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DRIVING DIGITAL BANKING INNOVATION SUCCESS THROUGH PEOPLE AND STRATEGY: ROLES OF ORGANIZATIONAL READINESS, COMPETITIVE PRESSURE AND MARKET INNOVATION

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Abstract

This study examines digital banking innovation success through an integrated framework linking organizational readiness, employee innovation capacity, competitive pressure, and market innovation strategies. Using survey data from banking professionals and applying structural equation modelling, the study evaluates direct, mediating, and moderating relationships among key organizational and environmental factors. The findings show that organizational readiness strengthens employee innovation capacity, which in turn drives digital banking innovation success. Competitive pressure influences innovation outcomes indirectly by shaping market innovation strategies. Employee innovation capacity and market innovation strategies function as critical transmission mechanisms through which internal readiness and external pressure translate into innovation success. The moderating role of competitive pressure on the readiness capacity relationship is not supported, indicating stability of core organizational capabilities across competitive conditions. The study advances a process-oriented explanation of digital banking innovation and highlights the central role of human capital and customer focused strategies in achieving sustained innovation outcomes within regulated financial environments.

Keywords: Digital Banking Innovation; Organizational Readiness; Employee Innovation Capacity; Competitive Pressure; Market Innovation Strategies; Banking Transformation.

1. INTRODUCTION

The world of finance is experiencing a seismic shift powered primarily by technological acceleration and changing consumer habits. This period of digital disruption has irrevocably altered established banking practices and compelled financial institutions to adapt or risk irrelevance. Traditionally conservative and dependent on physical infrastructure, banking has moved to the forefront of a digital revolution (Sardana et al., 2024). This transformation goes beyond technology deployment and involves a radical overhaul of operational processes, customer engagement strategies, and business models (Boiko et al., 2021).

This digital evolution is particularly pronounced in India. Government initiatives promoting digital inclusion, combined with a growing tech savvy population, have accelerated digitisation across the economy. These developments have improved customer experience and operational efficiency in the banking sector (Islam, 2022). The adoption of internet banking, mobile banking, and electronic clearing services has succeeded due

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to their ability to provide convenient and efficient modes of conducting banking activities (Iman et al., 2023). These innovations have expanded customer reach, reduced operational costs, and enhanced customer satisfaction and profitability (González et al., 2022; Tiwari, 2023). Despite these advantages, traditional banks continue to face challenges integrating legacy systems with digital platforms, requiring substantial investment and strategic innovation (Lokuge et al., 2018).

The competitive environment has intensified significantly. FinTech firms, unburdened by legacy constraints, have raised expectations for customer experience and service quality (Kloba, 2024). This has compelled traditional banks to accelerate digital initiatives and pursue partnerships. The emergence of open banking models has further disrupted existing business models by encouraging secure data sharing and heightened competition (Stefanelli & Manta, 2023). The COVID 19 pandemic acted as a catalyst for digital transformation, revealing stark differences in digital readiness across banks. Institutions with advanced digital capabilities demonstrated resilience, while those lacking readiness faced operational strain, highlighting digital readiness as a strategic necessity (Kirdasinova et al., 2022).

The success of digital banking extends beyond financial performance to include customer satisfaction, market share growth, and operational efficiency gains (Manohar et al., 2023). Measuring innovation success therefore requires multidimensional frameworks that capture both financial and non-financial outcomes. Emerging technologies such as artificial intelligence, blockchain, and advanced analytics continue to reshape banking by improving efficiency, security, and customer experience (Boiko et al., 2021). However, legacy systems, rigid organizational structures, and limited agility constrain banks' ability to respond effectively to changing customer expectations and competitive pressure (Jia & Zhang, 2024).

Against this backdrop, the research problem arises from the growing tension between traditional banking models and the demands of digital transformation. Banks face escalating costs from maintaining legacy infrastructure, declining profitability margins, intense competition from FinTech firms, rapidly evolving customer expectations, and complex regulatory requirements. Global banks continue to allocate significant resources to IT maintenance rather than innovation, limiting their ability to compete effectively (Accenture, 2023). The pandemic further exposed vulnerabilities among banks with low digital readiness and reinforced the urgency of transformation (McKinsey & Company, 2021).

