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Effect of Mobile Banking on Financial Performance of Commercial Banks in Eldoret Town, Kenya

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Abstract:

E-commerce had gradually affected the operations of the business and companies especially in the banking sector. The objective of study was to establish the effect of mobile banking on financial performance of commercial banks in Eldoret town. The study adopted innovation diffusion theory. The study adopts descriptive research design. The studies target 32 operational managers of commercial banks in Eldoret. The study used questionnaires. The data obtained was coded, organized and analyzed using SPSS. The inferential statistics involved the use of correlation analysis. Data was presented in form of tables. The mobile banking had significant influence ($r = 0.781$) on financial performance. The mobile banking had enhanced easy borrowing of loans using the phones hence increasing loaning in the banks and improved financial performance. The Central Bank of Kenya (CBK) should come up strategies decisions which monitor mobile banking transactions in order to reduce fraud and improve mobile banking in commercial banks.

Keywords: Mobile, banking, financial, performance, commercial

1. Introduction

Bank financial performance grows with quality of services and the type of products in the market and in every other sector of banking because of the introduction of several aspects. For apparent financial performance, organizations mainly focus on three areas of bank's outcome for example Customer satisfaction which in turn increase financial performance of banks, Product market performance which increase the sales of products in the market hence increase performance of banks and Product services quality which increase banks performance (Bragaw & Misangyi, 2017). Odundo and Rambo (2013) suggest that financial performance is central to determining the budget rate of a bank. The willingness of an organization to conduct taxes is central to its short-and long-term existence (Billett, Hribar & Liu 2015). Various researchers are applying income value which is a concept which is substantially organized and therefore has no single meaning in such a way as to explore the effect on the budgetary efficiency of business banks of Internet enterprise (Panayotou, 2016).

Despite such progress in the banking sector; bank financial performance has been facing several challenges in trying to keep up the modern economic shape which is however costly to launch and manage (Bayraktar, 2015). The bank performance therefore encounters antagonistic and reducing factors that allow only the competitive banks to dominate in the market. The challenges are widely experienced due to advancing technology that are sometimes robbing the banks and introducing counterfeit services that bully the customers and the markets at large (Schwardt, 2017). There are different measures of banks performance. However, the most utilized is productivity.

E-commerce based business is an idea which traces the business buy or trade of merchandise and ventures or data in utilizing a PC organize, including the Internet (Hahn, Spieth & Ince, 2018). As to correspondence it is to convey data, administrations, instalment and item utilizing PC and phone organizes and also extra electronic means. There are three sorts of internet business i.e. business, client, client and business. As indicated by Bose, Buyuktosunoglu, Cher, & Kudva, (2014), electronic trade is the establishment of change in hierarchical performance by utilizing PC systems.

Mobile banking is the use of cellular device to perform online banking tasks (Shaikh & Karjaluoto, 2015). The presentation of a bunch of Mobile Money Services (MMS) by different versatile cash specialist organizations to clients has turned out to be normal. In the current years, portable managing an account has increased upper hand through enhancement, keeping up client devotion (Huff, Möslein & Reichwald, 2013). Kithaka (2014) characterize portable managing an account as any exchange, including the exchange of responsibility to utilize products and ventures, using a computer intervened system. They additionally demonstrate that versatile keeping money alludes to arrangement of bank-related monetary administrations with the assistance of portable media transmission gadgets.

Internationally, electronic trade altogether influences the hierarchical performance and effectiveness. Organizations are utilizing electronic business to expand their general operational proficiency of the bank (Ansong, 2016). Development of electronic trade has seriously influenced the general authoritative adequacy and organizations get upper

hand through selection of the electronic business applications. In various organizations there is solid need to impart the data to overall population in light of the idea of the administration as electronic trade gave people a stage to check their record and make instalments without setting off to the bank corridor (Park, Kim, Park, Goh & Pedro, 2017).

In Africa, commercial banking has taken root with the partitioning of Africa by the European imperial powers (Bechky, Kidane & Snider, 2016). Utilization of and interest in E-commerce based business related innovation requires adjusting interests in aptitudes, association, development, speculation and change involves chances and potential advantages. E-commerce business is a piece of bigger business techniques for the bank (Yousuf & Wahab, 2017).

