Market Innovation and Competitiveness of Commercial Banks in Kenya

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ABSTRACT

The dynamics of change in the business environments catalysed by globalization, changing consumer preferences and whirlwind development of technology have exerted immense pressure on commercial banks to introduce new approaches to enter new markets and exploit existing ones. Market innovation has thus become the vital tool for survival and development. This study examined the influence of market innovation on competitiveness of Commercial Banks in Kenya. The study was guided by the dynamic capability theory. The study utilized a positivist research philosophy. Descriptive and correlational research designs were used. The target population consisted of 175 directors and general managers of tier one commercial banks in the following departments based in head office: Research and Development, Marketing and Communication, Customer Service, Credit and Payments. Banks were classified into tiers through stratified sampling. Managers were classified into directors and general manager levels. Simple random sampling was then employed to select 122 respondents. Primary data was collected using closed and open-ended questionnaires. Reliability was tested by a pilot study done on Equity bank. To ensure content validity, the research questionnaire was subjected to thorough examination with two university supervisors and two experts from banking sector. The study adopted Principal Component Analysis approach to test for construct validity. The study utilized descriptive and inferential analysis. Descriptive analysis included the use of frequencies, percentages, mean and standard deviation while inferential statistics employed correlation and regression analysis. Correlation was done using Pearson's product moment while regression was conducted using simple linear regression. Data collected from open ended questionnaire was analyzed using content analysis. Results were presented in form of tables, graphs and pie charts. The study findings reveal that market innovation influenced the competitiveness of commercial banks in Kenya. There was a statistically significant relationship between market innovation and competitiveness ($r=0.651$, $p<0.000$) which indicated that there was significant relationship between market innovation and competitiveness of Commercial Banks in Kenya. The study thus recommends that commercial banks should embrace market innovation as a tool to achieve competitiveness. Market innovation should be enhanced by carrying out continuous market surveys, use of account cash flows to measure clients' financial strength, regular reviews on bank marketing strategies to match the dynamic business environment, differentiated product offering, promotional campaigns on various media platforms, use of artificial intelligence technology to target new customers and use of intermediaries to onboard new clients.

Key Words: Commercial Banks, Competitiveness, Market Innovation

I. INTRODUCTION

Banks worldwide commonly employ strategies aimed at fostering economic expansion in nations through the augmentation of operating revenues, deposits, and credit facilities (Sarji, 2017). Banking institutions globally are confronted with intense competition as a result of shifting market dynamics, the socioeconomic circumstances of consumers, and ongoing technology advancements (Kiemo & Kamau, 2020). According to the McKinsey Global Banking Annual Review of 2022, the global banking sector is currently facing challenges arising from elevated inflation, escalating interest rates, and market volatility. These issues are attributed to the resurgence of geopolitical instability and the persistent long-term disruptions caused by the COVID-19 pandemic. According to the report, it is noted that despite the increase in revenue and margins due to higher interest rates, only 35 percent of banks worldwide were able to achieve returns above the cost of equity through margin increases. In contrast, in 2022, half of the world's banks still maintain a return on equity that exceeds the cost of equity. Furthermore, when comparing the market valuations of various industry sectors, banks' performance ranks last. As per the findings of the Central Bank of Kenya (2022), it is imperative for banks to demonstrate innovation in order to enhance their ability to withstand short-term challenges and capitalize on long-term prospects, hence ensuring competitiveness.

According to the 2021 report by the Kenya Bankers Association (KBA), the cost-to-income ratio, which serves as a metric for assessing a bank's efficiency, had a significant increase from 60.2 percent in 2019 to 74.1

percent in 2020. In an effort to attain economies of scale, several banks were compelled to engage in mergers and acquisitions, as documented by Central Bank of Kenya between 2016 and 2022. Consequently, other banks found themselves marginalized in the process.

