Mobile Banking Innovation and Financial Performance of Selected Commercial Banks in Kenya

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Abstract

The decline in the profitability of the banks is a great source of worry. This is a problem because the financial industry in Kenya is largely commanded by commercial banks who are the main contributors to the economy. Therefore, in such a scenario the collapse of the banking sector can ultimately lead to that of the economy as a whole. The inconsistency in profitability of commercial banks has been attributed to dynamic changes financial technology including mobile banking. In order to minimize on their operational costs, commercial banks have had to invest on technology working hand in hand with mobile service providers to come up with mobile banking. Mobile banking is a service offered by a bank or a financial institution that allows clients access account remotely by using a mobile device or tablet, and may use a software or Unstructured Supplementary Services Data. It allows the clients to access financial services with less hustle as well as assisting the banks and financial institutions reduce their overhead costs. The purpose of this study was to determine the mobile banking innovations and financial performance of selected commercial banks in Kenya. The study objectives were to; establish the influence of m-banking charges, establish the influence of new m-banking products, determine the influence of m-banking costs and determine the influence of m-banking efficiency on financial performance of selected commercial banks in Kenya. The study also sought to establish the moderating effects of CBK rules and regulations and m-banking on the financial performance of selected commercial banks in Kenya. The study adopted a descriptive research design. The target population comprised of 42 commercial banks. Data were collected using structured questionnaires. Data collected was analyzed using descriptive statistics and inferential statistics. Correlation result findings revealed that m-banking charges and financial performance are positively and significantly related. Regression of coefficients results showed that mobile banking charges, mobile banking products, m-banking efficiency and financial performance of selected commercial banks are positively and significantly related. Regression results also showed that mobile banking cost is negatively and significantly related with financial performance. During test for moderation, it was found that CBK rules and regulations moderate m-banking and financial performance of selected commercial banks in Kenya. The R^2 before moderation was 53.9% but after moderation the R^2 improved to 54.0%. This implies that compliance with CBK rules and regulations improves the performance of commercial banks. The study concluded that m-banking charges, m-banking products, m-banking costs and m-banking efficiency influences financial performance of selected commercial banks in Kenya. The study also concluded that CBK rules and regulations moderate the relationship between m-banking and financial performance of selected commercial banks in Kenya. The study recommends mobile banking efficiency be a driving goal for all commercial banks. Mobile banking efficiency is a necessary ingredient for performance.

Keywords: mobile banking innovation, financial performance, commercial banks, Kenya
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Effects of Financial Innovations on the Financial Performance of Commercial Banks in Kenya. James Kamau Muiruri MBA Candidate. School of Human Resource Management Jomo Kenyatta University of agriculture and technology. The commercial banking industry in Kenya has in the last ten years involved itself in financial innovations, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges. Despite the recognized importance of financial innovation and an extensive descriptive literature, there have been surprisingly few empirical studies. Kenyan banking institutions have continued to use huge investments in mobile technology based on innovations and training of manpower to handle new technologies. The growing investment in mobile technology and bank financial performance in Kenya need various studies to establish whether mobile banking has contributed to the financial performance of banking institutions in Kenya. This study focused on mobile banking technology in relation to its effect on commercial banks’ financial performance indicators namely: Return on Assets (ROA) and Return on Equity (ROE). The objective of this study foc Today’s banking customers want personalized interactions, simplified banking and access to their accounts through technology. Banks that can innovate and meet customers’ needs have a huge competitive advantage. Here are 10 examples of innovative banking customer experiences. 10 Examples Of Customer Experience Innovation In Banking. Blake MorganSenior Contributor. Opinions expressed by Forbes Contributors are their own. A review of research on bank financing reveals that there are mutual benefits to be gained by both borrowers and lenders when they engage in small and medium enterprise (SME) lending. However, most studies emphasize the demand side, or the borrower, benefits and largely ignore lender benefits. The study yields fourteen benefits that commercial banks in Kenya enjoy from engaging in SME lending. Keywords: small and medium enterprise lending, benefits of small and medium enterprise lending, commercial banks, Kenya. The seven commercial banks selected for this study are those that have been ranked top three, for the years 2010 to 2014, in the banking survey organised by Think Business Limited [Banking Survey, 2010; 2011; 2012; 2013; 2014].