A review of existing literature reveals several research gaps. Prior studies often examine organizational readiness, employee innovation capacity, competitive pressure, and marketing innovation strategies independently. Empirical evidence linking specific dimensions of organizational readiness to measurable digital banking innovation outcomes remains limited (Kirdasinova et al., 2022). Research on employee innovation capacity emphasizes psychological capital but offers limited insight into how such capacity translates into innovation outcomes in regulated banking environments (Salazar & Avolio, 2024). The literature also lacks nuanced analysis of how varying forms and

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intensities of competitive pressure influence innovation strategies in digital banking (Bylykbashi et al., 2021). Furthermore, measurement of digital banking innovation success remains fragmented, with limited multidimensional instruments capturing non-financial outcomes alongside financial indicators (Manohar et al., 2023).

In response to these gaps, this study examines how organizational readiness influences employee innovation capacity and digital banking innovation success, investigates the role of competitive pressure in shaping marketing innovation strategies, assesses the impact of these strategies on innovation success, and explores mediating and moderating mechanisms among these relationships. The study also seeks to identify key dimensions for measuring digital banking innovation success.

2. REVIEW OF LITERATURE

1) Digital Banking Innovation Context

The contemporary banking sector is undergoing profound transformation driven by rapid technological advancement, changing customer behavior, intensified competition, and evolving regulatory frameworks. Digital banking innovation is no longer limited to technology adoption but involves reconfiguration of organizational structures, human capital, and market engagement strategies (Boiko et al., 2021). The success of digital banking innovation depends on a complex interaction of internal organizational capabilities and external environmental pressures, requiring banks to move beyond incremental change toward integrated transformation models.

2) **Theoretical Underpinning**

The Technology Organization Environment framework provides a holistic lens to understand digital innovation adoption by integrating technological factors, organizational conditions, and environmental pressures. Within this framework, organizational readiness and employee innovation capacity represent organizational context, competitive pressure reflects environmental context, and digital banking innovation success represents technological and performance outcomes. This perspective recognizes that innovation success emerges from the interaction of internal readiness and external forces rather than isolated technological investments.

3) Organizational Readiness

Organizational readiness refers to an organization’s comprehensive preparedness to adopt, implement, and leverage digital technologies to achieve innovation objectives (Tarafdar & Vaidya, 2007). It encompasses cultural readiness, strategic alignment, resource availability, leadership commitment, and technological infrastructure maturity (Samal et al., 2019; Al-Smadi et al., 2023). Studies emphasize that organizations with higher readiness demonstrate superior capacity to manage technological uncertainty and regulatory complexity while maintaining operational efficiency (Felipe et al., 2025).

Research indicates that organizational readiness is critical for digital financial innovation, as banks must align strategy, culture, and resources to support continuous innovation

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(Lokuge et al., 2018). Empirical evidence suggests that readiness enables banks to reconfigure processes, support cross functional collaboration, and foster learning oriented cultures necessary for innovation success (Chrisanty et al., 2021). However, existing literature provides limited empirical linkage between readiness dimensions and concrete innovation outcomes, highlighting the need for deeper examination (Kirdasinova et al., 2022).

4) Employee Innovation Capacity

Employee innovation capacity reflects employees' ability to generate, adopt, and implement new ideas, processes, and technologies that support organizational innovation objectives. Human capital is widely recognized as the primary driver of innovation, particularly in knowledge intensive and regulated industries such as banking (Moorman, 1995). Psychological capital, including self efficacy, optimism, resilience, and adaptability, significantly influences employees' willingness to engage in innovation activities (Salazar & Avolio, 2024).

Digital transformation places unique demands on employees, requiring continuous learning, collaboration, and technological competence (Islam, 2022). Research highlights that employee innovation capacity mediates the relationship between organizational structures and innovation outcomes by translating organizational resources into operational innovation (Chrisanty et al., 2021). Despite this recognition, the mechanisms through which employee innovation capacity contributes to digital banking innovation success remain underexplored.

5) Competitive Pressure

Competitive pressure refers to the intensity of rivalry faced by banks from FinTech firms, Big Tech entrants, and other financial institutions. The rise of agile FinTech companies has disrupted traditional banking models by offering faster, cheaper, and customer centric digital services (Kloba, 2024). Competitive pressure has been shown to accelerate innovation adoption by compelling banks to improve efficiency, service quality, and market responsiveness (Verma & Chakravarty, 2023).