As stated by the financial stability report released by the Central Bank of Kenya (CBK) in July 2022, banks experienced a period of significant profit growth in the first half of the year, with many announcing the resumption of dividend payments to shareholders following the impact of the Covid-19 pandemic. However, this positive trend has been disrupted by a new crisis arising from the worsening economic conditions and the ongoing military conflict between Russia and Ukraine. The industry is currently confronted with a deteriorating economic situation, as evidenced by a decline in growth to 5.2 percent in the second quarter of the year, in contrast to the 11 percent growth observed during the corresponding period in the previous year. Additionally, there is a notable increase in inflation and a depreciation of the local currency, the shilling, versus the US dollar (CBK, 2022). According to the report, there is evidence of a decline in Asset Quality, as indicated by the rise in gross nonperforming loans (NPLs) from 14.0 percent in June 2021 to 14.7 percent in June 2022.

This increase is significantly below the average for the region, suggesting a comparatively weaker performance. This results in a decrease in revenues, as interest income constitutes the primary component of bank revenues. In light of the growing complexity of customer demands, the fluidity of regulatory conditions, and the ambiguity of the business landscape, the primary obstacle faced by the industry is the imperative to develop effective innovative strategies that will bolster competitiveness (The Lab, 2017). Competitiveness is a fundamental notion that signifies a company's capacity to maintain its viability amidst intense competition. This is achieved by offering products and services that adhere to elevated quality benchmarks while remaining cost-effective, both domestically and globally, in comparison to other enterprises operating within the same industry (Nuryakin, 2018). The aforementioned statement focuses on the inventory of the firm that will enable it to gain a competitive edge over its rivals (Emad et al., 2017).

Funsho et al. (2021) conducted a study investigating the impact of strategic marketing innovation on the performance of banks in Nigeria. The results of their research indicated a statistically significant and favourable association between strategic marketing innovation and bank performance. Enhancements in service quality, the introduction of next-generation products, and expansion into new markets are notable innovations that have a substantial impact on the performance aspect of customer happiness.

As stated by Emad et al. (2017), market innovation can provide competitive advantages by enhancing several aspects of marketing, such as product, price, promotion, and distribution. The findings additionally demonstrated that the implementation of strategic marketing innovations had a significant impact on client retention. The previous discussion has revealed significant gaps in the existing literature about the relationship between market innovation and the competitiveness of commercial banks in Kenya. The objective of this study is to analyze the influence of market innovation on the competitive position of commercial banks in Kenya. The objective of this study is to investigate the impact of strategic marketing innovations, including enhanced services, new generation products, and expansion into new markets, on the performance indicators of customer satisfaction and customer retention within the banking sector of Kenya. This study aims to discover effective innovative solutions that can strengthen the competitive advantage of banks in Kenya amidst evolving market dynamics, economic constraints, and technology advancements.

1.1 Statement of the Research Problem

The global banking industry is characterized by stiff competition driven by rapid technological advancements and increased financial legislation, leading banks to constantly strive to grow their market shares, profits, efficiency, and asset bases (Ejike, 2018). However, these revenue sources have been reduced, impacting the competitiveness of banks (Sarji, 2017; KBA, 2021; CBK, 2018; McKinsey Global Banking Annual Review, 2021). Additionally, Kiemo and Kamau (2020) record that the cost-to-income ratio, measure of bank's efficiency, substantially edged upwards to 74.1 percent in 2020 from 60.2 percent in 2019. This pushed some banks into mergers/acquisitions in a bid to achieve economies of scale while others were edged out (Central Bank of Kenya, 2022). To address this challenge, banks need to embrace strategic innovation to remain competitive and responsive to changing customer needs (Osano & Koine, 2016). Market innovation has been identified as a key driver of competitive advantage for companies, leading to greater efficiency and larger market shares (Ngango, 2015; Sarji, 2017; Ejike, 2018). Byukusenge et al. (2018) confirmed that market innovation had a positive influence on the growth of Market Share of Brewing Companies in Rwanda.

Existing research on market innovation primarily focuses on developed economies with high market maturity and average income per capita (Peng et al., 2021). However, there is a lack of comprehensive studies on market innovation in developing economies like Kenya, which have unique challenges and opportunities. This study aims to fill this contextual gap by exploring the influence of market innovation on the competitiveness of commercial banks in Kenya.

