MOBILE BANKING STRATEGY AND PERFORMANCE OF KCB LIMITED
KERicho COUNTY, KENYA.

BY

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D53/KER/PT/25441/14

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN
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MAY 2018
DECLARATION

I declare that this research is my original work and has never been submitted anywhere for a degree or qualification of the same in any other university or institute of higher learning.

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This research project has been submitted for examination with approval as the University supervisor.

Signature________________________ Date__________________

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DEDICATION

I dedicate this research project to my husband Douglas, daughter Askatess, my parents David and Teressa for the unparalleled support they have accorded me.
ACKNOWLEDGEMENTS

I wish thanks to the Almighty God for the gift of life, my supervisor, Dr. Kipkorir Sitienei Chris Simon for his unparalleled support and selfless guidance on this research project. Not forgetting my fellow classmates Caroline and Julius of strategic management class and the staff of Kenyatta University Emily and Unita for their invaluable resourcefulness.
TABLE OF CONTENTS

Declaration ........................................................................................................................... ii
Dedication ........................................................................................................................... iii
Acknowledgements ........................................................................................................ iv
Table of Contents ........................................................................................................... v
List of Tables ................................................................................................................... vii
List of Figures ................................................................................................................ viii
Operational Definitions of Terms ................................................................................ ix
Abbreviations and Acronyms ....................................................................................... x
Abstract .......................................................................................................................... xi

CHAPTER ONE: INTRODUCTION ....................................................................................... 1
1.1. Background of the Study ......................................................................................... 1
1.1.1. Mobile banking strategy ................................................................................... 2
1.1.2. Firm’s performance ......................................................................................... 8
1.1.3. Commercial banks in Kenya ............................................................................ 9
1.2. Statement of the problem ...................................................................................... 11
1.3. General Objective ................................................................................................. 13
1.3.1. Specific objectives ............................................................................................ 13
1.3.2. Research hypothesis ......................................................................................... 13
1.4. The significance of the study .............................................................................. 14
1.5. Scope of the study ............................................................................................... 14
1.6. Limitations of the study ....................................................................................... 14
1.7 Organization of the Study ...................................................................................... 15

CHAPTER TWO: LITERATURE REVIEW ......................................................................... 16
2.1. Theoretical review ............................................................................................... 16
2.1.1. Theory of performance ................................................................................. 16
2.1.2. Diffusion of innovation theory ...................................................................... 16
2.1.3. Financial Intermediation Theory ................................................................ 17
2.1.4. Delegated monitoring theory ....................................................................... 18
2.2 Empirical Literature Review ............................................................................... 19
2.2.1. Mobile savings and performance .................................................................. 23
2.2.2 Mobile credit strategy and performance ....................................................... 24
2.2.3 Pay bill services and performance ................................................................. 25
2.2.4 Mobile banking strategies and performance ............................................... 26
2.3. Summary of research gaps .................................................................27
2.5. Conceptual framework .....................................................................30

**CHAPTER THREE: RESEARCH METHODOLOGY .........................32**
3.1. Research design .............................................................................32
3.2. Target Population ..........................................................................33
3.3. Sampling design ............................................................................33
3.4. Data Collection ...............................................................................34
3.4.1 Validity .......................................................................................34
3.4.2 Reliability ...................................................................................35
3.5. Data Analysis ................................................................................35
3.6 Ethical considerations .....................................................................37

**CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION ......38**
4.1 Response rate ................................................................................38
4.2 Reliability test ................................................................................38
4.3 Respondent’s Information ...............................................................39
4.4 Mobile Banking Strategies .............................................................41
4.5 Inferential statistics ........................................................................51

**CHAPTER FIVE: CONCLUSION AND RECOMMENDATION ..............57**
5.1 Summary .........................................................................................57
5.1.1 Cell Phone Savings .................................................................57
5.1.2 Cell Phone Credit .....................................................................57
5.1.3 Pay Bill Service .........................................................................58
5.1.4 Cell Phone Money Transfer .......................................................58
5.2 Conclusion .......................................................................................59
5.4 Recommendations ..........................................................................59
5.4.1 Recommendation for further studies .........................................60

**REFERENCES..................................................................................61**

**APPENDICES...............................................................................64**
APPENDIX I: LETTER OF TRANSMITTAL .........................................64
APPENDIX II: LETTER FROM GRADUATE SCHOOL ......................65
APPENDIX III: LETTER FROM NACOSTI .....................................65
APPENDIX IV: LETTER FROM MINISTRY OF EDUCATION ..............67
APPENDIX V: LETTER FROM OFFICE OF THE PRESIDENT ..........68
APPENDIX VI: QUESTIONNAIRE ..................................................68
LIST OF TABLES

Table 2.1: Summary of research gaps.................................................................28

