)
Price	6	75%
Quality	2	25%
No difference	0	0%

From the results presented in table 4.10 it is evident that majority of commercial banks (6) 75% operating in Narok town differentiated their products/services using price differentiation. Only two commercial banks (ABSA and DTB) used quality/Product differentiation to differentiate their products/services from those of their competitors. This is consistent with the findings of Njagi, (2014) that commercial banks that excelled in Kenya offered more affordable services/products compared to their competitors in the industry. Further the results are in agreement with the findings of the Kenya Banker's association 2018 report that recognized Equity bank as the most affordable commercial bank in service delivery and the most profitable commercial bank for the financial year 2018.

The respondents were asked to indicate the price they charged for various products/services they offered. Descriptive statistics were tabulated and results presented in Table 4.11.

Table 4.11: Bank Tariffs for Various Products/Services offered by Commercial Banks in Kshs.

Banks	**Equity Bank**	**KCB**	**NBK**	**NCBA**	**Co-op Bank**	**Family Bank**	**ABSA**	**DTB**	**Mean**
Over the counter withdrawal	100	200	200	350	120	120	250	220	**211.3**
ATM withdrawal	33	30	30	30	30	40	50	35	**37.63**
Mobile transfer	20	36	65	70	50	30	18	36	**41.75**
ATM card	600	430	600	500	500	600	600	600	**525.8**
Mean	**187.5**	**174**	**269.5**	**237.5**	**173.75**	**197**	**229.5**	**222.75**	

The results in Table 4.11 show that different commercial banks operating in Narok charged different prices for the same product/service offered. The highest price charged for the over-the-counter withdrawal was shilling 350 charged by NCBA bank while the lowest price for over-the-counter withdrawal was shilling 100 charged by equity bank. The highest price for ATM withdrawal was shillings 50 charged by ABSA bank while the lowest price of shillings 33 was offered by Equity bank and NBK. The highest price of mobile money transfer was shillings 70 offered by NCBA bank while the lowest price of shillings 18 was offered by ABSA bank. The highest price of acquiring ATM card was shillings 700 offered by NBK while the lowest price was shillings 306 offered by equity bank. This is consistent with the findings of Njagi, (2014) that commercial banks that excelled in Kenya offered more affordable services/products compared to their competitors in the industry. Further the results are in agreement with the findings of the Kenya bankers' association 2018 report that recognized Equity bank as the most affordable commercial bank in service delivery and the most profitable commercial bank for the financial year 2018. To summarize values in Table 4.11 in graphical form the values were plotted and Figure 4.2 obtained.

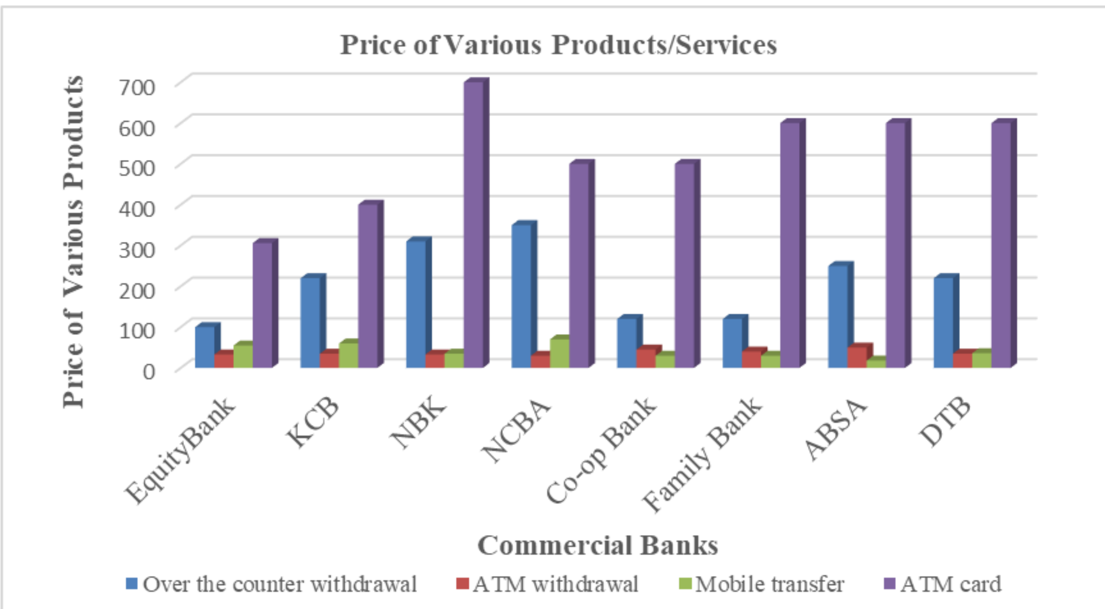

Figure 4.2: Prices of Various Products/Services Charged by Commercial Banks Operating in Narok Town

Source (Author, 2021)

The results in Figure 4.2 show that the product/service that had the highest price charge was ATM card acquisiton. The price was highest across all commercial banks operating in Narok town. The second highest price charged by commercial banks was price charged on over the counter withdrawals. On average equity bank had the lowest price on most products/services offered. This is consistent with the findings of Njagi, (2014) that commercial banks that excelled in Kenya offered more affordable services/products compared to their competitors in the industry. Further the results are in agreement with the findings of the Kenya bankers' association 2018 report that recognized Equity bank as the most affordable commercial bank in service delivery and the most profitable commercial bank for the financial year 2018. The data was subjected to further analysis using Pearson's Correlation so as to establish the relationship that exists between low-cost strategy and financial performance of commercial banks in Narok town.