1.2 Research objective

The purpose of this study was to examine the influence of market innovation on competitiveness of Commercial Banks in Kenya.

1.3 Research Hypothesis

There is no significant influence of market innovation on competitiveness of Commercial Banks in Kenya.

II. LITERATURE REVIEW

2.1 Theoretical Literature Review

2.2.1 Dynamic Capability Theory

The Dynamic Capability Theory (DC) expands upon the Resource-Based View (RBV) framework to explore how organizations can maintain and enhance their competitive advantage amidst evolving business environments. Teece, Pisano, and Shuen (1997) define dynamic capability as an organization's ability to effectively integrate, cultivate, and adapt both external and internal knowledge and skills to swiftly address a rapidly changing business landscape. This theory emphasizes two key pillars: an organization's capacity to respond to shifts in its context through fundamental competency enhancement and the process of modifying and reconfiguring internal and external skills and resources to boost competitiveness (Teece, 2020). Scholars like Fitz-Koch and Nordqvist (2017) suggest dynamic capabilities involve operational strategies to leverage resources through integration, reorganization, acquisition, and divestiture, in response to market fluctuations.

Helfat and Martin (2015) classify dynamic capabilities into "sensing," identifying opportunities, "seizing," accumulating resources to capitalize on opportunities, and "transforming," continuously renewing resources. Research varies, with Bouncken et al. (2016) emphasizing innovation capability, Chari and David (2012) focusing on client relationship capability, and Helfat and Martin (2015) discussing management competence. Other factors, like geographical and network linkages (Ozer & Zhang, 2015), and relationships with suppliers (Teece, 2018; Ozer & Zhang, 2015) contribute to performance enhancement.

The theory's application to the banking industry is significant due to innovation-driven disruptions altering traditional business models. Banks have transitioned from physical establishments to innovative models catering to customer demands and creating novel value (Daneels & Kleinsmith, 2016; Neirotti & Pesce, 2019). Criticisms of DC theory include its lack of a quantifiable model hindering practical application in managerial decision-making (Pavlou & El Sawy, 2011). However, this study assumes that banks can achieve competitiveness by enabling managers to swiftly perceive and capitalize on opportunities, aligning capabilities with an unpredictable business landscape (Kamasak, 2017).

Research has linked dynamic capabilities to performance (Chen, Kerr, Tsang, & Sung, 2015; Janssen, Castaldi, & Alexiev, 2016; Kamasak, 2017). Overall, the Dynamic Capability Theory offers insights into how organizations can effectively adapt, integrate, and leverage resources to thrive in dynamic business environments, emphasizing innovation, relationships, and adaptive managerial strategies.

2.2 Conceptual Review of Variables

2.2.1 Market Innovation

In the constantly evolving landscape of markets, staying competitive requires adapting to dynamic changes in market structure. Purchase and Volery (2020) exemplifies market innovation, a supplementary facet of modernization involving novel sales strategies. Scott (2020) explains market innovation as encompassing market research, identifying business prospects, and reimagining models for novel value creation, prosperity, and competitive advantage (Daneels & Kleinsmith, 2016; Neirotti & Pesce, 2019). Menon and Varadarajan (2017) emphasize that superior identification and addressing of market opportunities and risks signify market innovations. Coocia (2016) adds that innovation blends design and technology for new tailored products and services.

Market innovation enhances competitiveness by altering the marketing mix - price, product, distribution, promotion (Yeh, Chen, & Chen, 2019). Marketing innovations address customer needs and co-create with them, fostering creative solutions (Ungerman et al., 2018). Co-created innovations are essential for addressing unique demands, as seen in Colombia's tourist industry (Zuñiga-Collazos & Castillo-Palacio, 2016). Digitization, a catalyst, introduces new communication, branding, product design, and transaction methods, lowering costs (Rahman, 2020; Dragisa & Dragan, 2016). Marketing innovations boost sales, efficiency, and job creation in banking (Ahmad, 2015; Chabowski et al., 2018). Effective campaigns aid success and client retention (Mu, 2015).

