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Effect of Business Process Reengineering on Financial Performance of Tier One Commercial Banks in Kenya

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ABSTRACT : The Commercial banks in Kenya have reported a decline in or worsening of most of their financial performance indicators profitability, loan portfolio, and asset quality. The main aim of the study was to investigate the effect of business process reengineering on financial performance of tier one commercial banks in Kenya. Specifically, the study examined the effects of Diaspora banking, bancassurance and real time gross settlement on financial performance on tier one banks in Kenya. A descriptive research design was adopted for the study. The study population was 48 respondents who composed of eight finance directors and forty finance officers. Data was then analyzed and presented in tables. The study findings revealed that the banks enhance their loans portfolio because of diaspora banking. It was further revealed that the banks have recruited new customers since the inception of diaspora banking. It was reported that bancassurance has improved interest margins, improved the earnings at minimal cost, stabilized their profits and provided the tier one commercial banks with endless opportunities to earn high fee income at low cost. It was observed that bancassurance opens doors to new markets for growth hence there is little or no competition. The study observed that, real time gross settlement has lowered our firms' maintenance cost of individual and business accounts. It has also facilitated the transfer of funds from one account to the other within the banks and across to other financial institutions. Similarly, banks have reduced cost of cheques through real time gross settlement. The findings also indicated that the bank has been able to process high value cash transactions safely between two accounts. The study observed that banks have reduced bankruptcy costs, regulatory costs and moral hazards. RTGS has resulted to tax advantages, transparency and customization. The study recommends that tier one commercial banks should in Kenya to provide more platforms in which people can access diaspora banking service and Central bank of Kenya to provide enhanced regulation on diaspora banking. Also, bancassurance should be used to improve interest margins. Lastly Tier one commercial banks should enhance their use of the RTGS services.

KEYWORDS : *Bancassurance, business process reengineering, diaspora banking, real time gross settlement.*

I. INTRODUCTION

Global trends in the 21st century have been characterized with rapid change in business and industry. The universal market system is developing from traditional way of doing things to knowledge and information-based economy (Ghobakhloo, Amada & Airanda, 2012). As stated by Otuya et al. (2013), the firms particularly in the banking industry globally have been characterized by fundamental changes taking place in the business environment. Business activities have taken a different turn as the general consumers become more and more complex. Their acquisition conduct is becoming more intricate and extremely erratic. As described by Chartered Institute of Management Accounts (2010), banks aim at mass-rich clients, who desires to feel distinct; do not want to wait in a line like everybody else; who feel they have worked hard for their money and they expect to be treated well.

Individuals in that market pursue good service above all else, so they expect to get what they pay for or they will make their feelings clear (Ramosedi, 2010). The financial sector in the Sub-Saharan African States (SSA's) continues to be less established when likened to other developing market in other regions. In the opinion of KPMG (2015), the development of the Sub-Saharan African States banking sector is still to an extent constrained by the small size of national markets. In many cases, this prevents banks working in their home country from realizing the benefits of economies of scale. Increased regional economic and financial integration represents an opportunity to surmount this obstacle. The region has witnessed a rapid expansion of pan-African banking groups in recent years, and as domestic markets become saturated, banks are often forced to look beyond borders for potential growth opportunities.

Secondly, regulatory changes in the country where banks are domiciled could also influence ambitions to expand beyond borders (KPMG, 2015). Banks should position themselves strategically so that they can be able to provide these important services to the customer and sustain a competitive advantage over the competitors who provide the same services that banks are providing to survive in the current competitive, local and global challenging environment. The strategic positioning requires creative thinking and experimentation with new business models and the ability to recognize what form of restructuring is needed.

These banks must position themselves strategically to remain on course as well as to achieve their vision and mission and to maintain a competitive advantage over their competitors, hence the need to modernize equipment, adopt the latest I.T, develop human resource, continuously improve management styles, create efficient and low cost innovative services to provide services that are differentiated from competition thus attaining and winning customer loyalty (KPMG, 2015).

Business Process Reengineering promised a novel approach to corporate change, and was described by its inventors as a fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical measures of performance such as cost, quality, service and speed. (Hammer, 2016). BPR helps banks to deal with new economic challenges and change the traditional processes to improve their customers' satisfaction. Sharma (2016) posited that business process reengineering implies transformed processes that together form a component of a larger system aimed at enabling organization to empower themselves with contemporary technologies business solution and innovations.