4.4.2. Inferential Statistics

The study carried out Pearson correlation analysis to assess whether low-cost strategy had a significant linear relationship to financial performance of commercial banks in Narok Kenya. The results of the analysis were as illustrated in table 4.12;

Table 4.12: Pearson's Correlation Analysis of the Relationship between low-cost strategy and Financial Performance of Commercial Banks in Narok Town

		Financial Performance
Low-cost Strategy	Pearson Correlation	0.276**
	p-value	0.002
	N	8

p>.05 (2-tailed); *a* =0.05.

The results in Table 4.12 show that there is a weak positive and statistically significant correlation (r= 0.276, p- value = 0.002) between low-cost strategy and financial performance of commercial banks in Narok town. This means that low-cost strategy is an important influence of financial performance of commercial banks in Narok town. The results are in consonance with the findings of Baxter, (2008) who established that organizations that offered products at affordable costs made huge sales. This could be explained by the fact that clients felt the value for their money for the products/services received. Further the results were in agreement with the findings of Njagi, (2014) that commercial banks that excelled in Kenya offered more affordable services/products compared to their competitors in the industry.

In order to test null hypothesis two simple linear regression analysis was conducted and results are presented in Table 4.13.

Table 4.13: Regression Coefficients Results of low-cost Strategy on Financial Performance

R Square	Beta	F	t-value	p-value
0.076	0.349	13.101	3.520	0.002

From the results realized from table 4.13, there existed satisfactory in terms of the goodness of fit statistic for the model between low-cost strategy and performance of the banks. An R squared of 0.076 indicates that improvement in low-cost strategy will lead to enhanced financial performance of commercial banks in Narok town by 7.6%. The F-value of 13.101 and P< 0.05 indicates that low-cost strategy plays a significant role in influencing the financial performance of commercial banks. A t- value of 3.620 which was greater than the critical t-value together with a P- value of 0.002 which was less than 0.05 led to the rejection of the null hypothesis that there is no significant effect of low-cost strategy on financial performance of commercial banks operating in Narok town Kenya. The study thus, concluded that low- cost strategy was a significant factor affecting financial performance of commercial banks operating in Narok town. The results are in consonance with the findings of Baxter, (2008) who established that organizations that offered unique services/products along some dimensions recognized by clients made huge sales. This could be explained by the fact that clients felt the value for their money for the products/services received. Further, this is consistent with the findings of Njagi, (2014) that commercial banks that excelled in Kenya offered more affordable services/products compared to their competitors in the industry. The results are also in agreement with the findings of the Kenya Banker's association 2018 report that recognized Equity bank as the most affordable commercial bank in service delivery and the most profitable commercial bank for the financial year 2018.

4.5Service Features Enhancement and Financial Performance

4.5.1. Descriptive Statistics

The third objective of the study sought to establish the effect of service features on financial performance of commercial banks operating in Narok town. The respondents were asked to indicate whether their banks had bank agents within Narok town. Descriptive statistics were calculated and results are presented in Table 4.14

Table 4.14: Banks with Bank Agents in Narok Town

Response	Frequency (F)	Percentage (%)
Yes	6	75%
No	2	25%
Total	**8**	**100%**

The results in Table 4.14 show that six (6) commercial banks had bank agents in Narok town. These banks were Equity bank, KCB, NBK, Co-operative bank, Family bank and ABSA. Two (2) commercial banks had no bank agents in Narok town, these banks were DTB and NCBA. The results are also consistent with the findings of Kayungi, et al. (2019) who noted that only 43% of commercial banks in Kenya had adopted agent banking.

For those banks that had bank agents in Narok town were requested to indicate the total number of bank agents operated by their respective banks. Descriptive statistics were calculated and results are presented in Table 4.15.

Table 4.15: Number of Bank Agents in Narok Town

Banks	**Equity Bank**	**KCB**	**NBK**	**Co-op Bank**	**Family Bank**	**ABSA**
No. Agents	654	133	87	102	30	1

The results in Table 4.15 show that Equity bank had the highest number of agents in Narok town (654 agents). KCB was second with 133 bank agents, Co-op bank was third with 102 agents, NKB was fourth with 87 agents, and Family bank was fifth with 30 agents while ABSA was sixth with 1 agent. The results are consistent with the findings of CBK (2017) report that recognized Equity bank and KCB as the top commercial banks in Kenya in technology adoption. The high number of agents by equity and KCB could be explained in terms of the need in serving the high number of clients that the two banks have.

Respondents were asked to indicate the number of ATMs that their respective banks operated in Narok town. Descriptive statistics were calculated and results are presented in Table 4.16.

Table 4.16: Number of ATMs in Narok Town

Banks	Equity Bank	KCB	NBK	Co-op Bank	Family Bank	DTB	NCBA	ABSA
No. ATMs	3	1	1	1	1	1	1	1

The results in Table 4.16 indicate that all commercial banks that operated in Narok town had an ATM. Equity bank had the highest number of ATMs (3) in Narok town while all other commercial banks had one ATM each. The results are in agreement with the findings of CBK (2017) report that recognized Equity bank as one of the top commercial banks in Kenya in technology adoption. The high number of ATMs at equity bank could be explained in terms of the need in serving the high number of clients that equity bank has.