Organizations should shape strategies considering the marketing ecosystem and megatrends (Zhang, Watson, & Palmatier, 2018). Kenyan banks can enhance their understanding using data and technology (Santy et al., 2021). Analytics extract insights from diverse consumer data, enhancing market adaptability (Coccia, 2016). Ecosystem perspectives and collaboration drive compelling value (Zhang & Chang, 2020). Ecosystems, comprising marketplace, technological, socioeconomic, geopolitical, and environmental factors, bolster resilience, efficiency, and growth (Jiménez & Aguiar-Díaz, 2019).

Ecosystems cut customer-acquisition costs by 20% in banking (Golovkova et al., 2019). They provide extensive information for evaluating preferences, cross-selling, and improving relationships (Lütjen et al., 2019). Touch points enhance monetization, offering tailored products, seamless experiences, and retention (Wedel & Kannan, 2016). Market innovation requires segmentation due to diverse customer groups (Na et al., 2019). Segmentation addresses consumer heterogeneity in advantages sought and delivery preferences (Na et al., 2019). Cheptiram et al. (2016) note its role in shaping a company's performance and product portfolio. Asiedu (2016) highlights segmentation's role in enhancing customer experience and loyalty.

In Kenyan banking, segmentation classifies clients into corporate and retail categories based on turnovers (Asiedu, 2016). Demographic segmentation, considering income, age, occupation, and wealth, is essential for retail banking and credit cards (Asiedu, 2016). The practice helps address unique customer needs and offers competitive advantages (Asiedu, 2016).

In the ever-shifting market landscape, market innovation drives competitive edge through novel strategies and value creation. Collaborative innovation, ecosystem perspectives, and effective segmentation are pivotal for businesses to thrive and adapt in this dynamic environment.

2.2.2 Competitiveness

The concept of competitiveness is multifaceted and pertains to a company's capacity to endure in a competitive milieu through the provision of superior products and services at prices that are competitive, both domestically and globally, in relation to the competencies and achievements of other firms within their industry (Murphy, 2016). The study conducted by Emad et al. (2017) emphasizes the significance of the company's inventory in gaining a competitive advantage in the market. To maintain a competitive edge and solidify their market standing, prosperous enterprises are progressively allocating resources towards innovation (Pedraza, 2014). The competitive performance of a corporation is heavily influenced by internal firm characteristics such as strategy, structure, talents, innovation capability, and other tangible and intangible resources (Kamasak, 2017).

In order to maintain competitiveness, it is imperative for a firm to engage in constant innovation, leveraging its internal resources and capitalizing on external opportunities to deliver enhanced value to clients and achieve unparalleled financial gains (Anning-Dorson, 2018). Ahmad and Zabri (2016) have employed non-financial performance measures as indicators of competitiveness. The indicators encompassed in this analysis comprise market share, productivity and efficiency, customer satisfaction, customer retention, and customer responsiveness. Porter's (1985) theory of competitive advantage posits that a company's capacity to achieve superior performance is contingent upon two primary factors: (1) the attainment of a low-cost advantage, which enhances operational efficiency, and (2) the acquisition of a differentiation advantage, which can augment customer responsiveness and market share. This study investigated the dimensions of competition, specifically focusing on effectiveness, market share, and consumer happiness.

2.3 Empirical Literature Review on Influence of Market Innovation on Competitiveness of Firms

In a study by Lizovskaya, Salikhova and Khalina (2020), the focus was on investigating the significant digital services for consumers and potential marketing solutions that could enhance customer experiences and lead to the growth of new banking products in Russian banks. Conducting qualitative research, the study delved into consumer behaviour among individuals aged 18 to 75 in St. Petersburg, encompassing the entire customer base of a bank. The research involved two focus groups, each consisting of 7 to 9 participants from the economically active population aged 23 to 60 years, who were highly engaged with financial institutions.

The findings highlighted the impact of digital services on Russian banks' competitiveness, as the introduction of these services facilitated effective consumer interactions during the transition to digital platforms. This emphasis on market innovation underscores how digital services play a pivotal role in shaping consumer interactions and banking dynamics.