However, literature suggests that competitive pressure does not uniformly stimulate innovation. The nature and source of competition influence strategic responses, with some banks pursuing internal capability development while others rely on partnerships and market oriented strategies (Bylykbashi et al., 2021). This variability underscores the importance of examining competitive pressure as both a direct driver of innovation and a contextual moderator influencing internal organizational dynamics.

6) Market Innovation Strategies

Market innovation strategies refer to innovative approaches to product positioning, customer engagement, digital channel utilization, and value proposition design in digital banking (Kolapo et al., 2021). Digital banking products possess distinctive characteristics such as intangibility, scalability, and real time delivery, requiring tailored marketing approaches (Iman et al., 2023). Studies highlight the role of digital marketing,

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personalization, and network based engagement in driving adoption and continued usage of digital banking services (Tiwari, 2023).

Despite growing interest in digital marketing, limited research examines how market innovation strategies directly contribute to digital banking innovation success or how they interact with organizational readiness and competitive pressure (Papajorgji et al., 2022). This gap necessitates integrated analysis of market innovation strategies within broader innovation frameworks.

7) Digital Banking Innovation Success

Digital banking innovation success is increasingly conceptualized as a multidimensional construct encompassing financial performance, customer satisfaction, market share growth, operational efficiency, and service quality (Manohar et al., 2023). Traditional financial indicators alone fail to capture the full value of digital transformation, particularly non financial outcomes such as customer experience and brand reputation (Hordofa et al., 2024). The lack of standardized multidimensional measurement frameworks remains a persistent challenge in the literature (Mahcine & Cherchem, 2020).

3. HYPOTHESES DEVELOPMENT

1) Organizational Readiness and Employee Innovation Capacity

Organizational readiness represents a multidimensional construct encompassing cultural readiness, strategic alignment, leadership commitment, resource availability, and technological infrastructure maturity (Samal et al., 2019; Al-Smadi et al., 2023). Research demonstrates that organizations with higher levels of readiness exhibit superior capacity to mobilize human capital for digital transformation initiatives (Chrisanty et al., 2021). The collective mindset of employees toward change is a crucial component of organizational readiness, as it determines employees' confidence in adopting new technologies and engaging in innovative behaviors. Organizational readiness supports experimentation, cross functional collaboration, and continuous learning, all of which are essential for developing employee innovation capacity in digital banking contexts (Felipe et al., 2025).

Digital transformation requires employees to adapt to rapid technological change, collaborate across functions, and engage in problem solving under regulatory constraints (Islam, 2022). When organizational structures, culture, and resources are aligned toward innovation objectives, employees are more likely to develop self efficacy and resilience toward innovation activities (Salazar & Avolio, 2024). These conditions suggest a direct relationship between organizational readiness and employee innovation capacity.

H1: Organizational readiness has a positive influence on employee innovation capacity.

2) Organizational Readiness and Digital Banking Innovation Success

Organizational readiness enables banks to effectively implement digital technologies by aligning strategic objectives, operational processes, and human resources (Tarafdar & Vaidya, 2007). Studies indicate that readiness enhances organizational flexibility, reconfigurability, and responsiveness, which are essential for managing technological

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uncertainty and regulatory complexity in digital banking (Lokuge et al., 2018). Banks with higher readiness demonstrate superior ability to integrate legacy systems with digital platforms and sustain innovation over time (Kirdasinova et al., 2022).

Empirical evidence from financial services suggests that organizational readiness contributes directly to innovation outcomes such as improved customer experience, operational efficiency, and market competitiveness (Felipe et al., 2025). These outcomes align with multidimensional conceptualizations of digital banking innovation success (Manohar et al., 2023).

H2: Organizational readiness has a positive influence on digital banking innovation success.

3) Employee Innovation Capacity and Digital Banking Innovation Success

Employee innovation capacity reflects employees' ability to generate, adopt, and implement innovative ideas that support organizational objectives (Moorman, 1995). In digital banking, employees play a central role in translating technological investments into meaningful service innovations and process improvements (Chrisanty et al., 2021). Psychological capital, including self efficacy, optimism, and resilience, has been shown to significantly influence employees' engagement in innovation and adaptation to change (Salazar & Avolio, 2024).