Respondents were asked to indicate whether their respective banks offered 24 hours' access to mobile banking and online banking to their clients in Narok town. The response from all the commercial banks in Narok town was that they offered 24 hours' access to mobile banking and online banking to their clients in Narok town. This supports the findings of Gitau (2014) who noted that mobile banking and online banking was adopted by all commercial banks in Kenya to offer access to banking services to their clients.

4.5.2 Inferential Statistics

The study carried out Pearson correlation analysis to assess whether service features had a significant linear relationship to financial performance of commercial banks in Narok Kenya. The results of the analysis were as illustrated in table 4.17;

Table 4.17: Pearson's Correlation Analysis of the Relationship Between Service Features and Financial Performance of Commercial Banks in Narok Town

		Financial Performance
Service Features	Pearson Correlation	0.282^{**}
	p-value	0.005
	N	8

p>.05 (2-tailed); *a* =0.05.

The findings revealed that there existed a weak positive significant relationship between the service features and their performance of the banks ($r = 0.282, p = 0.005$) in Narok town. This implies that the service features were highly significant in influencing performance of the banks.

The results were similar to the findings from Mas et al. (2011) that quality services improve customer loyalty leading to high sales revenue and hence improved financial performance of the organizations. Moreover, the study outcomes were also similar to Ndirangu, (2013) that organizational survival in the environment service features merged with technological adoption are instrumental to inform their performance.

For testing the null hypothesis, three linear models were developed as explained in table 4.18.

Table 4.18: Regression Coefficients Results of Service Features on Financial Performance

R Square	Beta	F	t-value	p-value
0.080	0.352	13.824	3.718	0.005

The findings from table 4.18 informed that there was satisfactory goodness of fit between the service features and the performance of banks' regression model.

R squared of 0.080 indicates that improvement in service features will lead to enhanced financial performance of commercial banks in Narok town by 8.0% of better. The F-value of 13.824 and p-value less than 0.05 informed that the service features were statistically significant in influencing the banks' performance. T-test statistic of 3.718 that is higher than the t-statistic critical that was lower than 0.05 informed sufficient evidence to reject the null hypothesis and inform that the service features have a significant effect on the performance of the banks. The outcomes informed that the service features had a significant effect on the performance of Narok town's banks. The findings were similar to Mas et al, (2011) that quality services improve customer loyalty leading to high sales revenue and hence improved financial performance of the organizations. Furthermore, the study outcomes were also similar to Ndirangu, (2013) that organizational survival in the environment service features merged with technological adoption are instrumental to inform their performance.

4.6Exclusive Distribution Channels and Financial Performance

4.6.1 Descriptive Statistics

The fourth objective of the study sought to establish the effect of exclusive distribution channels on financial performance of commercial banks operating in Narok town. Respondents were asked to indicate the most popular distribution channel in their respective banks. Descriptive statistics were calculated and the results are presented in Table 4.19.

Table 4.19: Most Popular Distribution Channels

Technological Adoption	Frequency (F)	Percentage (%)
Mobile Banking	8	100%
Online Banking	8	100%
Agent Banking	6	75%

The results in Table 4.19 indicate that 8 (100%) commercial banks under study used mobile banking and online banking as their most popular channels of distributions. While 6 (75%) commercial banks under study used agent banking as their most popular channel of product distribution. This support the findings of Gitau, (2014) who also noted that mobile banking and online banking was adopted by all commercial banks in Kenya. The results are also consistent with the findings of Kanyugi, (2019) who noted that only 43% of commercial banks in Kenya had adopted agent banking.

Respondents were asked to indicate the amount of income reported in 2017 to 2019 financial year from the most popular distribution channel in their respective banks. Descriptive statistics were calculated and the results are presented in Table 4.20.

Table 4.20: Income from Most Popular Distribution Channels

Channels	**Year 2017 Kes ,000**	**Year 2018 Kes ,000**	**Year 2019 Kes ,000**	**Mean**
Mobile Banking	6000	6400	6900	**6433**
Online Banking	4300	4600	5000	**4634**
Agent Banking	1800	2300	2700	**226.7**

The results in Table 4.20 indicate that mobile banking generated the highest income for the three years under study with a mean of 6433. Online banking was second in income generation for the three years under study with a mean of 4634 while agent banking was last in terms of income generation for the three years under study with a mean of 2267.This supports the findings of Gitau, (2014) who noted that mobile banking and online banking was adopted by all commercial banks in Kenya. The high income could be attributed to the fact that mobile banking was adopted by all commercial banks and that it was the mostly used means of accessing banking services by the clients. The results are also consistent with the findings of Kanyugi, (2019) who noted that only 43% of commercial banks in Kenya had adopted agent banking. This could be attributed to the high cost and complex legal procedures of adopting agent banking. To summarize values in Table 4.20 in graphical form the values were plotted and Figure 4.3 obtained.