Table 3.1: Operationalization and measurement of variables.............................36

Table 4.1: Response rate......................................................................................38

Table 4.2: Reliability test (SPSS) .......................................................................38

Table 4.3: Gender..................................................................................................39

Table 4.4: Duration of working .........................................................................40

Table 4.5: Cell phone savings...........................................................................42

Table 4.6: Cell phone credit...............................................................................44

Table 4.7: Pay bill strategy ................................................................................46

Table 4.8: Cell phone money transfer.................................................................48

Table 4.9: Firm’s performance ..........................................................................50

Table 4.10: Coefficient of determination using SPSS version 21.0 .................52

Table 4.11: ANOVA on Cell Phone Savings (SPSS version 21.0) ....................52

Table 4.12: ANOVA on Cell Phone Credit (SPSS version 21.0) .......................53

Table 4.13: ANOVA on Pay Bill Service (SPSS version 21.0) ..........................53

Table 4.14: ANOVA on Cell Phone Money Transfer (SPSS version 21.0) ....53

Table 4.15: ANOVA on Regression Model (SPSS version 21.0) .....................54

Table 4.16: Regression analysis.........................................................................54
LIST OF FIGURES

Figure 2.1: Conceptual framework of the study .........................................................30

Figure 4.1: Gender ..................................................................................................39

Figure 4.2: Duration of working in organization ......................................................41

Figure 4.3: Cell phone savings ...............................................................................43

Figure 4.4: Cell phone credit .................................................................................45

Figure 4.5: Pay bill services ......................................................................................47

Figure 4.6: Cell phone money transfer .................................................................49

Figure 4.7: Duration of working in organization .....................................................51
<table>
<thead>
<tr>
<th><strong>OPERATIONAL DEFINITIONS OF TERMS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Application or App:</strong> It is a software used in mobile phone that works with service provider and source of the application to provide information and service of the source organization.</td>
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<td><strong>Firm performance:</strong> Status of a firm in terms of profitability, asset base, customer base, and revenue</td>
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<td><strong>Innovation:</strong> An innovation is an idea, product, practice, or a product that is believed to be new by the society, organization or individual and in which the participants, or users share the use of this technological innovation to achieve mutual benefit.</td>
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<td><strong>Mobile banking strategy:</strong> Provision of financial services and products by use of mobile phones.</td>
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<td><strong>Mobile credit:</strong> These are loan facilities given to the mobile banking users by banks.</td>
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<tr>
<td><strong>Pay bill services:</strong> Use of mobile phone to make payments for goods and services.</td>
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<td><strong>Performance:</strong> Dorn (2011) defines performance as the process of producing valued results.</td>
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<td>Abbreviation</td>
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<td>CBK</td>
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ABSTRACT

Banking institutions encounter a lot of problems ranging from debt crises to exponentially increasing rivalry in the market which affects their performance significantly. Currently, customers of financial institutions are well informed and have all the information regarding the operations of such institutions and as a result they have created brand and product loyalty. This has been escalated by the introduction of mobile banking services in financial transactions and hence financial institutions are now experiencing difficulties in embracing new technological advances. With introduction of mobile services in the banking industry, the commercial banks are faced with the challenge of embracing the new technological advances in the banking industry or lose business. To address the challenges of performance, financial institutions are supposed to adopt strategies to curb the problem of financial performance. This study aimed at investigating the effect of mobile banking strategies on firm performance of KCB Kenya Limited. The study is significant to KCB Bank and academic knowledge. The study was guided by four theories; theory of performance, diffusion of innovation theory, financial intermediation theory, and delegation monitoring. Descriptive research design was used. The target population was 100 which included employees, departmental heads and managers of KCB Bank Kericho County. The sample size of 30% of the target population which was 30 respondents was selected using simple random sampling. Questionnaire were used to collect data. The collected data was analyzed using descriptive and inferential statistics. SPSS version 21.0 was used to aid in data analysis. The results indicated that there is significant improvement in the firm’s performance due to cell phone strategies. The cell phone savings did not significantly improve performance of the firms but the cell phone credit, pay bill service and money transaction indicate significant input to the bank performance. The research recommended that there should be customer sensitization because the mobile banking strategies reduce cost of operation. Further research should be done mobile transaction on customer satisfaction and preference.
CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Globally, banking industry is considered to be an important source of financing for most businesses. However, the global competitiveness in the banking sector, coupled with issues of recession, and Central banks regulation has made the performance of these banking institutions a matter of concern in both developed and developing countries including Kenya. This has made the banking institutions to devise strategies that are geared towards improving their performance. This strategies include technology and innovation especially those that result into disruption of growth in the organization (Adelman, 2000).