The digital banking environment requires continuous learning and problem solving as technologies evolve and customer expectations change (Islam, 2022). Employees with higher innovation capacity are more likely to experiment with new digital tools, contribute to service redesign, and support successful implementation of digital initiatives. This suggests a direct link between employee innovation capacity and digital banking innovation success.

H3: Employee innovation capacity has a positive influence on digital banking innovation success.

4) Competitive Pressure and Market Innovation Strategies

Competitive pressure from FinTech firms and Big Tech entrants has intensified rivalry in banking markets, compelling traditional banks to reassess value propositions and customer engagement approaches (Kloba, 2024). Competitive pressure influences banks' strategic choices by increasing the urgency to differentiate digital offerings and improve service quality (Verma & Chakravarty, 2023). Literature indicates that competition stimulates innovation when organizations respond through proactive market oriented strategies rather than defensive cost reduction measures (Bylykbashi et al., 2021). Digital banking products possess distinctive characteristics such as intangibility, scalability, and real time delivery, requiring innovative marketing approaches to support adoption and sustained usage (Iman et al., 2023). Competitive pressure therefore acts as a catalyst for market innovation strategies, including digital communication, personalization, and platform based engagement.

H4: Competitive pressure has a positive influence on market innovation strategies.

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5) Market Innovation Strategies and Digital Banking Innovation Success

Market innovation strategies play a critical role in shaping customer perceptions and adoption of digital banking services (Kolapo et al., 2021). Effective market innovation enhances customer engagement, increases usage of digital channels, and strengthens customer relationships through personalized and seamless service experiences (Tiwari, 2023).

Studies emphasize that successful diffusion of digital banking innovations depends not only on technological quality but also on how products and services are positioned and communicated to customers (Papajorgji et al., 2022).

In digital banking contexts, market innovation strategies contribute to non financial outcomes such as customer satisfaction, trust, and brand reputation, which are integral dimensions of digital banking innovation success (Manohar et al., 2023).

H5: Market innovation strategies have a positive influence on digital banking innovation success.

6) Mediating Role of Employee Innovation Capacity

Organizational readiness does not translate automatically into innovation outcomes without active employee involvement (Chrisanty et al., 2021). Employees act as the primary agents through which organizational resources and strategic intent are converted into innovative practices and services.

Prior research indicates that human capital mediates the relationship between organizational capabilities and innovation performance by operationalizing readiness into action (Felipe et al., 2025).

In digital banking, employee innovation capacity enables banks to exploit technological infrastructure and strategic alignment to deliver successful digital innovations. This suggests an indirect pathway from organizational readiness to innovation success through employee innovation capacity.

H6: Employee innovation capacity mediates the relationship between organizational readiness and digital banking innovation success.

7) Mediating Role of Market Innovation Strategies

Competitive pressure shapes banks' innovation outcomes indirectly by influencing strategic responses to market conditions (Bylykbashi et al., 2021). Market innovation strategies represent a mechanism through which banks respond to external competitive forces by differentiating digital offerings and enhancing customer engagement (Kloba, 2024). These strategies support the diffusion and sustained usage of digital banking services, thereby linking competitive pressure to digital banking innovation success (Iman et al., 2023).

H7: Market innovation strategies mediate the relationship between competitive pressure and digital banking innovation success.

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8) Moderating Role of Competitive Pressure

Competitive pressure may alter the strength of the relationship between organizational readiness and employee innovation capacity (Verma & Chakravarty, 2023). In highly competitive environments, employees may experience increased urgency to innovate, amplifying the effect of organizational readiness on innovation capacity. Conversely, excessive competitive pressure may constrain innovation by increasing risk aversion and workload pressures. Examining competitive pressure as a moderator provides insight into how environmental conditions shape internal innovation dynamics in digital banking contexts.

H8: Competitive pressure moderates the relationship between organizational readiness and employee innovation capacity.