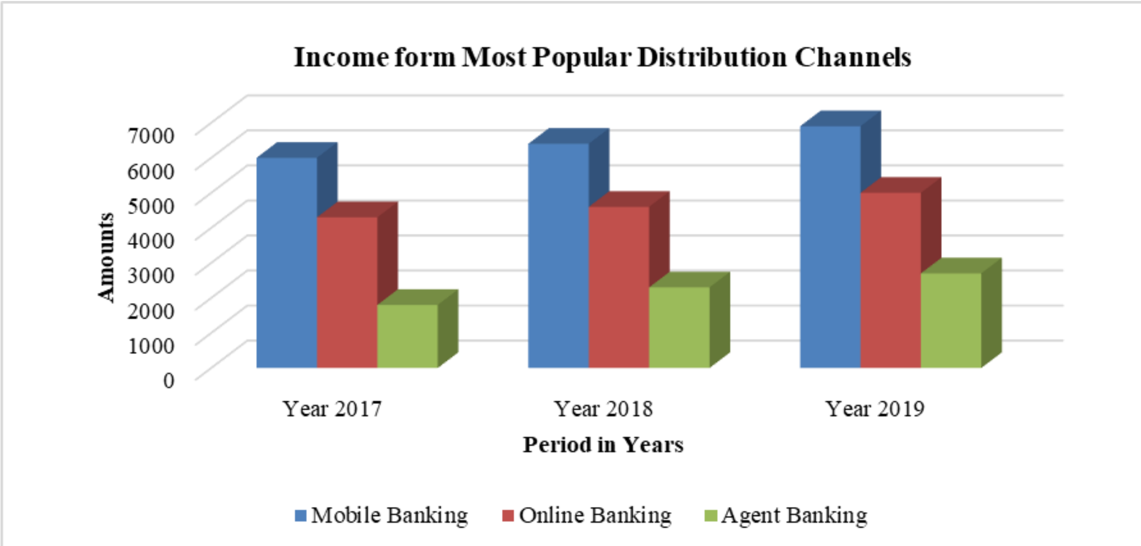

Figure 4.3: Income from Most Popular Distribution Channels

The results in Figure 4.3 show that Mobile banking generated the highest income for the three years under study while agent banking generated the least income for the same duration of time. This supports the findings of Gitau, (2014) who noted that mobile banking and online banking was adopted by all commercial banks in Kenya. The high income could be attributed to the fact that mobile banking was adopted by all commercial banks and that it was the most used means of accessing banking services by the clients.

The study measured the performance of the commercial banks-based Return on Asset of the commercial banks. The findings on the ROA for each commercial bank based on the data obtained from the Central Bank of Kenya was as illustrated in table 4.21;

Table 4.21: Return on Assets for Individual Commercial Bank

Bank	Year 2017 KES. '000'	Year 2018 KES. '000'	Year 2019 KES. '000'
Equity Bank	406,402	438,508	25,973
KCB	55,630	621,722	33,183
NBK	109,942	115,143	112,028
Co-op Bank	382,830	408,303	449,616
Family Bank	53,456	66,909	78,857
ABSA	271,682	325,362	374,109
NCBA	192,817	195,054	464,890
ACCESS	10,295	115,143	9,317
TOTAL	1,483,054	2,286,144	1,547,943
Mean	247,176	381,024	257,990

(Source CBK, 2020)

Table 4.21shows Secondary data was collected on return on assets from the various banks, it established that due to system lock-in strategy employed by financial institutions there was great performance improvement on return on assets from a mean of

247,176,000 in the year 2017, 381,024,000 in the year 2018 and 257,990,000 in the year 2019 with a grand mean of 295,396,666.665 Kenya shillings. The findings inform that the average return on assets was 3,213,284 in 2017, 4,953,312 in 2018 and 3,353,906 in 2019. In 2017, Equity bank had the highest volume on return on assets at 406,402. This was followed by Cooperative Bank at 382,830, ABSA bank at 271,682, NCBA bank at 192,817, NBK at 109,942, KCB at 55,630, Family Bank at 53,456, and Access Bank at the least with 10,295. In 2018, KCB was the highest at 621,722 followed by Equity Bank at 438,508, ABSA Bank at 325,362, NCBA Bank at 195,054, Access Bank at 115,143 as the least being Family Bank at 66,909. In 2019, Cooperative Bank had the highest volumes on return on assets at 449,616 followed by NCBA at 464,890, ABSA Bank at 374,109, NBK at 112,028, Family Bank at 78,857, KCB at 33,183, Equity Bank at 25,973, Access Bank at 9,317 as the least. The outcomes demonstrate that the highest return on assets were witnessed in 2018. This also supported the findings from Gitau (2014) in which the return on assets differed across various years from the various banks.

4.6.2 Inferential Statistics

The study carried out Pearson correlation analysis to assess whether exclusive distribution channels had a significant linear relationship to financial performance of commercial banks in Narok Kenya. The results of the analysis were as illustrated in table 4.22;

Table 4.8: Pearson's Correlation Analysis of the Relationship between Exclusive Distribution Channels and Financial Performance.

		Financial Performance
Service Features	Pearson Correlation	0.972**
	p-value	0.000
	N	8

p>.05 (2-tailed); *a* =0.05.