In a separate study by Kassimu et al. (2020), the investigation focused on the link between small and medium-sized enterprises (SMEs) performance and market innovation in Ghana. Through a cross-sectional design and quantitative technique, the research examined 3,485 SME owners and managers in the manufacturing sector. The results demonstrated a positive and statistically significant connection between market innovation and SME performance. This study stands in contrast to previous work, employing a descriptive correlational approach for a more comprehensive understanding of variable relationships compared to a cross-sectional design.

Another perspective on market innovation comes from Byukusenge et al. (2018), who explored the influence of market innovation on the market share of brewing companies in Rwanda. The research targeted three prominent brewing companies, using descriptive research methods and a sample size of 35 respondents. The study identified the significance of marketing strategy elements, such as product quality, specification, and packaging, in enhancing market share. However, the small target population limited the generalizability of results.

Similarly, Kiveu et al. (2019) conducted research on the relationship between market innovation and competitiveness among manufacturing SMEs in Nairobi County, Kenya. The study employed a descriptive-explanatory design and surveyed 284 individuals from a pool of 987 registered SMEs. Results indicated a positive connection between market innovation and competitiveness. Notably, this study exclusively employed non-financial metrics for evaluating competitiveness, an approach increasingly recognized for its accuracy in reflecting long-term performance.

While these studies collectively provide compelling evidence for the influence of market innovation on organizational success, there is variability in findings. For instance, Medrano et al. (2020) explored the correlation between marketing innovation and environmental orientation in organizations. Their research found an inverse relationship between marketing innovation and competitiveness among Spanish enterprises.

As shown in the preceding discourse, the examined studies collectively underscore the pivotal role of market innovation in shaping organizational success, be it in banking, manufacturing SMEs, or other sectors. These investigations contribute to the evolving understanding of the complex interplay between innovation, customer behavior, and competitiveness in various contexts.

III. METHODOLOGY

The research demonstrates the pertinence of a positivist philosophy, as it addresses the assumptions made on the definition of acceptable, valid, and legitimate knowledge, as well as the methods through which knowledge can be effectively communicated to others. The study included descriptive and correlational research designs. Descriptive study aims to get insights into the sentiments and inclinations of individuals within a substantial population. On the contrary, the utilization of correlational design proved to be valuable in establishing a relationship between the independent variables. Moreover, the research specifically focused on a sample size of 175 individuals who held middle-level management positions, including directors and general managers, within the banking industry. The study's target population was all tier I banks in Kenya including KCB, Equity bank, Cooperative bank, NCBA, Stanchart, Absa, Stanbic, DTB and I&M. Stratified sampling technique was used to divide the population into two strata; directors level and general managers level (Saunders, Lewis and Thornhill 2016). The population thus consisted of 74 directors and 101 general managers. The researchers utilized the simple random sampling technique in order to guarantee that every individual in the specified department had an equal and known probability of being chosen (Zikmund, Babin & Griffin, 2013).The researchers employed the Yamane (1967) method to determine the sample size for this investigation, with a confidence level of 95%. The formula was utilized as follows:

$$n = \frac{N}{1 + 0.05^2\,(N)}$$

Where n is the sample size,
N is the population size,
e is the level of precision.

When this formula was applied to the above population, 122 respondents were obtained.

The main source of primary data for this research was questionnaires developed by the researcher. The study measured the validity of the research instrument using content and construct validity. A pilot study was done at Equity bank and cronbach Alpha was used to test reliability of the research instrument. The data was then coded and analyzed and the results presented in the form of tables. Data was analysed using both descriptive and inferential statistics. For descriptive the study used frequency, percentage, mean and standard deviation and for inferential the study used pearsons's correlation and simple linear regression. The simple regression analysis model used is as below:

$Y= \beta_0+\beta_1X_1+\varepsilon$
Where;
Y= Competitiveness

β_0……Constant
β= Slopes of regression for the independent variables
X_1= Market innovation
ε =Error term- random variation due to other unmeasured factors

IV. FINDINGS AND DISCUSSIONS

4.1 Response Rate

This study attained a 90.8% response rate which can be deemed as very good. The high response rate was attributed to the data collection procedures.