1.2. Statement of the Problem

Commercial banks are profit-making entities whose primary objective is to maximize their financial performance. The overriding source of revenue for these banks is interest charged on loans. These banks have perpetually posted improvement in their financial performance prior to the introduction of interest rate capping, which took effect on September, 2016 (CBK, 2017). This performance, however, started declining since then. Besides profitability, other financial indicators such as liquidity, loan portfolio, ROI, ROE, and ROA recorded similar declines. A case in point is a 5.68% decline in gross loans and advances reported by commercial banks between years 2016 and 2017. As at December 2017, loans and advances totaled KSh 2.16 trillion compared to KSh 2.29 trillion recorded at December 2016(CBK, 2017). There was also a 9.6% decline in pre-tax profits from Ksh 147.4 billion to Ksh 133.2 billion over the same period. The decrease in profitability was attributed to a higher decrease in income compared to a marginal decrease in expenses. The banking sector income declined by 3.12 percent in the period ended December 2017 whereas expenses marginally decreased by 0.50 percent over the same period. In addition, asset quality registered a decline with the Non-Performing Loans ratio increasing from 9.3% in December 2016 to 12.3% in December 2017 (CBK, 2017). Each organizations bank included have been relentlessly trying to construct new competencies and abilities, to stay competitive and improved performance (Noruzy, Azhdari, Nazari-Shirkouhi & Rezazadeh, 2013). As organizations look for ways to improve their performance in a gradually more worldwide marketplace, they have established that they can cut costs, uphold excellence and advance their performance by undertaking Business Process Reengineering (Lotfollah et al., 2012). In Kenya, a study by Maregwa (2012) revealed that the banks have undertaken various BPR projects with an aim of restructuring itself along the process lines; this has been achieved through removing functional barriers and accommodating a balance between functional expertise and process involvement. BPR has resulted to an improvement in service delivery mainly quality and speed. Despite the evidence of declining financial performance of commercial banks, the hitherto empirical studies have not adequately examined the link between business process reengineering and financial performance of tier one commercial banks (Maregwa (2012)

It is against this backdrop that this study was conducted to investigate the effect of business process reengineering on financial performance of tier one commercial banks in Kenya

1.3 Objectives

1.3.1General Objective

The general objective of the study sought to investigate the effects of business process reengineering on financial performance of tier one commercial banks in Kenya.

1.3.2 Specific Objectives

i.To determine the effects of diaspora banking on the financial performance of tier one commercial banks in Kenya.
ii.To establish the effects of bancassurance on the financial performance of tier one commercial banks in Kenya
iii.To find out the effects of real time gross settlement (RTGS) on the financial performance of tier one commercial banks in Kenya

1.4 Research Hypotheses

H1: Diaspora banking has no significant effects on the financial performance of tier one commercial banks in Kenya.

H2: Bancassurance has no significant effects on the financial performance of tier one commercial banks in Kenya.

H3: Real time gross settlement has no significant effects on the financial performance of tier one commercial banks in Kenya.

II. LITERATURE REVIEW

2.2 Theoretical Framework

2.2.1 The Theory of Liquidity Transformation

The theory of liquidity transformation was established by William Sharpe (1964). The model states that commercial banks offer financial secondary claims to surplus units (depositors) that often have superior liquidity features compared to direct claims (like equity or bonds). As suggested by Chernenko & Sunderam, (2016) this type of transformation that encompasses the use of short-term debts like deposits to finance long-term investments like loans. Put it differently, an intermediation is as process used by banks and similar intermediaries to alleviate the so called “run problem” or “liquidity run”. In banking practice, this involves the issuance of liquid direct financial claims and the acceptance of less liquid indirect claims- i.e., the financing of liquid investments with even more liquid deposits. Banks give depositors instant or short-term access to their funds while they provide borrowers with long-term funds. Depositors usually dispose off their funds by transfer or withdrawal for their own liquidity requirements and as such don’t consider the bank’s position of liquidity. Therefore, banks pursue sufficient levels of liquidity for frequent requests of payment (both expected and unexpected) (Bonfim & Kim, 2014).

The implication of this theory to the study is that if banks will remain liquid because of getting remittances from the diaspora through diaspora banking, they will be able to meet their deposit obligations and offer more loans to their customers and diversify the funds, therefore financial performance of a bank with a higher liquidity is expected to be high. Liquidity represents the ability of the institution to fund increases in assets and meet obligations as and when they fall due. The importance of liquidity goes beyond the individual bank as a liquidity shortfall at an individual bank can have systemic repercussions. The first objective; to determine the influence of diaspora banking on the financial performance of tier one commercial banks in Kenya will be linked to this theory of liquidity transformation.