The results in Table 4.22 show that there is a very strong positive and statistically significant correlation (r = 0.972, p- value = 0.000) between exclusive distribution channels and financial performance of commercial banks in Narok town. This means that exclusive distribution channels are an important influence of financial performance of commercial banks in Narok town. This supports the findings of Armago, (2015) who noted that mobile banking and online banking was mainly the distribution channels used by savings and credit co-operatives in Kenya. This could be attributed to the low cost associated with these channels in service provision to clients. The results are also consistent with the findings of Mchembere et al. (2017) who noted that cost of distribution channels adopted affected financial performance of organizations.

In order to test null hypothesis four simple linear regression analysis was conducted and results are presented in Table 4.23.

Table 4.9: Regression Coefficients Results of Exclusive Distribution Channels on Financial Performance

R Square	Beta	F	t-value	p-value
0.945	0.973	153.182	12.377	0.000

According to figure 4.23, there was evidence of satisfactory goodness of fit between the exclusive distribution channels and Narok town's banks performance over the years.

An R squared of 0.945 indicates that improvement in Exclusive distribution channels will lead to enhanced financial performance of commercial banks in Narok town by 94.5%. The F- value of 153.182 and P< 0.05 indicates that exclusive distribution channels is a significant factor in influencing the banks' performance. A t- value of 12.377 that was higher than the critical t-statistic together with a P- value of 0.000 which was less than 0.05 translates to the evidence to reject the null hypothesis and assert that exclusive distribution channels had a significant effect on the performance of Narok town's banks. The results were similar to that of Armago, (2015) who noted that online and mobile banking provisions were mainly the distribution channels used by savings and credit co-operatives in Kenya. This could be attributed to the low cost associated with these channels in service provision to clients. The outcomes also corroborated with Mchembere et al. (2017) who realized that the cost of distribution channels adopted affected financial performance of organizations.

4.7Effect of System Lock in Strategic Positioning on Financial Performance of Commercial Banks

The study sought to establish the effect of all the four independent variables combined on Narok town's banks. A multiple linear regression model was fitted with financial performance as the dependent variable and the four variable as the independent variable. The summary statistics of the fitted model was as presented in Table 4.24.

Table 4.10: Regression Model Summary for System Lock in Strategic Positioning on Financial Performance

R	R Square	Std. Error of the Estimate
0.959	0.920	2.53866

Source (Author, 2021)

According to the analysis from table 4.24, there is a high goodness of fit for the model between all the independent variables (technology adoption, low-cost strategy, service features and exclusive distribution channels) and the performance of the Narok town banks. An R squared of 0.92 indicates that improvement in all the four in dependable variables combined will lead to enhanced 92% of better financial performance of commercial banks in Narok town. The results are consistent with the findings of Waiguru, (2015) that technology and quality service features had a very great impact on retaining customers hence creating a system lock- in for the customers hence improving service delivery and enhancing performance of the firms. The results are further in agreement with findings of Ndung'u, (2021) that distribution channels that had been adopted by the savings and credit co-operatives had an influence on the performance of the SACCOs.

Table 4.11: ANOVA for the Overall Model

Source of Variation	Sum of Squares	Mean Square	F	p-value
Regression	49839.47	12459.87	1933	0.000
Residual	1018.28	6.445		
Total	50857.754b			

The results in Table 4.25 indicate that the overall model was significant i.e., the independent variables jointly were good explanatory variables for Narok town's banks regarding their financial performance (F=1933, P value = 0.000).

Table 4.12: Parameter Estimates

Variables	Beta	Std. Error	T	p-value
Technology Adoption	0.069	.078	0.891	0.038
Low-cost strategy	0.246	.052	4.713	0.000
Service Features	0.117	.057	2.053	0.042
Exclusive Channel Distribution	0.845	.065	12.065	0.000

From Table 4.26 the model regression equation 4.1 was established.

$Y = 8.244 + 0.069X_1 + 0.246X_2 + 0.117X_3 + 0.845X_4$ ……………………………...4.1

The regression equation 4.1 it is established that by holding all independent variables (technology adoption, low-cost strategy, service features and exclusive distribution channels) constant the Narok town's banks' performance was 8.244 units. The regression equation 4.2 shows that there is a positive significant relationship between technology adoption and financial performance of commercial banks operating in Narok town, which is supported by a coefficient of 0.069 (p-value=0.0379). The results further illustrate that a unit increase in technology adoption would lead to a 0.069 improvement on financial performance of commercial banks operating in Narok town. There exists a positive and significant association between the low-cost strategy and the There is a positive and significant relationship between low-cost strategy and the performance of Narok town's banks as shown by a coefficient of 0.246 (p-value=0.0000). This indicates that a unit increase in low-cost strategy would lead to a 0.246 improvement in the financial performance commercial banks operating in Narok town. Furthermore, the results also indicated a significant positive relationship between the existing service features and the performance of Narok town's banks as shown by a coefficient of 0.117 (p-value = 0.0420). A unit increase in service features would lead to a 0.117 improvement in the financial performance of commercial banks operating in Narok town. The findings further show that there is a positive significant relationship between exclusive distribution channel and performance of banks operating in Narok town is explain by a coefficient of 0.845 (p-value = 0.0000). A unit increase in exclusive distribution channels would lead to an improvement of0.845 in the financial performance of commercial banks operating in Narok town. This infers that exclusive distribution channels influences financial performance of commercial banks operating in Narok town most followed by low-cost strategy, service features and finally technology adoption. The outcomes are similar to Waiguru (2015) that technological and quality service features had a very great impact on retaining customers hence creating a system lock- in for the customers hence improving service delivery and enhancing performance of the firms. The results agree more with findings of Ndung'u (2012) that distribution channels that had been adopted by the savings and credit co-operatives had an influence on the performance of the SACCOs.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study and draws conclusions based on the outcome of the results. The chapter also covers recommendations and areas for further research which encourages researchers to explore knowledge, since knowledge is not monopolized by individual scholars.