Table 1
Response Rate

	Count	Percentage
Administered	122	100
Returned	115	94.3
Not Returned	7	5.7

4.2 Reliability Results

For reliability tests Cronbach alpha was applied for each variable which had a range 0.722 for product innovation and 0.756 for firm competitiveness. All variables depicted that the value of Cronbach alpha are above the value of 0.7 after improving on the instrument for market innovation, thus the data collection instrument is reliable (Mugenda & Mugenda,2013).

4.3 Descriptive statistics results

The presentation of descriptive statistics is founded on the frequencies, percentages, means, and standard deviations of the variables under consideration. These were market innovation (IV) and competitiveness (DV). On a scale ranging from 1 (strongly disagree) to 5 (strongly agree), respondents were asked to designate their level of agreement. The frequencies are enclosed in parenthesis, along with the standard deviation (SD).

4.3.1 Market Innovation

Participants were requested to express their degree of agreement by selecting the appropriate statements that pertain to market innovation within their respective commercial banking institutions. (1). The response options for this survey are Strongly Disagree (SD) with a value of 2, Disagree (D) with a value of 3, Fairly Agree (FA) with a value of 4, Agree (A) with a value of 5, and Strongly Agree (SA). The findings are presented in Table 2, displayed below.

Table 2
Market Innovation

No.	Market Innovation	Percentage& frequency					Mean	SD
		5	4	3	2	1		
1	My organization carries out market surveys before introducing a new product/service	47.8% (55)	40% (46)	10.4% (12)	1.7% (2)	0% (0)	4.3	0.7
2	My bank uses account cash flows to measure clients' financial strength	27.8% (32)	62.6% (72)	9.6% (11)	0% (0)	0% (0)	4.2	0.6
3	The bank regularly reviews its marketing strategies to match with the dynamic business environment.	43.5% (50)	47.8% (55)	6.1% (7)	2.6% (3)	0% (0)	4.3	0.7
4	The bank has various products for different customers	43.5% (50)	49.6% (57)	7% (8)	0% (0)	0% (0)	4.4	0.6
5	My bank runs promotion campaigns on various media platforms	46.1% (53)	46.1% (53)	7.8% (9)	0% (0)	0% (0)	4.4	0.6
6	My company utilizes artificial intelligence technology to target new customers	24.3% (28)	46.1% (53)	27.8% (32)	1.7% (2)	0% (0)	3.9	0.8
7	My organization offers banking products/services to non-clients using our clients as intermediaries.	31.3% (36)	48.7% (56)	13% (15)	5.2% (6)	1.7% (2)	4.0	0.9
8	Through intermediaries, my organization has been able to onboard new clients.	31.3% (36)	53.9% (62)	10.4% (12)	4.3% (5)	0% (0)	4.1	0.8
	Aggregate Scores						**4.2**	**0.71**

The aggregate mean and standard deviation (M=4.2, SD=0.71) indicated that responses converged around the mean and that respondents agreed to most of the statements concerning market innovation of commercial banks in Kenya. From the standard deviation, results show that responses were not scattered far from the mean as it was characterized by insignificant standard deviation. This ordinarily means majority of respondents were of the same opinion in regard to market innovation of commercial banks. The overall assumption from the study is that there is an element of market innovation being practiced by commercial banks in Kenya to boost competitiveness. Some respondents noted that the use of intermediaries to target new clients would be beneficial if the bank engages the target clients instead of involving the intermediaries. From the respondents, the managers indicated that some of the target clients were opposed to the idea of a bank dealing with them through third parties (intermediaries). The managers however confirmed that the emerging issue would be resolved by mapping target clients from intermediary transactions to specific bank officials who would then contact the clients on behalf of the intermediaries, a process flow that will give the target clients desired dignity.