In Kenya, most banks have adopted new technologies in a bid to curb the problem of performance (Nyangosi, Nyariki & Nyangau, 2012). KCB Kenya Limited has been in the forefront in the adoption of these technologies. Mobile banking is an innovative technology that has grown exponentially and has been popularized by its use across all the financial organizations. The use of mobile has thus expanded from mere text messaging services to that of pseudo internet banking. This therefore means that customers can not only view their balances and set up multiple types of alerts, but they can also transact activities such as fund transfers from account to account, account to M-pesa or from M-pesa to account, deposit cheques via the mobile phone and instruct payroll based transactions (Vaidya, 2011).

Technological innovations have played a big role in improving the quality of service delivery in financial institution. Technological revolution has then introduce easy access of information and transaction. Long are the time of queue for payment of
school fees, bills payment or for statement among other service. The mobile phone has brought all this into one platform, where all this are accessed at the touch of a button. They can now do this at their convenience by using their ATM cards or over the internet from the comfort of their homes. Huge changes and strides have been made in the banking sector regarding use of mobile industry where banking sector have come in and worked in unison with the mobile industries in order to provide banking services to their customers. The use of ATM banking is one of the earliest and commonly embraced retail e-banking services in Kenya (Nyangosi et al. 2012). An annual report by Central Bank of Kenya indicated that the adoption and usage of ATM has been surpassed by mobile banking in the last few years (CBK, 2013). Many people in lower income has the access of mobile phone. This makes it easy for mobile banking to be introduce to the remote areas. The poor have come to trust in mobile providers in transaction than the commercial institution in Kenya. The mobile platform has then made the unbanked access this services.

Crowe (2013) argued that mobile phone and mobile banking in Kenya and developing countries has revolutionize the way of conducting business from communication to money transfer technology. The banking sector has benefitted from the technology. Gitonga (2010) deducted that Kenya Commercial Bank strategies used as turnaround included the use of technology in order to increase productivity of the banks. The technologies include the use of mobile banking based strategy.

1.1.1. Mobile banking strategy

Mobile banking (m-banking) is the provision of financial and banking service through the integration with cell phone device (Mbiti & Weil, 2011). Services offered by M-banking system includes mobile transaction, money transfer, banking service among
other innovative services. Kenya Commercial Bank, Co-operative bank, Barclays Bank, Equity, and I&M Bank are among those banks that has integrate with the cell phone network providers including Safaricom, Telecom and Airtel Limited.

Kimenyi, (2009) defines m-banking to be a service delivered to a customer of financial transactions using a cell phone by the financial institution. Application (app) is then used to access the service in the mobile phone so as to use financial services. M-banking allows all customers more so those who have busy schedules to access their financial services with ease and conveniently.

Salzaman, Palen & Harper (2001), asserted that mobile banking strategy is used to reach out to all those people who may not be customers at any financial institutions, those who cannot access financial institutions because of their locations and those who have low earnings and do not see the need for a financial account. All these people, just as those who have accounts in financial institutions receive banking services and can even access loans in an efficient, safe and convenient manner. The services provided includes; account balances, account statement, cash account transfers or paying bills via a cell phones. There is an increase of use of short messages, mobile internet and use of application based transaction that use software downloaded to the cell phone device.

According to Davidson, (2009) financial institutions and other institutions that use different payment systems and mobile operators implemented digital banking models. The reduce costs by taking low transactions out of banking halls into local retail shops, where agents such as gas stations, shopkeepers, airtime vendors. These agents are given ability to accept deposits, register new accounts, money transfers and cash withdrawals using a customer’s cell phone then communicate transaction information
to the cell provider or banking institution. Salzaman et al (2001) with others, added that the retail agents does transaction including deposit or withdrawal. It enable the customers to transact using electronic money as long as there is cell phone coverage that can link with the financial or mobile provider.

Banking sector have adopted technological change to remain competitive. Financial institutions have adopted, acknowledged and differentiated themselves by coming up with new service distribution channels that assist them to remain competitive in the technological financial service industry (Daniel, 2014). Their process of opening accounts have in the past left out a great number of people who have low levels of finances and are viewed as unqualified to open and own account. Due to the raising need to remain relevant and competitive, financial institutions have simplified the procedure and have come up with alternative ways of doing so. Several financial institutions have hence innovated various M-banking products including M-shwari, Mobibank, Pesa pap, M-Kesho, and KCB M-pesa by commercial bank of Africa, KCB, Family, Equity and KCB respectively. This has hence become advantageous to both banks and customers as it has removed geographical limitation to customers and therefore bringing convenience and have no time limitation therefore banking maybe carried out at any time of the day and anywhere. Mobile banking does not only provide efficient cash management and control but also security of cash. The first mobile banking services were offered to customers through the use of short text message. With the introduction of the first primitive Smartphones with WAP enabled the mobile web in 1999 to be used. The first European banks started to offer mobile banking on this platform to their customers. Herrera (2007) asserts that advancing in technology has eased and has enhanced an alternative transfer of money which has brought up creation of new institutions, such as; online banks, online brokers and
wealth managers. These institutions still account for a small percentage of the industry. Kenya's Safaricom has the M-Pesa Service, used for money transfer from mobile to mobile or to an agent. Currently, the Safaricom M-pesa services have been increasingly used to pay utility bills as well. While this change in institutional landscape is dramatic, there is still a large informal population that is largely unbanked.