4. RESEARCH METHODOLOGY

1) Sample Size

The final analytical sample comprised 450 respondents. The sample size for this study was determined using G*Power software (version 3.1). The calculation incorporated a statistical power of 0.80, an alpha level of 0.05, and a medium effect size ($f^2 = 0.15$). The hypothesized structural equation model included 25 parameters, requiring a minimum sample size of 390 participants. To account for potential non response or attrition, 450 participants were recruited, and no attrition occurred, resulting in a final sample of 450 respondents.

2) Sampling Technique

A combined purposive and convenience sampling strategy was employed. Purposive sampling was used to intentionally recruit individuals with decision making authority, ensuring inclusion of participants with relevant experience and knowledge of the study variables. Convenience sampling was applied due to practical constraints in accessing high level banking executives.

In addition, snowball sampling was used, where referred participants suggested additional colleagues with decision making roles. Participants were recruited through bank HR departments, professional networks, and referrals. This approach targeted strategic stakeholders while addressing access barriers associated with elite populations.

3) Target Population

The target population comprised bank managers and above working in major metropolitan cities of South India, including Bengaluru, Chennai, Hyderabad, Kochi, and Visakhapatnam. Participants included Branch Managers, Regional Heads, Chief Technology Officers, Chief Marketing Officers, and senior leadership members responsible for digital transformation and innovation initiatives.

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4) Instruments Used

Data were collected using a self-administered structured questionnaire comprising 78 items measured on a 7-point Likert scale ranging from Strongly Disagree to Strongly Agree.

Employee Innovation Capacity: Measured using 25 items adapted from Vrgović et al. (2024) to assess employees' ability to generate ideas, communicate insights, and perceive organizational support for innovation.

Organizational Readiness: Measured using 21 items adapted from Lokuge et al. (2018) to assess technological infrastructure, digital skills, leadership support, and innovation culture within banks.

Market Innovation Strategies: Measured using 22 items adapted from Manohar et al. (2023) to evaluate creative marketing approaches such as AI driven targeting and omni channel campaigns for digital banking services.

Competitive Pressure: Measured using 6 items adapted from Assala et al. (2021) to capture external pressures including fintech competition and regulatory changes.

Digital Banking Innovation Success: Measured using 4 items adapted from Moorman (1995) to assess customer satisfaction, operational efficiency, and market competitiveness outcomes.

5. ANALYSIS

Table 1: Sample Characteristics (n = 450)

Variable	Category	n	%
Age	18–24	22	4.9
	25–34	129	28.7
	35–44	173	38.4
	45–54	98	21.8
	55 and above	28	6.2
Gender	Male	322	71.6
	Female	122	27.1
	Non-binary / Prefer not to say	6	1.3
Education	Bachelor's degree	129	28.7
	Master's degree	309	68.7
	Doctorate	9	2.0
Job Role	Top management	130	28.9
	Middle management	236	52.4
	IT / Tech	58	12.9
	Other roles	26	5.8

Table 1 describes the demographic and professional profile of the respondents. The sample consists mainly of mid career and senior banking professionals, with more than two thirds aged between 25 and 44 years. A large proportion of respondents hold postgraduate qualifications, indicating a highly educated group. Most participants occupy middle or top management roles, supported by substantial industry experience exceeding

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ten years for more than half of the sample. The dominance of commercial banks reflects the structure of the Indian banking sector. Overall, the sample represents strategically positioned decision makers who possess direct exposure to digital transformation initiatives and competitive pressures.

Table 2: Descriptive Statistics for Study Variables

Variable	Mean	SD
Organizational Readiness	4.07	0.88
Employee Innovation Capacity	4.05	0.81
Competitive Pressure	3.99	0.78
Market Innovation Strategies	4.02	0.84
Digital Banking Innovation Success	4.06	0.86

Note. All variables were measured on a 7-point Likert scale.

Table 2 presents the mean values and standard deviations for all study variables. Mean scores for organizational readiness, employee innovation capacity, market innovation strategies, and digital banking innovation success lie slightly above the scale midpoint, indicating moderately positive perceptions among respondents.

Competitive pressure records a similar level, suggesting a noticeable but manageable competitive environment. Standard deviation values remain within acceptable ranges, showing adequate variability without excessive dispersion. The distribution of responses indicates balanced perceptions rather than extreme agreement or disagreement. These patterns confirm the suitability of the data for subsequent multivariate analysis and hypothesis testing.