In Kenya, the saving money framework right now has 43 business Banks (Central Bank of Kenya, 2014). Since the advancement of internet business, banks had idealized their exchanges by interlinking client's store accounts with electronic cash exchange (Askitas & Zimmermann, 2015). This online business has made exchanges simpler around the globe and it has quick picked up acknowledgment in Kenya. Innovation commitment is to give security to address the difficulties experienced by E-Banking and in addition budgetary performance. Client suspicion, as far as administration conveyance and other key variables had expanded significantly as of late, because of the guarantee and conveyance of the E-commerce (Askitas & Zimmermann, 2015).

In the year 2015 Chase bank and imperial banks are examples of banks in the town that their management and operations were at stake despite the adoption of e-commerce (Muchemi & Moronge, 2017). The commercial Banks had not complied with modern competitive environment of the market (Burianova & Paulík, 2014). Customers were complaining of the failed system of the banks to facilitate their services (Vyas & Raitani, 2014). The performance of the bank has not satisfied the market demand and it led to closure of the banks but later on stake holders came up with a strategy to salvage the state. The effect of e-commerce on financial performance has not been extensively researched and thus a research gap for this study.

2. Statement of the Problem

The seeming low interest rate, low banking income, high banking costs, undeclared things and administrations and minimal geographical scope meant only a small number of Kenyans approached money-keeping administrations (Muluka, 2017). Account processing is driven by compensation generated by payroll fees, premium shops and advance payments. It was helpful for both banks and customers to switch from traditional investment money to office keeping money and now mobile account management, because it decreases the foundations' burden and its advantages and dignity, because lower costs are paid for a flexible swap. A competition from the media interaction industry with mostly Mpesa administrations, Zain (Airtel) and their customers and Zap administrations was promoting the approach to M-keeping money. So, the analysis aimed to examine Mobile banking's effect on commercial banks' financial performance in Eldoret City.

3. Literature Review

3.1. Concept of Financial Performance

The financial performance definition relates to the level to which monetary targets have been met. It is the method of monetarily calculating the performance of a company's policies and activities. The approach is used to calculate the financial overall health of firms over a given period, and can also be used for comparing similar companies across the same sector or for comparing combination sectors or industries (Chikasha, Marume & Madziyire, 2016).

Financial performance is an important measurement of the operations of a corporation. The concept of human body is identical to the definition of corporate body. The analyser of the business performance is aware of what checks should be rendered and for which specific reasons. It is necessary to identify the context, the study assumptions and the possible trend comparison. The method for "financial performance" involves a performance analysis against desired results. It also helps to determine different factors influencing outcomes. Managers must prepare for their success (Karimi 2019).

Company performance is a four-element multidimensional framework. Results based on the consumer or product or service results, economic and competitive quality, including sales, income, results of human resources, and engagement of workers, and operational output, including time to the market, development rate and the production and supply chain. It is argued that organizational skills are rental generation properties, and they allow company to receive higher than normal returns in compliance with the philosophy of the capability and capital. Of example, the capacity of management affects different measures of organizational success through the way that corporate leaders can proactively and quickly evaluate and take corrective action on possible and real breakdowns (Theriou, Aggelidis & Theriou, 2014).

Most banks and companies have achieved by using EBusiness as a tool, creating a flexible online catalog based on the registry, safely combining online ordering with an order entry process, transferring static billing statement information to an integrated web-based display platform and allowing e-paid payment methods The use of e-commerce is known to make its use for consumers simpler and to secure payment (Sabino, Freink & Fleck 2015). E-commerce is a platform of e-commerce.

3.2. Effect of Mobile Banking on Financial Performance

Various savings are often achieved via the SMS or the internet, but exemplary ventures named customers uploaded to the cell phone also can be abused (Kamin 2017). Mobile money persistence ensures that consumers from a financial institution can perform multiple exchanges via a mobile telephone, such as a mobile phone or tablet (Rani & Jyothi 2015). Porteous, 2006, m-managed a two-way m-keeping-money conversion, a means to save money by the cell

phone service, in order to access unbanked people (Porteous, 2006). Introduced M-Banking material in which mobile telephones are mainly an external tool used to enhance money saving and account management (Odhiambo 2013). It helped to develop the efficiency and money-related role in the whole sector. A large number of people in developing markets who seek a personal digital assistant (PDA), still do not apply for financial requirements with a varied saving money, offer future solutions. It can open up basic-money management by reducing time and distance to the nearest retail bank branches, and it can also reduce depreciation and trading costs for banks. In spite of innovations and job planning in new advances, Kenya's administration account structures had tended to use monumental desires in mobile technology. Cellphones have become the main method of media distribution both in developed and developing countries (Goosen, 2018).