2.2.2 Financial Intermediation Theory

The financial intermediation theory was developed by Diamond and Dybvig (2013). The theory states that financial intermediaries exist because they can reduce information and transaction costs that arise from an information asymmetry between borrowers and lenders. Financial intermediation is the transfer of funds from agencies that have a surplus to agencies that have a deficit through financial Intermediaries (Alexandru & Marius, 2009). The theory behind Financial Intermediation arose from three different models namely; the theory of informational asymmetry, transactional cost theory and the theory of monetary regulation (Bert & Dick, 2013). The theory of Informational asymmetry was developed by Gurley & Shaw, (1960) and stressed that intermediaries came about because of informational un-evenness leading to high transactional costs. The requirement to diminish the impacts of imperfect markets gave rise to financial intermediaries as they were seen to eliminate or partially reduce some specific forms of transactional costs through pooling of resources of individual customers leading to scale economies (Alexandru et al., 2009). The theory of Transaction cost, advanced by Benston & Smith, (1976), stressed on the impact of transactional technologies that were brought about by financial intermediation (Bert and Dick, 2013). Intermediaries are seen to be a union of individual creditors and debtors who exploit the scale of economy at the level of transactional technologies (Alexandru et al., 2009). Through their function of dealing with huge capacities of data at high effectiveness, customers perceive that they are specialists at making the best financial decisions. Bancassurance proves to be a worthwhile vehicle for both the Bank and the Insurance Company through the concept of Financial Intermediation. As financial institutions faced with the backdrop of the ever changing and competitive financial services industry, their partnerships allow them to take advantage of efficiencies in transactional technologies and reduction in transactional costs. More importantly, their combined efforts increase customer loyalty as accumulators of funds as clients perceive that they will invest in the funds wisely. There the second objective; to determine the influence of bancassurance on the financial performance of tier one commercial banks in Kenya is linked to this theory of Financial Intermediation Theory

2.2.3 The Theory of Information Production

Case et al (2006) contends that if information about possible investment opportunities is not free, then economic agents may find it worthwhile to produce such information. For instance, surplus units could incur substantial search costs if they were to seek out borrowers directly. Banks have economies of scale and other expertise in processing information relating to deficit units. As banks build up this information, they become experts in processing this information. As such they have an information advantage and depositors are willing to place funds with a bank knowing that this will be directed to the appropriate borrowers without the former having to incur information costs.

At one extreme, one can imagine the costs, monetary and otherwise, of direct lending where a specific lender must search for contact and place for an individually negotiated legally binding contract to be drawn up. More realistically one can also imagine the costs faced by small savers trying to diversify their wealth across a range of securities. On each of these a minimum commission should be paid and being fixed this therefore rises as a proportion of the value of the transaction as the transaction gets smaller. The lower costs are available through an intermediary. One standard contract covers each class of deposit and each type of loan. The intermediaries' search costs are incorporated in the cost of prime site premises and in their advertising. The consequence of such spending is that lenders and borrowers know what services are available and where. Although prime sites and advertising are very expensive, once again the scale of operations almost certainly means that these search costs, absorbed by intermediaries are less than the search costs that would be incurred by lenders and borrowers if they had to deal with each other directly (Howells and Bain, 2018).

The implication of the theory to the study is that as commercial banks in Kenya take Real time gross system strategy so to reduce information costs and increase efficiency in the banking.

2.2.4 Efficiency Theory

The efficiency theory was articulated by Demsetz (1973) as a substitute to the market power theory. The efficiency theory assumes that better management and scale efficiency results to higher concentration thus greater and higher profits. Consequently, the theory posits that management efficiency not only increases profits, but also results to larger market share gains and improved market concentration. Moreover, the theory explains that achieving higher profit margins arises from efficiency which permits banks to obtain both good financial performance and market shares (Mirzaei etal., 2012). As Fisseha (2015), postulated the efficiency theory assumes that profitability and high concentration of results from efficient cost reduction practices and better organization strategies across the organization. Consequently, efficient firms in the market lead to an increase in their market share and the size of their firm because of aggressive production and management techniques (Birhanu, 2012).

In the study, the efficient theory advocates that big banks (Tier one) commercial banks which have better and experienced management and up to date production technologies can reduce their operational costs, therefore earned higher returns on investment in comparison to smaller banks (Soana, 2011). Basically, the theory is based on the premise that banks attain profits if they operate efficient than their competitors which lowers operating costs leading to good profits (Onuonga, 2014). The efficiency theory also assumes that internal efficiencies influence financial performance of Tier one commercial banks. Further, the theory explains that banks which operates efficiently in comparison to their competitors increase their profits due from low operating costs. The efficiency hypothesis prevails when a positive significant correlation between profitability and the market share is signaled (Mensi & Zouari, 2010).

2.3 Conceptual Framework

Orodho (2013) posits that a conceptual framework covers the main features of a study and their presumed relationship.