5.2 Summary of the Findings

The study aimed at evaluating the effect of system lock in terms of the strategic positioning on the performance (financial) of various commercial banks as explained from Narok town. The study was guided by four objectives which were; Determine the effect of technology adoption on financial performance of commercial banks operating in Narok town, determine the effect of low-cost strategy on performance (financial) of various commercial banks operating in Narok town, determine the effect of service features on performance (financial) of various commercial banks within Narok town and lastly, determine how exclusive distribution channels affects financial performance of commercial banks operating in Narok town. Cross-sectional design was the research strategy adopted for this study. Census rather than sampling was used since the target population was accessible and manageable. Primary data that was collected from the 10 commercial banks operating within Narok town but only 8 of the commercial banks were included in the analysis due to the non-response from two of the banks. The study used both descriptive and inferential statistics during its analysis to make conclusions and generalizations.

The first objective of the study sought to find out the effect of technology adoption on financial performance of commercial banks operating in Narok town. The results showed that all commercial banks in Narok town have adopted mobile banking and online banking. Agency banking is yet to be adopted by all commercial banks. The study further established that most of the customers were registered on mobile banking services, with online and Agency banking services having lower customer numbers. The findings also revealed that commercial banks were in the process of launching newer technologies into the future. The findings informed that there existed a positive significant association between the performance (financial) of commercial banks and technology $(r = 0.373, p = 0.002)$ within Narok town. The t-statistic value of 3.896 informed that there was sufficient evidence to reject the null hypothesis since the value was higher than the t-critical value with the p-value lower than 0.05, hence implying a significant effect of adoption of technology on the performance (financial) of commercial banks within Narok town.

The second objective of the study sought to establish the effect of low-cost strategy on financial performance of commercial banks operating in Narok town. The results showed that all commercial banks in Narok town offered similar products however different prices for similar products were charged by most commercial banks and only two commercial banks in Narok town used quality to differentiate their products from those of competitors.

The results indicated that there existed a weak positive and statistically significant association between commercial banks' performance (financial) and the low-cost strategies $(r = 0.276, p = 0.002)$ from Narok town. The results also indicated that the t-test statistic was 3.620, higher than the provided critical value, with a p-value of the test being 0.02, hence lower than 0.05. This informed that low-cost strategy had a significant effect on the performance (financial) of Narok town's commercial banks.

The third objective of the study sought to establish the effect of service features on financial performance of commercial banks operating in Narok town. The results showed that six (6) commercial banks in Narok town had bank agents in various location of the town. The study further established that Equity bank had the highest number (654) of bank agents in Narok town while ABSA bank had only one bank agent in Narok town. Also, the study established that Equity bank had three ATMs in Narok town while all other commercial banks in Narok town had one ATM each in Narok town. The findings revealed the evidence of a weak positive significant association between the Narok town's commercial banks performance (financial) and the existing service features $(r = 0.282, p = 0.005)$. Further a t- value of 3.718 which proved more than the critical t-statistic together with a P- value of 0.005 which was less than 0.05 led to the rejection of the null hypothesis that there is no significant effect of service features on financial performance of commercial banks operating in Narok town Kenya. This shows that service features are a significant factor affecting financial performance of commercial banks operating in Narok town.

The fourth objective of the study sought to establish the effect of exclusive distribution channels on financial performance of commercial banks operating in Narok town. The results showed that all commercial banks operating in Narok town used mobile banking and online banking as their main channel of distributing services to their clients. The study further established that mobile banking generated the highest income to respective banks within Narok. Online banking was the second in terms of generating income to respective banks operating in Narok town while agency banking generated the least income to the various banks operating in Narok town. Furthermore, there existed a string positive significant association between the various distribution channels and the performance (financial) across the banks ($r = 0.972, p = 0.000$). Further a t- value of 12.377 was higher than the t-statistic value alongside with a P- value of 0.000 which was less than 0.05 led to the rejection of the null hypothesis that there is no significant effect of exclusive distribution channels on financial performance of commercial banks operating in Narok town Kenya.

5.3 Conclusion

The study establishes that system lock-in strategic positioning by commercial banks is influenced by technology adoption, low-cost strategy, service features and exclusive distribution channels which formed the objectives of this study. From the study results, we can infer that technology adoption affects financial performance of commercial banks. Banks that had adopted the latest technology in banking such as mobile banking, online banking and agency banking had more clients in comparison to those that had not adopted.

Secondly, the study also concluded that low-cost strategy had a significant effect on the performance (financial) of various commercial banks. From the results, it's clear that banks are competing to earn and retain as many of its clients as possible. This is done through products such as affordable interest on loans packages, insurance policies, credit cards, overdraft and saving accounts among others that they give to clients banking with them. This has boosted the retention rate of clients hence significantly influencing their financial performance.