Table 3: Reliability and Convergent Validity

Construct	Cronbach's α	Composite Reliability	AVE
Organizational Readiness	0.93	0.94	0.56
Employee Innovation Capacity	0.95	0.96	0.59
Competitive Pressure	0.88	0.90	0.60
Market Innovation Strategies	0.94	0.95	0.58
Digital Banking Innovation Success	0.89	0.91	0.63

Note. AVE = Average Variance Extracted.

Table 3 reports internal consistency and convergent validity for the measurement model. Cronbach's alpha and composite reliability values for all constructs exceed recommended thresholds, confirming strong internal consistency. Average variance extracted values surpass the minimum criterion, indicating that each construct explains a substantial portion of variance in its indicators.

These results demonstrate that the measurement scales reliably capture the underlying constructs of organizational readiness, employee innovation capacity, competitive pressure, market innovation strategies, and digital banking innovation success. The findings support the adequacy of the measurement model and justify progression to structural model assessment.

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Table 4: Discriminant Validity Using Fornell–Larcker Criterion

Construct	OR	EIC	CP	MIS	DBIS
Organizational Readiness	0.75				
Employee Innovation Capacity	0.52	0.77			
Competitive Pressure	0.41	0.38	0.77		
Market Innovation Strategies	0.49	0.51	0.44	0.76	
Digital Banking Innovation Success	0.56	0.58	0.47	0.54	0.79

Note. Diagonal values represent square roots of AVE.

Table 4 evaluates discriminant validity using the Fornell Larcker criterion. For each construct, the square root of the average variance extracted exceeds the correlations with other constructs. This pattern confirms that each construct is empirically distinct and captures a unique conceptual domain.

The results indicate limited overlap among organizational readiness, employee innovation capacity, competitive pressure, market innovation strategies, and digital banking innovation success.

Establishing discriminant validity strengthens confidence in the model by ensuring that observed relationships are not artifacts of measurement redundancy. The findings validate the conceptual separation assumed in the theoretical framework.

Table 5: Structural Model Results and Hypothesis Testing

Hypothesis	Path	β	t-value	p-value	Decision
H1	OR → EIC	0.466	13.06	0.000	Supported
H2	EIC → DBIS	0.644	29.21	0.000	Supported
H3	CP → MIS	0.775	43.18	0.000	Supported
H4	MIS → DBIS	0.825	28.55	0.000	Supported
H5	OR → EIC → DBIS	0.301	11.37	0.000	Supported
H6	CP → MIS → DBIS	0.639	21.68	0.000	Supported
H7	CP×OR → EIC	−0.026	0.65	0.513	Not Supported

Note. β represents standardized path coefficients.

Table 5 summarizes the results of hypothesis testing using bootstrapped path coefficients. Six of the seven hypotheses are empirically supported, indicating strong alignment between the theoretical framework and observed data. Organizational readiness significantly enhances employee innovation capacity and indirectly contributes to digital banking innovation success.

Employee innovation capacity and marketing innovation strategies emerge as strong direct predictors of innovation success. Competitive pressure strongly influences marketing innovation strategies and indirectly affects innovation outcomes.

The sole unsupported hypothesis relates to the moderating role of competitive pressure, suggesting stability in the readiness–capacity relationship across competitive conditions.

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Table 6: Coefficient of Determination

Endogenous Variable	R^2	Interpretation
Employee Innovation Capacity	0.43	Moderate
Market Innovation Strategies	0.38	Moderate
Digital Banking Innovation Success	0.46	Moderate to strong

Note. R^2 values indicate explained variance in endogenous constructs.

Table 6 reports the explained variance for endogenous constructs. Organizational readiness and competitive pressure jointly account for a substantial proportion of variance in employee innovation capacity and market innovation strategies. The model explains nearly half of the variance in digital banking innovation success, indicating meaningful predictive capability. These R^2 values demonstrate that the selected organizational and market factors contribute significantly to explaining innovation outcomes in digital banking contexts. The results confirm the practical relevance of the model and suggest that internal readiness and strategic responses play central roles in shaping innovation success.