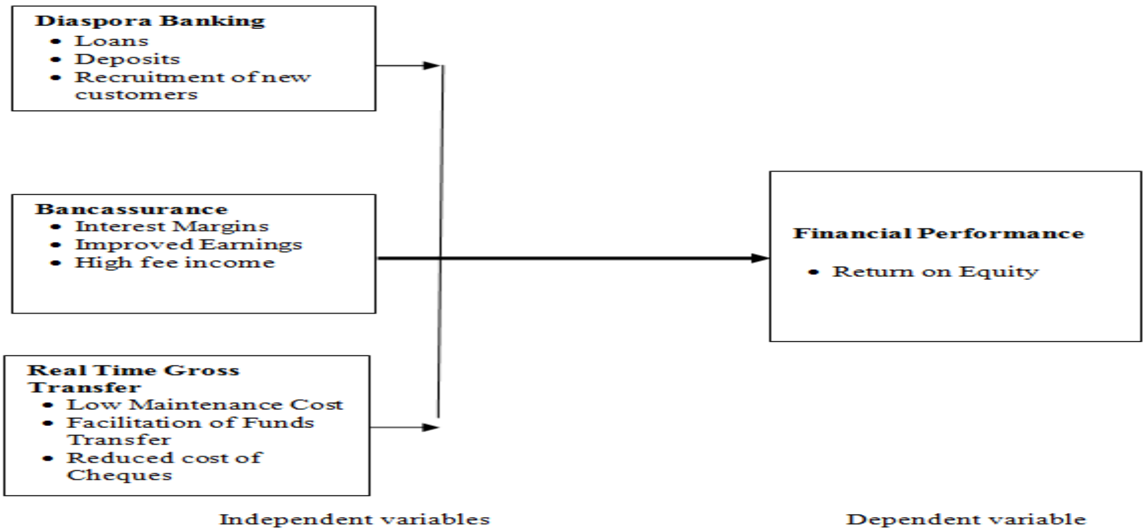

Figure2.1: Conceptual Framework

III RESEARCH MAETHOLOGY

3.1 Research Design
The study adopted a descriptive research design. Descriptive research answers research questions; who, what, where, when and how (Saunders, Lewis &Thornhill, 2009). In this study, descriptive approach achieved this by describing the data and characteristics about the population of phenomenon under study; business process reengineering. That is, it was used to find out the current state of business process reengineering of tier one commercial banks, their level of involvement in business process reengineering and what influenced such decisions.

3.2 Population
A population is generally a large collection of individuals or objects that forms the focus of a scientific query and to whose benefit the study is done (Castillo, 2015). The target population for this study was the eight (8) tier one commercial banks in Kenya. The study adopted the assumption that the respondents, also known as the unit of analysis, was eight (8) Finance Directors and 40 finance officers from the 8 tier one commercial banks bringing a total of 48 respondents.

3.3 Sampling Frame
This study used the entire population as the sample. Accessible population of finance directors and finance officers was used since they are knowledgeable about business process reengineering and are directly involved in advising banks on financial performance issues. The number of respondents were eight Finance directors and 40 finance officers, the unit of analysis, assuming one finance director per firm and five finance officers from each tier one commercial bank.

3 4 Sample Size
The study involved eight Finance directors and forty finance officers. Thus, the totaling to a sample size of 48 respondents

3.5 Sample Techniques
Since the sample size was small the study adopted a census survey. Census is a study of every unit, everyone or everything, in a population. It is known as a complete enumeration, which means a complete count. By adopting a census, one is sure of the representative nature of the population and that the objectives of the study would be attained.

3.6 Data Collection Instruments
In acquiring the primary data, the researcher used questionnaires and for the secondary data the researcher used secondary data collection sheet. The secondary data was obtained from the Audited Financial statements of the tier one commercial banks, those deposited at the Nairobi Securities Exchange and financial performance data from Central Bank of Kenya annual banking survey reports. It also included the banks publications, journals and periodicals. The quantitative data for the identified banks was collected through a data collection sheet.

3.7 Data Analysis and Presentation
Data obtained from the questionnaires were first be cleaned and edited before being coded and subjected to further analysis using the Statistical Package for Social Sciences (SPSS) version 23.0 computer program. The data was then analyzed using both descriptive and inferential statistical methods.

IV. FINDINGS AND DISCUSSIONS

4.1.2 Diaspora Banking and Financial Performance
The study examined how the managers and finance officers working with the tier one commercial banks viewed the subject of diaspora banking in their respective banks. The relevant findings are as shown in Table 4.4.