Bureaucratic record opening practices cut most local poor people off because they were unable to comply with all accounting standards. For competitive banks, the practice had to be rearranged and innovative strategies had to be devised. Several banks have established many products such as M-kesho, Pesa pap and M-swari (Mutua, 2013). M-Swari is the most significant part of their development and advancement.

Portable account management provided banks and consumers with different points of interest. Versatile account planning removes topographical barriers for consumers and therefore housing. There is no time hindrance, that is to say that saving money is perhaps achieved throughout the day. Portable keeping money additionally gave productive money administration and security of money (Bonsu, 2016).

3.3. Theoretical Framework

The research was influenced by Rogers's (1983) theory of invention diffusion. The theory explains the purpose of the client to use an innovation as a means of conducting a traditional business. The theory attempts to identify the acceptance modes, clarify the process and help predict if and how a new discovery has been successful. The processes in which technological innovation moves include: awareness (exposure to it and evaluation of its functions), motivation (formation of a mindset beneficial for it), determination (engagement to incorporate it); implementation (drive to use) and a mix (building on positive results). This theory cannot be disregarded with regard to modern banks, particularly the use of e-commerce.

Critical factors governing technology acceptance at general scales are: comparative gain (it is considered to be enhanced rather than superseded); consistency (compatibility with current principles, previous knowledge and requirements); challenge (comprehensive and exploited struggle); ability to innovate (as inadequate); Various groups of adopters are classified as: (innovation-oriented); (respectable) early adopters; (deliberate) early; (skeptical) late majority, (traditional) degree.

The critique of invention diffusion theory is that because there are more than four thousand articles in various fields, most of them published since Rogers had developed a structural hypothesis (Greenhalgh, Robert, Macfarlane, Bate, Kyriakidou, & Peacock 2005). There are not many concept improvements widely accepted in many fields. Each research expresses the principle in somewhat different ways, but this lack of unified theory has stagnated and has become difficult to apply to new problems reliably (Meyers, Sivakumar, Nakata, 1999).

3.4. Research Methodology

The research took a descriptive nature of the questionnaire. This model allows the author to generate statistical and descriptive data used to test the associations between variables. The study was conducted on the basis of documents of the county of Uasin Gishu in annex I. Thirty-two directors of these commercial banks were the open workforce. The survey has been used in order to collect data from the entire population (Kothari, 2014), as the workforce is small (32 administrative managers). Census is the measurement of all groups, most or all in a population. It is referred to as a complete list, meaning full number.

The analysis produces primary source information. The main data collection method was conducted using predetermined questionnaires. The research employed this approach because the response is more accurate; it can be collected, it is free of bias, the direct interaction between the researcher and the subject, it can be tested more complicated and it is used for both educated and uneducated individuals.

The study examined the relevance and reliability of the material. The survey questionnaire is drawn up according to the variables of analysis in the study aims to achieve material validity. In addition, the validates and suitability of the questions is checked by expert opinions of managers and other testing specialists in the school.

The accuracy, stability and repeatability of tests is described in reliability. The researcher performed a pilot study at three banks in Kabsabet town to find out the accuracy of the questionnaires, which enabled the researcher to check the instruments. Internal consistency was done by using Cronbach's Alpha coefficient. From the study findings, it was observed that more than 0.7 suggests the accuracy of all variables.

The collected data was encrypted, processed and analyzed using SPSS. Descriptive and inferential statistics were used to analyze the data. The descriptive analysis used percentages, means, ratios and standard deviations. The correlation analysis to examines the relationship between the dependent and the independent variables.

4. Results

4.1. Mobile Banking

The research attempted to identify the effect of mobile banking on commercial banks' financial performance. This issue contained comments on the Likert scale and results in Table 1. Study results from Table 1 shows 84.0 percent

(mean= 4.20) of respondents that the retirement and deposit of mobile banks improved their financial performance, 91.2 percent of respondents (mean= 4.56) thought the rise of mobile banking loans in banks with an improvement of 82.6 percent 91.2% (mean=4.56) of the respondents used mobile banking in payment of bills.