Thirdly, the results of this study shows that service features had significant effects on the performance (financial) of various commercial banks as explained from Narok town. This service features include ATMs, Mobile Agents and Mobile banking. Based on the findings, we can conclude that banks that had this service features had more customers as compared to those that didn’t have. This shows that customers tend to bank with banks that are convenient to them in that they can still access the services without necessarily going to the bank.

Lastly, we can conclude that exclusive distribution channels had varied effects on the performance (financial) of various commercial banks as explained from Narok town. Based on the findings, the most preferred distribution channel was mobile banking and this is attributed to the fact that most people own mobile phones hence making mobile banking convenient form of banking. Therefore, the banks that had this form of banking had more clients in comparison to those that did not have hence influencing their financial performance.

The overall summary showed that there the system lock in strategic positioning had a positive significant impact on the commercial banks’ financial performance as witnessed in Narok town. Technology adoption, low-cost strategy, service features and exclusive distribution channels significantly affect financial performance of commercial banks operating in Narok town.

5.4 Recommendations

From the conclusions of the findings, the study recommends that:

i. Technology adoption must be considered by the commercial banks aiming at improving their financial performance over the years since it aids in ensuring that these banks are able to provide newer products and services that meet the needs of the customers from the inadequate resources. However, commercial banks should note that relying on technology alone might not be an appropriate solution for enhancing financial performance unless other factors are in considered.

ii. The study also recommends that commercial banks embrace low-cost strategy so that they can meet clients' needs and hence acquire a bigger share of the market. However, it should be noted that even with low-cost strategy commercial banks may still experience poor financial performance. Therefore, establishing other factors to support low-cost strategy might be very ideal for enhancing financial performance.

iii. The study further recommends that appropriate service features must be drawn by commercial banks if they seek to enhance their financial performance. The results have indicated that service features have influence on the financial performance of commercial banks and therefore commercial banks should seek to have appropriate service features that resonate well with clients.

iv. The study recommends that commercial banks also embrace appropriate exclusive distribution channels. The results indicated that exclusive distribution channels had the highest influence on the financial performance of commercial banks and therefore commercial banks that seek to enhance their financial performance should have appropriate exclusive distribution channels in place.

5.9 Areas for Further Study

This study was limited to commercial banks and therefore the results might not be generalized to other financial institutions such as SACCOs, small and medium enterprises. Therefore, a similar study incorporating other financial institutions should be conducted to establish the correlation between financial institutions. The study also recommends that a similar study be carried out targeting other elements of system lock-in other than the four elements of system lock in strategic positioning that have been covered. This might add new knowledge to the established knowledge.

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APPENDIX I

QUESTIONNAIRE

Bank Name: ____

SECTION A: TECHNOLOGICAL ADOPTION

1. Which of the following Technological adoptions has your bank adopted between the year 2017 to 2019? ***(Please tick all that apply)***

   Mobile Banking [ ] Online Banking [ ] Agent Banking [ ]

2. If yes in any one of the above technologies used, what was the approximate number of registered customers by the given platforms in the following years? **(Give specific numbers of estimates in record)**

	2017	2018	2019
Mobile Banking			
Online Banking			
Agent Banking			

3. If yes to more than 1 technological adoption in part 1 above, which technological adoption has been the best in customer outreach and satisfaction?

   Mobile Banking [ ] Online Banking [ ] Agent Banking [ ]

4. Is there any new technological innovation that your company is planning to launch in future?

   Yes [ ] No [ ]

   If yes, which one?

____

SECTION B: LOW COST STRATEGY

1. What types of products does your bank offer ***(Please tick all that apply)***

   Loans [ ]

   Savings Accounts [ ]

   Insurance [ ]

   Credit Cards [ ]

   Overdrafts [ ]

2. Kindly state ways in which each of the stated products in (1) above differ from those offered by your immediate competitors? ***(Please tick that apply)***

   Price [ ]

   Quality [ ]

   No difference [ ]

3. Kindly give the prices and rates charged for the following services in each of the following years **(Give specific numbers of estimates in record)**

	2017	2018	2019
Cost of over-the-counter withdrawal			
Cost of ATM withdrawals			
Cost of mobile money transfer			
Cost of obtaining an ATM card			

4. Which one among the list of products stated is the most popular product at your bank?

Loans [ ]

Savings Accounts [ ]

Insurance [ ]

Credit Cards [ ]

Overdrafts [ ]

5. What is the average monthly revenue generated by this product?

6. Do you levy penalty for a customer in the event of a loan default?

Yes [ ] No [ ]

If yes, how much?

SECTION C: SERVICE FEATURES

7. How many service queries are solved by your bank on average per day?

8. Kindly provide the average number of the following services provided per month by your bank in the respective years?

	2017	2018	2019
Number of over counter transactions			
Number of ATM transactions			
Number of Accounts opened			
Number of loans given out			
Number of mobile banking users			
Number of ATM card holders			
Number of Online banking User			

SECTION D: EXCLUSIVE DISTRIBUTION CHANNELS

1. Does your bank have banks agents within the county?

   Yes [ ] No [ ]

   If yes, how many bank agents do you have in the county?

2. Does your bank have ATM machines within the county?

   Yes [ ] No [ ]

   If yes, how many

3. Does your bank have mobile banking?

   Yes [ ] No [ ]

   If yes, Are the customers able to access the bank services at any time of the day using the platform?