Table 4. 1: Diaspora Banking and Financial Performance

	SA	A	N	D	SD		
Statement	Freq (%)	Freq (%)	Freq (%)	Freq (%)	Freq (%)	**Mean**	**Std. Dev**
The commercial bank enhances its loans portfolio as a result of diaspora banking	2(6)	23(70)	4(12)	3(9)	1(3)	3.78	0.639
The firm has boosted its deposits through diaspora banking	6(18)	17(52)	2(6)	5(15)	3(9)	3.5	0.676

The firm has realized recruitment of new customers since the inception of diaspora banking.	10(30)	16(49)	5(15)	1(3)	1(3)	3.48	0.744
Through diaspora banking the firm has been able to attract more Kenyan investors to invest back in the Country	8(24)	19(58)	3(9)	2(6)	1(3)	3.71	0.635
Diaspora banking enhances financial inclusion	6(18)	13(40)	10(30)	2(6)	2(6)	3.46	0.846
Diaspora banking improves the economic and social welfare of direct and indirect beneficiaries	10(30)	17(52)	4(12)	1(3)	1(3)	3.73	0.736
Aggregate Score						**3.645**	**0.796**

The results in Table 4.4 suggest that the Tier one commercial banks enhances its loans portfolio as a result of diaspora banking (Mean = 3.78; Std. Dev = 0.639). The tier one banks have boosted its deposits through diaspora banking (Mean = 3.6; Std. dev =0.676). The findings also indicate thatthe firm has realized recruitment of new customers since the inception of diaspora banking. (mean = 3.48; Std. Dev =0.744). Moreover, it was generally concurred that, through diaspora banking the firm has been able to attract more Kenyan investors to invest back in the Country (Mean = 3.71; Std. dev =0.635). The findings, however, suggest that diaspora banking enhances financial inclusion(Mean = 3.46; Std. Dev =0.846) also Diaspora banking improves the economic and social welfare of direct and indirect beneficiaries (Mean = 3.73; Std. dev =0.736). These findings particularly the one on diaspora banking in consistent with the findings of a study by Addae (2013) who found that diaspora banking has impacted positively on customer service and profitability of banks though there are a number of challenges

4.1.2Bancassurance and Financial Performance

The study examined how the managers and finance officers working with the tier one commercial banks viewed the subject of Bancassurance in their respective banks. The relevant findings are as shown in Table 4.5

Table 4. 2: Bancassurance and Financial Performance

Statement	**SA** Freq (%)	**A** Freq (%)	**N** Freq (%)	**D** Freq (%)	**SD** Freq (%)	**Mean**	**Std. Dev.**
Banc assurance has improved our interest ma	5(15)	20(61)	4(12)	3(9)	1(3)	4.26	0.443
Through banc assurance the firm has improve the earnings at minimal cost and stabilize our profits	6(18)	18(55)	7(21)	1(3)	1(3)	3.78	0.799
Banc assurance has provided us with endless opportunities to earn high fee income at low c	8(24)	19(58)	4(12)	2(6)	0	3.72	0.762
The banks have an easier approach to custom in terms of persuasion to get an insurance pro since customers trust us more than the insura company	5(15)	15(46)	7(21)	4(12)	2(6)	4.28	0.729

Banc assurance opens doors to new market growth hence there is little or no competition	9(27)	15(46)	6 (18)	2(6)	1(3)	4.18	0.718
We get extra insurance against loss of assets through providing insurance to clients for their own products	4(12)	17(52)	9(27)	2(6)	1(3)	3.44	0.629
Aggregate Score						**3.619**	**0.744**

It is evident from the results in Table 4.5 that bancassurance has improved interest margins (Mean = 4.26; Std. Dev. =0.443). As such, through bancassurance the firm has improved the earnings at minimal cost and stabilize their profits (Mean = 3.78; Std. Dev=0.799). However, bancassurance has provided them with endless opportunities to earn high fee income at low cost (Mean = 3.72; Std. Dev. =0.762). Nonetheless, the banks have an easier approach to customers in terms of persuasion to get an insurance product, since customers trust us more than the insurance company. (Mean = 4.28; Std. Dev. =0.729). Bancassurance opens doors to new markets for growth hence there is little or no competition (Mean = 4.18; Std. Dev. =0.718).

The aggregate score with a (Mean of 3.619 and Std. Dev 0.744) suggests that the respondents agreed with most of the statements indicating that bancassurance strongly influences the financial performance of the tier one commercial banks. The findings agree with Kumar (2016) stated that Bancassurance opens doors to new markets for growth, there is little or no competition, and an extremely high level of fee income on investments due to charging of high premiums. Additionally, banks get extra insurance against loss of assets, that is, through providing insurance to clients for their own products.