Statements		SD	D	UD	A	SA	Mean	Sd
Mobile banking withdrawal and deposit has improved the	F	0	0	5	14	11	4.20	.71
	%	0.0	0.0	16.7	46.7	36.7		
Mobile banking loans has been enhanced by adoption of e commerce in the banks which has increased loaning in the	F	0	0	1	11	18	4.56	.56
	%	0.0	0.0	3.3	36.7	60.0		
Mobile banking funds transfers has enhanced financial	F	0	0	7	12	11	4.13	.77
	%	0.0	0.0	23.3	40.0	36.7		
Mobile banking payment of bills has easy payments of bills and improve transaction in the banks	F	0	0	2	9	19	4.56	.62
	%	0.0	0.0	6.7	30.0	63.3		

Table 1: Mobile Banking

It meant that mobile banking had an impact on commercial banks ' financial performance in the region. Mobile banking helped withdraw and deposit mobile banking, which increased transaction fees while increasing banks ' financial performance. Therefore, mobile banking improves simple lending with telephones and thus increases bank loans and boosts financial performance.

4.2. Financial Performance

The results of the study are presented as shown in Table 2 on the financial performance of commercial banks. In this report, it was observed that most respondents accepted that thanks to e-commerce acceptance, the banks have improved their productivity (mean=4.20; standard deviation=1.42). The surveys also found that most respondents assumed the banks ' financial market share contributed to e-commerce (mean=4.13; standard deviation=1.25). The analysis found that the majority of the participants believed that customer deposits increased due to e-commerce (mean=4.33; default=1.24). Ultimately, it is observed that most participants believed that consumer lending had improved because of e-commerce (medium= 4.53; standard deviation= 0.68). This finding is confirmed by the findings. This meant that banks ' financial performance enhanced through e-commerce. The banks have introduced e-commercial applications that allow busy consumers to use their mobile devices conveniently at any time. Customers no longer have to enter the bank to check their balance sheets or make transactions; deposits and payments are always acceptable to them.

Statement		SD	D	UD	A	SA	Mean	Sd
The banks had increased their profitability due to adoption of e commerce	F	3	3	0	3	21	4.20	1.42
	%	10.0	10.0	0.0	10.0	70.0		
Increased financial market share of banks due to adoption of e commerce	F	3	0	3	8	16	4.13	1.25
	%	10.0	0.0	10.0	26.7	53.3		
There has been increase in customers deposits because of e commerce	F	3	0	1	6	20	4.33	1.24
	%	10.0	0.0	3.3	20.0	66.7		
The borrowing of loans from customers had increased due to adoption of e commerce	F	0	0	3	8	19	4.53	0.68
	%	0.0	0.0	10.0	26.7	63.3		

Table 2: Financial Performance

4.3. Correlation Findings

Comparing the financial performance of mobile banking to commercial banks has been measured. The links between dependent and independent variables are explained in Table 3. Commercial banks in Eldoret had been decided to contact mobile banking. The analysis shows a high, favorable and statistically significant link between mobile banking and financial quality of commercial banks in Eldoret ($r=0,781$; $p=0,00=0,01$). It means that customer engagement has a positive effect on the financial performance of commercial banks.

		Mobile Banking	Financial Performance
Mobile banking	Pearson Correlation	1	
	Sig. (2-tailed)		
Financial performance	Pearson Correlation	.781**	1
	Sig. (2-tailed)	.000	

Table 3: Correlation Analysis

** Correlation is significant at the 0.01 level (2-tailed)

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

This has contributed to a strong and statistically significant effect on financial performance by mobile banking. Mobile banking improved fast lending using telephones and thus expanded banks' lending and better financial performance. It also boosted movements of funds by telephone and thus strengthened the banks' financial performance. Many banks can use mobile banking to also pay bills.

The research is in line with Muluka's (2017) finding that mobile banking allowed consumers to put money on their account and transfer money to other uses such as goods and services vendors, friends and relatives, which offered comfort. To remain competitive, the banking sector had to adapt technologies. Searching for competitive advantages in the financial services technology sector, banks recognized importance of differentiating themselves through new service distribution channels from other financial institutions.

5. Conclusion

Mobile banking has helped withdraw and deposit mobile banking, which increase the payment fees, while increasing banks' financial performance. In fact, mobile banking made it easy to borrow loans from phones so that bank loans improved and financial performance increased. Some banks can also pay bills through mobile banking. Mobile banking had enhanced easy borrowing of loans using the phones hence increasing loaning in the banks and improves financial performance. It has also enhanced funds transfers through the phone hence enhanced financial performance of banks.

6. Recommendation of the Study

There is need to develop strategic decisions tracking mobile banking transactions to order to reduce corruption and boost mobile banking in commercial banks, the Central Bank of Kenya (CBK) must understand the effects of e-commerce. Banks can boost usability of the banking mode and make money easy for mobile banking consumers.

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