   Yes [ ] No [ ]

4. Does your bank offer online banking?

   Yes [ ] No [ ]

If yes, are the customers able to access the bank services at any time of the day using the platform?

Yes [ ] No [ ]

9. Indicate the most popular distribution channel that your bank your use to serve clients **(Please tick that apply)**

Mobile Banking [ ]

Online Banking [ ]

Agent Banking [ ]

10. Kindly indicate the amount of income reported in 2017 to 2019 financial year from the most popular distribution channel.

Channel	**Year 2017**	**Year 2018**	**Year 2019**
Mobile Banking			
Online Banking			
Agency Banking			

SECTION D: FINANCIAL PERFORMANCE MEASURES

Kindly provide statistical rates and actual figures of the following ratios and numbers for your banks for the last five years.

Financial performance	**2017**	**2018**	**2019**
Return on Assets			
Net profit after tax			
Total net assists			

THANK YOU FOR YOUR PARTICIPATION

APPENDIX II

LIST OF COMMERCIAL BANKS IN NAROK TOWN

S/No.	Name of Commercial Bank
1	Equity
2	Family
3	Trans National
4	Bank of Africa
5	ABSA bank
6	Kenya Commercial Bank
7	National Bank of Kenya
8	Diamond Trust Bank
9	Cooperative Bank
10	SBM Bank

APPENDIX III

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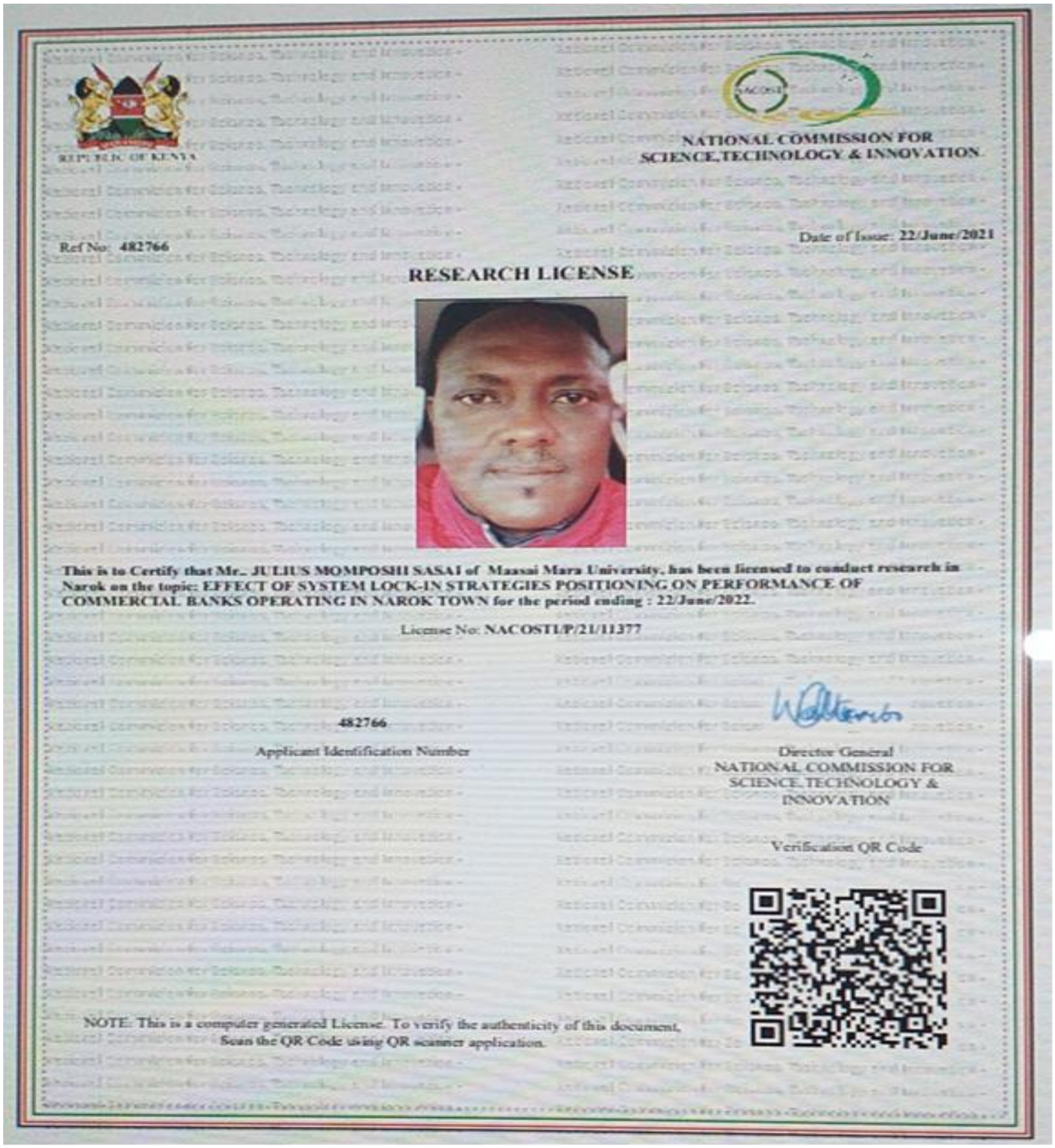

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