4.1.3Real Time Gross Settlement and Financial Performance

The study examined how the managers and finance officers working with the tier one commercial banks viewed the subject of real time gross settlement in their respective banks. The relevant findings are as shown in Table 4.6

Table 4. 3: Real Time Gross Settlement and Financial Performance

	SA	**A**	**N**	**D**	**SD**		
Statement	Freq (%)	Freq (%)	Freq (%)	Freq (%)	Freq (%)	**Mean**	**Std. Dev**
Real time gross settlement has lowered our firms' maintenance cost of individual and business accounts	7(21)	17(52)	6(18)	2(6)	1(3)	3.61	0.621
Our firm facilitated transfer of funds from one account to the other within the banks and across to other financial institutions	8(24)	13(40)	7(21)	3(9)	2(6)	3.68	0.714
Our firm has reduced cost of cheques through real time gross settlement	7(21)	17(52)	5(15)	3(9)	1(3)	2.71	0.773
Our bank has been able to process high value cash transactions safely between two accounts	10(30)	13(40)	6(18)	3(9)	1(3)	4.54	0.721

Our bank has reduced bankruptcy costs, resulted to tax advantages, and reduction in moral hazard, reduced regulatory costs, transparency and customization.	5(15)	18(55)	6(18)	1(3)	3(9)	3.88	0.629
Aggregate Score						**3.326**	**0.744**

Looking at the results in Table 4.6, it is evident that real time gross settlement has lowered our firms' maintenance cost of individual and business accounts. (Mean = 3.61; Std. Dev. =0.621). However, the respondents concurred that the firm facilitated transfer of funds from one account to the other within the banks and across to other financial institutions (Mean = 3.68; Std. Dev. =0.714). Similarly, the firm has reduced cost of cheques through real time gross settlement(Mean = 2.71; Std. Dev. =0.773). The findings also indicate that the bank has been able to process high value cash transactions safely between two accounts(Mean = 4.54; Std. Dev. =0.721). The study observed that the bank has reduced bankruptcy costs, resulted to tax advantages, and reduction in moral hazard, reduced regulatory costs, transparency and customization.

The aggregate (mean of 3.326; Std. Dev. =0.744) suggest that overall; there was some slight agreement with the statements indicating that real time gross settlement does not strongly influence financial performance. These findings however were also consistent with those of Batiz-Lazo and Woldesenbet (2016) who summarize the reasons for the growth of modern bank innovation as reduction in bankruptcy costs, tax advantages, and reduction in moral hazard, reduced regulatory costs, transparency and customization

4.2 Inferential Statistical Findings

This section documents and discusses the inferential statistical findings analyzed from the data collected in respect of the influence of diaspora banking, bancassurance and real time gross settlement on financial performance of tier one commercial banks in Kenya.

4.2.1 Effect of Diaspora Banking on Financial Performance of Tier One Commercial Banks in Kenya

The study used the analyzed results to test the hypothesis, H_{01}: Diaspora banking does not influence the financial performance of tier one commercial banks in Kenya. The study determined the influence of diaspora banking on financial performance using Pearson's Correlation and regression analysis.

Table 4. 4: Pearson's Correlation between Diaspora Banking and Financial Performance.

Variable		Financial Performance
Diaspora Banking	Pearson Correlation	-0.164*
	Sig. (2-tailed)	0.042
	N	33

*. Correlation is significant at the 0.05 level (2-tailed).

Analysis of the findings on Table 4.7 shows that, Pearson's Correlation between diaspora banking and financial performance is not significant at 0.05 levels (2-tail). Based on this statistic, since the p value (p= 0.042) is less than α (α=0.05), we reject the null hypothesis and conclude that diaspora banking influences financial performance.

4.2.2 Effect of Bancassurance on Financial Performance of Tier One Commercial Banks in Kenya.

The study used the analyzed results to test the hypothesis below.$\mathbf{H_{02}}$**:** Bancassurance does not influence the financial performance of tier one commercial banks in Kenya. The purpose was to examine the effect of diaspora banking on financial preference of tier one commercial banks in Kenya

Table 4. 5: Pearson's Correlation between Bancassurance and Financial Performance

Variable		Financial Performance
Bancassurance	Pearson Correlation	.284*
	Sig. (2-tailed)	0.019
	N	33

*. Correlation is significant at the 0.05 level (2-tailed).

Based on the analysis of the findings, since p value (p=0.019) is less than α value (α=0.05), we reject the null hypothesis and conclude that bancassurance influences financial performance.

4.2.3 Effect of Real Time Gross Settlement on Financial Performance

The study used the analyzed results to test the following hypothesis. $\mathbf{H_{03}}$**:** Real time gross settlement does not influence the financial performance of tier one commercial banks in Kenya. This was meant to examine the correlation between real time gross settlement and financial performance of tier one commercial banks in Kenya.

Table 4. 6: Pearson's Correlation between Real Time Gross Settlement and Financial Performance

Variable		Financial Performance
Real Time Gross Settleme	Pearson Correlation	.274*
	Sig. (2-tailed)	0.024
	N	33

*. Correlation is significant at the 0.05 level (2-tailed).