This finding aligns with the research conducted by Issau et al. (2020), which demonstrated that market innovation has a significant impact on the competitiveness of small and medium-sized enterprises (SMEs) in Ghana. The authors proposed that market innovations should effectively address consumer wants, expand into new markets, or strategically position a firm's product in order to enhance the firm's sales performance. According to Yeh et al. (2019), market innovation activities involve conducting market research and identifying new market opportunities in order to meet consumer needs by reimagining the existing industry framework. This process aims to create novel value for consumers, disrupt competitors, and generate innovative wealth for all stakeholders. According to Wang (2015), market innovation can provide competitive advantages through improvements in many marketing components such as product, price, promotion, and distribution. In a study conducted by Byukusenge et al. (2018), it was found that product quality, product specification, and product packaging were identified as sub-elements of marketing strategy that play a key role in enhancing market share. These factors ultimately provide enterprises with competitive advantages.

4.3.2 Firm competitiveness

Participants were requested to express their degree of agreement by marking each of the provided statements that are relevant to the competitiveness of their commercial bank. The range of responses encompassed a variety of options, including (1). The individual expresses a strong disagreement (SD) with a rating of 2, followed by a disagreement (D) with a rating of 3, then concludes with a fairly agree (FA) statement. The user expresses agreement with a certain statement. The respondent expresses a strong agreement with the statement. The findings are presented in Table 3.

Table 3
Competitiveness

No.	Competitiveness	Percentage& frequency					Mean	STD
		5	4	3	2	1		
1	My organization has enjoyed reduced labor costs due to digitization	62.6% (72)	30.4% (35)	6.1% (7)	0.9% (1)	0% (0)	4.5	0.7
2	My company enjoys reduced production costs due to innovation	47% (54)	47% (54)	4.3% (5)	1.7% (2)	0% (0)	4.4	0.7
3	Innovation has greatly improved turnaround time for rendering services to customers	58.3% (67)	40.9% (47)	0.9% (1)	0% (0)	0% (0)	4.6	0.5
4	The organization customer base has continued to increase in the last 3 years	49.6% (57)	40% (46)	10.4% (12)	0% (0)	0% (0)	4.4	0.7
5	My bank's branch network has grown for the past 3 years	47% (54)	44.3% (51)	5.2% (6)	0.9% (1)	2.6% (3)	4.3	0.8
6	The use of artificial intelligence in gathering customer purchasing behavior has brought more clients to my organization	33% (38)	46.1% (53)	19.1% (22)	1.7% (2)	0% (0)	4.1	0.8
7	New products are designed from customer suggestions	41.7% (48)	37.4% (43)	18.3% (21)	2.6% (3)	0% (0)	4.2	0.8
	Aggregate Scores						**4.38**	**0.7**

The aggregate mean and standard deviation (M=4.38, SD=0.7) indicated that responses were concentrated around the mean and that respondents agreed to most of the statements regarding competitiveness of commercial banks in Kenya. Results show that responses were not scattered far from the mean as it was characterized by insignificant standard deviation. This ordinarily means majority of respondents agreed that their organizations were enjoying elements of competitiveness resulting from strategic innovation as shown by the following; reduced labour costs due to digitization, reduced production costs due to innovation, improved turnaround time for rendering services to customers, increased customer base in the last 3 years, growth in branch network for the past 3 years, more clients onboarded through AI, products designed from customer suggestions and presence of a knowledgeable customer representative meaning banks are responsive to customer needs. These results concur with Byukusenge et al. (2018) indicated that product quality, product specification and product packaging were sub-elements of marketing strategy significant in increasing market share which eventually load firms with competitive benefits.

4.4 Inferential Statistics Results

4.4.1 Pearson Correlation

The study sought to identify the influence of market innovation on competitiveness of Commercial Banks in Kenya. To achieve this, Pearson correlation analysis test was used and the results are presented in Table 4.4 below

Table 4
Correlation Analysis Market innovation

		Market innovation	Competitiveness
Market innovation	Pearson Correlation	1	.651**
	Sig. (2-tailed)		.000
	N	115	115
Competitiveness	Pearson Correlation	.651**	1
	Sig. (2-tailed)	.000	
	N	115	115
**. Correlation is significant at the 0.05 level (2-tailed).			

