Effect of Mobile Banking on the Financial Performance of Commercial Banks in Kenya

Nyakio Lisper Ntwiga

D190/101287/2016

Abstract

Globalization brings about interconnection in the financial world, where organizations are using procedures with innovative financial products and services. Transactions such as,deposits, withdrawal of money, saving, are now being performed via mobile phones. This has enhanced efficiency and convenience in the financial sector compared to when people used to travel long distances to make queues in the banking premises to get these financial services. The financial service has enhanced cost-effectiveness through the ways of accessing bank accounts hence profitability. The general objective of my study was to investigate the effect of mobile banking on the financial performance of commercial banks in Kenya. The theories discussed for this study are the Financial Intermediation Theory and the Innovation Diffusion Theory. The methodology used was the use of Descriptive research design. The target population of the study focused on the 43 commercial banks in Kenya as of 31st December 2014, CBK. Secondary data was also sourced from CBK annual supervision reports. Descriptive statistics was used. Inferential statistics was also used for regression analysis. Data analysis was conducted using Eviews 9 Software and the collected data was presented in the form of graphs. The study findings indicated that number of mpesa users for cash storage and the number of mobile money transactions has a positive relationship with financial performance of commercial Banks while number of deposit account holders has a negative relationship with financial performance of commercial banks. This however concluded that there exists a weak positive relationship between mobile banking and financial performance of commercial banks in Kenya.