Based on this criterion, since the p value (p =0.024) is less than alpha (α=0.05) we reject the null hypothesis and conclude that real time gross settlement influences financial performance of tier one commercial Banks.

4.2.4 Effects of Business Process Reengineering on Financial Performance

The study ascertained effects of business process reengineering as represented by diaspora banking, bancassurance and real time gross settlement on financial performance of tier one commercial banks in Kenya. The results in relation to the foregoing are illustrated in Tables 4.10, 4.11 and 4.12.

Table 4. 7: Model Summary

				Std. Error	Change Statistics				
		R	Adjusted	of the	R Square	F			Sig. F
Model	R	Square	R Square	Estimate	Change	Change	df1	df2	Change
	.404[a]	.163	.124	1.807	.163	4.165	3	28	.009

a. Predictors: (Constant), Diaspora banking, Bancassurance, Real Time Gross Settlement

As illustrated in Table 4.10, the relationship between business process reengineering and financial performance was established to be moderate (R=0.404). This meant that business process reengineering has a moderate influence on financial performance. The $R^2 = 0.163$ shows the variation of the dependent variable (financial performance) in respect to the changes in the independent variables (diaspora banking, bancassurance and real time gross settlement). The findings illustrated that 16.3% of the changes in financial performance by tier one commercial banks in Kenya were as a result of business process reengineering.

Table 4. 8: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	40.807	3	13.602	4.165	.009[b]
	Residual	209.002	28	3.266		
	Total	249.809	32			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Diaspora banking, bancassurance, real time gross settlement

The findings indicated in table 4.11 show that the association between business process reengineering and financial performance was positive and statistically significant (F=4.165; P<0.05). Therefore, the business process reengineering variables investigated were pertinent to financial performance of tier one commercial banks in Kenya

Table 4. 9: Multiple Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.	95.0% Confidence Interval for B Lower Bound	95.0% Confidence Interval for B Upper Bound
1	(Constant)	8.124	3.301		2.461	.017	1.529	14.718
	Diaspora Banking	.545	.103	-.145	-1.247	.217	-.334	.077
	Bancassurance	.184	.090	.237	2.033	.046	.003	.364
	Real Time Gross Settlement	.372	.163	.263	2.283	.026	.046	.697

a. Dependent Variable: Financial Performance

The study as shown in Table 4.12 illustrates three distinct but related statistical results. Generally, the indicated results were in tandem with the following regression model.

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$$

The results indicated the suitability of the regression model which was interpreted as follows.

$$Y = 8.124 + 0.545X1 + 0.184X2 + 0.372X3 + 3.301$$

The results shown above implied that a change of 1 unit in financial performance was subject to a change of 0.545 unit in diaspora banking, 0.184 unit in bancassurance and 0.372 unit in real time gross settlement while at the same holding other factors (8.124) constant. While holding all other factors (including the variables) constant, 0.545 unit in diaspora banking would result in 1-unit change in financial performance; 0.184 unit in bancassurance would result in 1-unit change in financial performance; 0.372 unit in real time gross settlement would result in 1-unit change in financial performance. The findings on bancassurance are in line with study by Kamau et al. (2016) on the nexus between bancassurance awareness and performance of commercial banks that arrived at the same conclusion. On diaspora banking Kanyeke (2013) similarly arrived at similar conclusion that the significance value the study found that diaspora deposits had the greatest effect on financial performance of commercial banks in Kenya. The findings were also consistent with findings by established that all commercial banks offer RTGS facility and there is a significant change in their financial performance attributable to real time gross settlement. The performance is however directly proportional to the volume of transaction

V.SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of the Findings

5.1.1 Diaspora Banking and Financial Performance

The study revealed that the tier one commercial banks have improved its loans portfolio through diaspora banking. Similarly,the these banks have also boosted their deposits through diaspora banking. The findings, however, revealed that commercial banks have recruited new customers since the inception of diaspora banking. Moreover, it was generally concurred that, through diaspora banking the firm has been able to attract more Kenyan investors to invest back in the home Country. The findings, however, revealed that diaspora banking enhances financial inclusion thus improving the economic and social welfare of direct and indirect beneficiaries. These findings particularly the one on diaspora banking improves the financial performance of tier one commercial banks .This is line with a study of Ochieng (2013) whom argued that diaspora remittance has become a key driver in banks performance.

5.1.2Bancassurance and Financial Performance

In regards to the second objective; It was reported that bancassurance has improved interest margins. As such, through bancassurance the firm has improved the earnings at minimal cost and stabilize their profits. However, bancassurance has provided the tier one commercial banks with endless opportunities to earn high fee income at low cost. Nonetheless, the banks have an easier approach to customers in terms of persuasion to get an insurance product, since customers trust us more than the insurance company. The study observed that bancassurance opens doors to new markets for growth hence there is little or no competition. From the findings, it is evident that most of the respondents indicated that banc assurance affects positively the financial performance of the tier one commercial banks. The findings agree with Kumar (2016) who reported that Banc assurance opens doors to new markets for growth and there is little or no competition. Tier one commercial banks usually get an extremely high level of increased fee income due to premiums paid by customers.