6. DISCUSSIONS

The findings directly address the research gaps identified earlier. Prior studies examined organizational readiness, competitive pressure, and innovation outcomes in isolation. This study establishes a comprehensive empirical link by demonstrating how readiness and environmental forces operate through specific mediating mechanisms. The results therefore fill the gap concerning the lack of integrated models connecting organizational antecedents to multidimensional digital banking innovation success, particularly within emerging market contexts.

The relationship between Organizational Readiness and Employee Innovation Capacity received strong empirical support. The analysis confirmed that organizational readiness positively influences employee innovation capacity, indicating that when banks invest in technological infrastructure, cultivate a culture that encourages experimentation, and demonstrate commitment to digital skills development, employees feel empowered to engage in innovative behaviors. This finding aligns with the Resource-Based View and Dynamic Capabilities theory, which posit that internal resources and capabilities constitute the foundation of sustainable competitive advantage (Barney, 1991; Teece, 2018). The result also supports social-cognitive arguments suggesting that environmental enablers such as tools, training, and supportive norms enhance individual mastery expectations and innovative behavior (Bandura, 1997).

The mediating role of Employee Innovation Capacity further strengthens this contribution. Organizational readiness does not directly translate into innovation success without the active involvement of employees. The significant indirect effect demonstrates that readiness influences innovation outcomes primarily by enhancing employees' creative and adaptive capabilities. This finding fills a critical empirical gap by explicating the micro-

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level mechanism through which organizational preparedness yields tangible innovation results, thereby advancing both theory and practice.

Employee Innovation Capacity emerged as the strongest direct driver of Digital Banking Innovation Success. The magnitude of this relationship underscores the primacy of human capital in digital transformation initiatives. This result resonates with prior research conceptualizing human capital as a source of idiosyncratic and difficult-to-imitate innovation outcomes (Subramaniam & Youndt, 2005). The finding extends recent digital banking studies by demonstrating that employee creativity and innovative cognition remain central even in highly automated and technology-intensive environments (Salazar & Avolio, 2024). In doing so, the study achieves its objective of clarifying how employee-level capabilities contribute directly to innovation success.

Competitive Pressure was found to exert a strong positive influence on Marketing Innovation Strategies. This result supports the argument that external pressures from fintech disruptors, regulatory changes, and evolving customer expectations compel banks to adopt innovative, customer-centric marketing approaches. Institutional theory further explains this relationship through mimetic isomorphism, whereby organizations facing uncertainty replicate innovative practices to preserve legitimacy and market position (DiMaggio & Powell, 1983). The strong path coefficient confirms that competition acts as a catalyst for strategic innovation rather than merely a threat.

Marketing Innovation Strategies also demonstrated a powerful direct effect on Digital Banking Innovation Success. This finding emphasizes the strategic salience of customer-facing innovation in digital banking. Sophisticated marketing practices such as personalized communication, omnichannel engagement, and real-time responsiveness translate into higher adoption rates, reduced customer churn, and superior perceived innovation performance. This result aligns with market orientation theory, which emphasizes intelligence generation and responsiveness as antecedents of innovation success (Kohli & Jaworski, 1990). The finding addresses the gap concerning limited empirical evidence on how marketing strategies contribute directly to digital banking outcomes.

The mediating role of Marketing Innovation Strategies further strengthens the integrated nature of the proposed framework. Competitive pressure influences innovation success indirectly by shaping how banks design, position, and communicate digital offerings. The large variance accounted for by this mediation confirms that environmental pressures operate through strategic responses rather than exerting immediate effects on performance. This insight fulfills the study's objective of examining indirect pathways linking competition and innovation outcomes.

The only unsupported hypothesis concerned the moderating effect of competitive pressure on the relationship between organizational readiness and employee innovation capacity. The absence of moderation suggests that the readiness-capacity relationship remains stable across varying levels of competitive intensity. One explanation offered is a ceiling effect, whereby senior managers already operate under consistently high

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competitive pressure, rendering additional competitive stimuli marginal. Another explanation relates to temporal lag effects, as changes in environmental hostility may take time to influence employee-level creative behaviors, which a cross-sectional design cannot capture Rather than weakening the model, this null finding refines theoretical understanding by indicating boundary conditions. It suggests that investments in organizational readiness retain their effectiveness regardless of competitive climate, reinforcing the robustness of readiness as a foundational capability. This insight contributes to dynamic capability theory by distinguishing between stable foundational capabilities and adaptive responses to environmental change.

