

Commercial banks in Kenya, reported a significant decline in financial performance in the year ending 2017 in comparison to the previous year. This profitability decline was attributed to a higher decrease in income compared to the marginal expenses. One of the key challenges that impacted the sector's financial performance came from the interest rate caps enacted by the Banking (Amendment) Act of 2016. In order to remain competitive, profitable and achieve operational efficiency, banks have been collaborating with Fintech firms to offer Fintech services to the bank clientele; with Tier One banks being at the forefront of these collaborations. This study's main goal was to determine effect of digital payments on the financial performance of tier one commercial banks in Kenya. The study sought to attain the following specific objective: to establish how digital payments affect the financial performance of tier one commercial banks in Kenya. The theories it focused on were: the diffusion of innovation theory, regulation innovation theory and disruptive innovation theory. A descriptive research design was applied in the study. The population target for this study was the tier one commercial banks in Kenya. The study used secondary data from the banks publications and financial statements as well as Central Bank of Kenya (CBK) annual reports published in the period from 2016 to 2019 when Fintech disruptions became more notable in Kenya. The data collected was analysed using descriptive statistics, correlation analysis and linear regression analysis using a fixed effect panel data regression analysis. STATA was applied as the data analysis tool. The results were presented in tables and graphs. The correlation analysis results showed that digital payments fintech services had a positive relationship with return on assets as the measure of financial performance of tier one commercial banks. The study concluded that digital personal finance management services showed a significant effect on the financial performance of tier one commercial banks in Kenya. The study recommends that commercial banks should partner with fintech companies so as to share knowledge and gain better expertise