5.1.3Real Time Gross Settlement and Financial Performance

The study observed that, real time gross settlement has lowered our firms' maintenance cost of individual and business accounts. However, the respondents concurred that the firm facilitated transfer of funds from one account to the other within the banks and across to other financial institutions. Similarly, the firm has reduced cost of cheques through real time gross settlement. The findings also indicated that the bank has been able to process high value cash transactions safely between two accounts. The study observed that the bank has reduced bankruptcy costs, resulted to tax advantages, and reduction in moral hazard, reduced regulatory costs, transparency and customization. These findings however were also consistent with those of Batiz-Lazo and Woldesenbet (2016) who summarize the reasons for the growth of modern bank innovation as reduction in bankruptcy costs, tax advantages, and reduction in moral hazard, reduced regulatory costs, transparency and customization.

5.2 Conclusions on the Findings

5.2.1 Diaspora Banking and Financial Performance

In regards to the first objective the bank enhances its loans portfolio because of diaspora banking. Similarly,the banks has boosted its deposits through diaspora banking. The study concluded that, the firm has realized recruitment of new customers since the inception of diaspora banking. Moreover, it was generally concurred that, through diaspora banking the firm has been able to attract more Kenyan investors to invest back in the Country. In addition, it was concluded that, diaspora banking enhances financial inclusion alsoit can be concluded that diaspora banking enhances financial banks of tier one commercial banks

5.2.2 Bancassurance and Financial Performance

In regards to the second objective; it can be concluded that bancassurance has improved interest margins. As such, through bancassurance the firm has improved the earnings at minimal cost and stabilize their profits. However, bancassurance has provided the tier one commercial banks with endless opportunities to earn high fee income at low cost. In addition, it was concluded that, the banks have an easier approach to customers in terms of persuasion to get an insurance product, since customers trust us more than the insurance company. More so, it was concluded that bancassurance opens doors to new markets for growth thus enhancing the performance of tier one commercial banks

5.2.3 Real Time Gross Settlement and Financial Performance

The study inferred that, real time gross settlement has lowered our firms' maintenance cost of individual and business accounts. The study further concluded that, the firm facilitated transfer of funds from one account to the other within the banks and across to other financial institutions. Similarly, the firm has reduced cost of cheques through real time gross settlement. The study also generally inferred that the bank has been able to process high value cash transactions safely between two accounts. From the findings, however, the research concludes that the tier one banks have reduced bankruptcy costs, resulted to tax advantages, and reduction in moral hazard, reduced regulatory costs, transparency and customization.

5.4 Recommendations

The following recommendations are drawn with regard to the study findings.

First the tier one commercial banks should in Kenya to provide more platforms in which people can access diaspora banking service as it was revealed that there was a positive relationship between diaspora banking and financial performance of commercial banks in Kenya. There is also a need for Central bank of Kenya to provide enhanced regulation on diaspora banking as this will help in increasing the platform for people to access diaspora banking. The study recommends that commercial banks in Kenya should have strategies to increase their size as it was found that size of the commercial banks increase their financial performance.

Secondly, the study recommends that bancassurance be used to improve interest margins. Also, through bancassurance the banks can improve the earnings at minimal cost and stabilize their profits. The tier one commercial banks should employ bancassurance consistently as it will provide endless opportunities to earn high fee income at low cost. In addition, it is recommended that, the banks have an easier approach to customers in terms of persuasion to get an insurance product, since customers trust banks more than the insurance company.

More so, it was recommended that bancassurance should be used to open doors to new markets for growth hence reducing competition.

Lastly it is recommended that tier one commercial bank should enhance their use of the RTGS services. This will automatically translate to more returns. Banks should also come up with other innovative products that would greatly reduce their physical intervention with the customer. The limits set on maximum daily transactions should also be reviewed frequently depending on the risk appetite. The RTGS should be an opportunity for that banks should explore further

5.5 Suggestions for Further Studies

From the study findings and conclusions drawn, the study has recommended several key areas for further studies. The study recommended further research on the influence the relationship between diaspora banking and financial banking in non-tier one banks. The study further recommends that there is need for a study on factors influencing adoption of bancassurance by non-tier one commercial banks in Kenya., Further study can be conducted on effect of bancassurance on performance of insurance firms. Lastly this study predominantly focused on influence of business reengineering on performance of tier one commercial banks a further study should be done effects of business reengineering on financial performance on other banks which are not in the tier one category.

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