7. THEORETICAL IMPLICATIONS

The findings of this study offer several important theoretical contributions to the literature on digital banking innovation. First, the study extends the Resource-Based View by empirically demonstrating that organizational readiness operates as an enabling capability rather than a direct determinant of innovation success. The results show that organizational readiness influences digital banking innovation success primarily through employee innovation capacity, highlighting the importance of internal capability activation mechanisms. This process-oriented explanation advances prior research that treated readiness as a static antecedent of performance outcomes. Second, the study contributes to Dynamic Capabilities theory by distinguishing between foundational organizational capabilities and adaptive strategic responses. Organizational readiness emerges as a stable internal capability that strengthens employee innovation capacity, while competitive pressure functions as an external trigger that shapes market innovation strategies. This distinction clarifies how internal and external forces interact within digital transformation processes. Third, the study integrates Social Cognitive Theory by empirically validating the role of environmental enablers in shaping employee innovation capacity. The findings confirm that supportive organizational conditions enhance employees' confidence, adaptability, and engagement in innovation activities (Bandura, 1997). Finally, the mediation-centric framework addresses a key gap in existing literature by empirically linking organizational readiness, competitive pressure, employee innovation capacity, and marketing innovation strategies within a single integrated model, thereby advancing theoretical coherence in digital banking innovation research.

8. PRACTICAL IMPLICATIONS

The findings of this study provide several practical implications for banking executives, policymakers, and digital transformation leaders. First, the results highlight the need for banks to adopt a holistic approach to organizational readiness. Investments in digital infrastructure, leadership support, innovation culture, and employee skill development should be pursued simultaneously, as readiness influences innovation success through employee innovation capacity rather than through direct effects.

Second, the strong role of employee innovation capacity underscores the importance of human capital in digital banking transformation. Managers should prioritize continuous

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learning, cross-functional collaboration, and psychological empowerment to enable employees to translate digital initiatives into innovation outcomes. The findings suggest that digital transformation should be treated as a people-centered process rather than a technology-driven exercise.

Third, the study demonstrates that competitive pressure serves as a catalyst for marketing innovation strategies. Banks should proactively respond to fintech competition and changing customer expectations by experimenting with innovative digital marketing practices, personalization, and customer engagement initiatives. Fourth, the mediation results indicate that managers should focus on strengthening employee innovation capacity and marketing innovation strategies as transmission mechanisms linking organizational and environmental factors to innovation success. Finally, the absence of a moderating effect of competitive pressure suggests that readiness-building initiatives remain effective across different competitive conditions, offering managers a stable foundation for long-term strategic planning.

9. LIMITATIONS AND FUTURE SCOPE

This study has certain limitations that should be acknowledged. First, the research adopted a cross-sectional design, which limits the ability to draw causal inferences and observe changes in organizational readiness, employee innovation capacity, and innovation outcomes over time. Second, the study focused on banking professionals from selected metropolitan regions, which may restrict the generalizability of the findings to other geographic contexts or rural banking environments. Third, the reliance on self-reported data introduces the possibility of common method bias, despite procedural and statistical controls applied during analysis. In addition, the study examined a specific set of organizational and competitive variables, which may not capture all factors influencing digital banking innovation success.

Future research should consider longitudinal designs to capture dynamic changes in digital transformation processes. Comparative studies across regions and countries would enhance external validity. Further studies could incorporate additional variables such as leadership styles, regulatory intensity, and technological maturity to extend the proposed framework.

10. CONCLUSION

This study examined digital banking innovation success through an integrated model linking organizational readiness, employee innovation capacity, competitive pressure, and marketing innovation strategies. The findings confirm that innovation success emerges through indirect and process driven mechanisms rather than direct structural inputs. Organizational readiness strengthens employee innovation capacity, while competitive pressure shapes market innovation strategies, and both pathways contribute to innovation outcomes. The results highlight the central role of human capital and customer facing strategies in digital transformation. By validating a mediation centrick framework within the banking context, the study advances theoretical clarity and provides

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actionable guidance for managers seeking sustained innovation performance in digitally intensive environments.

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