The data presented in Table 4 reveals a correlation coefficient of r = 0.651 and a p-value of P = 0.000. These findings suggest a statistically significant association between market innovation and the competitiveness of Commercial Banks in Kenya. This suggests that a rise in market innovation will lead to an augmentation in the competitiveness of Commercial Banks in Kenya. The present findings exhibit a favourable comparison to a study conducted by Byukusenge et al. (2018), which shown that market innovation, particularly in terms of product quality, product specification, and product packaging, had a positive impact on the competitiveness of Brewing Companies in Rwanda, resulting in an increase in their market share. Furthermore, the study conducted by Issau et al. (2021) revealed a significant relationship between market innovation and the success of small and medium-sized firms (SMEs) in Ghana. While market innovation has been found to have a favourable and considerable impact on the competitive advantage of enterprises, the research conducted by Mugo and Macharia (2021) revealed that advertising and promotions did not exert a major influence on the performance of banks in Kenya.

4.4.2 Regression Analysis Results

Further, the study conducted regression analysis on the data by using linear regression models between the different independent variables and the dependent variable of the study. Regression analysis was done to predict the effect of each of the independent variables of the study on the outcome variable (competitiveness). This analysis was important in determining how well product innovation could predict competitiveness of commercial banks in Kenya.

Table 5:
Model Summary, Anova and Regression for Market innovation and Competitiveness

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.651[a]	.424	.419	.322679

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.671	1	8.671	83.279	.000[b]
	Residual	11.766	113	.104		
	Total	20.437	114			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.682	.297		5.667	.000
	Market Innovation	.640	.070	.651	9.126	.000

a. Dependent Variable: Competitiveness

According to the data shown in Table 4.5, the results suggest that market innovation accounted for a R squared value of 0.424, equivalent to 42.4%. The observed percentage variance in competitiveness can be attributed to market innovation, with 57.6% of the variation remaining unexplained due to factors not addressed in the study's examination of market innovation and competitiveness. The analysis of variance (ANOVA) table revealed that the F value was 83.279, indicating a significant effect. Additionally, the P value was found to be 0.000, suggesting strong evidence against the null hypothesis and supporting the feasibility of the model. The experiments were conducted at a significance level of either 0.5% or 5%. The findings of the study revealed that market innovation exerted a statistically significant impact on elucidating the degree of variance observed in competitiveness. The regression coefficient B, with a value of 0.640, suggests that a one-unit rise in market innovation is connected with a corresponding gain of 0.640 units in competitiveness.

Consequently, the findings of this study resulted in the rejection of the null hypothesis, indicating that market innovation has a statistically significant beneficial impact on the competitiveness of Commercial Banks in Kenya. The equation for the basic linear regression model was derived based on the findings of the regression coefficients.

$Y = 1.682+0.640X$
Where Y is Competitiveness of commercial Banks
X is Market innovation

The findings show that the competitiveness of Commercial Banks in Kenya benefits from market innovation. This suggests that for every one unit of market innovation, there will be a corresponding rise of 0.640 units in competitiveness. Byukusenge et al. (2018), Issau et al. (2021), and Lizovskaya et al. (2020) all reached similar conclusions.

V. CONCLUSIONS & RECOMMENDATIONS

5.1 Conclusions

The study established that market innovation has significant positive influence on competitiveness of commercial banks in Kenya. Therefore, the null hypothesis was rejected and it was concluded that market innovation has significant positive influence on competitiveness of commercial banks in Kenya. Market innovation practices were mainly characterized by continuous market surveys before introducing new products/services, use of account cash flows to measure clients' financial strength, regular reviews on bank marketing strategies to match the dynamic business environment, differentiated product offering, promotional campaigns on various media platforms, use of artificial intelligence technology to target new customers and use of intermediaries to target and onboard new clients.

5.2 Recommendations

The study recommends that commercial banks apply practices associated with market innovation to improve competitiveness. These practices include continuous market surveys before introducing new products/services, use of account cash flows to measure client's financial strength, regular reviews of bank marketing strategies to match the dynamic business environment, differentiated product offering to various segments of population, promotional campaigns on various media platforms, use of artificial intelligence technology and intermediaries to target and onboard new clients.

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