Cooper (2000) argues that mobile banking service at this instance, is undergoing transformation from and for the whole population and provides general financial assistance to the general market. Financial institutions have come up with strategies that provide their customers the ability to look through their accounts via mobile phones as this is an emerging platform as a potential catalyst for creating operational efficiencies and as a vehicle for other revenue sources. The advancement of mobile money transfer is transforming the economics of banking sectors, creating additional incentives for banks to serve customers in a better, yet more efficient, manner (Daniel, 2014). More so, these new and convenient products and services provide banking institutions with a way to reconnect with their customer base and regain some of the trust that was lost as a result of the financial crisis. The Banks have been talking about using mobile phones as a channel for consumer banking almost as long as energy companies have been trying to make solar power reliable and affordable at the same time, but this has taken a convergence of element to make it easy for mobile banking services (Cooper, 2000).

According to Pandey (2003) mobile phone over more than six years has become the most preferred device. It has provided multiple task which include text message, browsing, e-mail access, calls and performing task through downloaded software
called application among other multimedia. Using the interlinkage with banking institution mobile phones has been used in access, online banking, sending, receiving and transacting electronic money. It has continuous automated banking to be portable than ever. The automated teller machines were created for the same purpose but it has been replaced with mobile banking based on the fact that it easy to access, portable, flexible and one can transact at remote area. Over time electronic money has been accepted as a safe way of transacting and is increasingly been used (Pandey, 2003).

According to the Central Bank of Kenya report of 2009, large section of the banking industry has embraced the use of mobile technology. The have increase investment in m-banking so as to reduce the operation cost and enable them to move with revolution. Small financial institution has followed pursuit in adaptation of the mobile banking technology. There are also new web-based nonbanks institution have introduced software-based platform where customer can access the financial product like advance and credit with an interest. This web-based application can be downloaded and information of the customer can be feed and accessed from other financial and social accounts. The mobile model of money transfer has several feature that assist the user or the customer to compact fraud, account transfer, remote deposit check and online bank service. The trend of mobile transaction is increasingly been used and with time all customers would be well advance.

M-PESA is an electronic based transaction platform accessible using cell phone to cell phone (Safaricom, 2009). It has obtained extraordinary advance since the introduction of the service by the Safaricom in Kenya in 2007. The disrupt growth has made over 9 million customer with a correspondent to over 40% registered adults. Surprisingly, the M-pesa platform processes local transaction than the global. Kenya
Commercial Bank Kenya Limited has continuously embraced technology; through the introduction of mobile based system in 2009. KCB Connect as it is called has brought social and economic change in customer’s lifestyle over 17 million mobile subscribers. The m-banking program provides complete banking services on the cell phone at the dial of a button, banking instructions, including inquiries, funds, deposits and withdrawals. This is critical to the success of mobile banking strategy and understanding of the customer needs (Wairagu, 2011). This is also critical to the establishment of regulations that meet the needs of the customer.

The ability to move money from point A to point B has been an essential aspect in financial growth globally. However, the main concern is how the finance are transferred to work in new market with poor network or underdeveloped infrastructure and where few are sceptic of bank accounts. The use of cell money transfer system is very influential in replacing the traditional banking method as the increasing new market segment (Safaricom, 2009). The cell handset infiltration has outnumbered the bank account infiltration (by a ratio of about 3:1, in that, for each and every one bank account holder, there about are three (3) mobile handset owners).

Mobile banking has been widely used in developing economies (Donner & Tellez, 2008) which has linked with growth and convenient based on the cost, access to financial information and ease of accessing financial service and making transactions. Commercial banks have added value in the performance (Tiwari, Buse & herstatt, 2006). It becoming widely adopted in Kenya by major financial institution for growth and development (Wambari, 2009) through credit mobile facilities, pay bill service, mobile money transfers and mobile saving facility.
1.1.2. Firm’s performance

Burke (2008) argues that an organization’s performance is the systematic progress whereby an organization involves all of the employees towards improving organizational targets so as to achieve the mission and vision of that organization. There is considerable recognition that the performance of an organization has increasingly accelerated because of the rapid dynamic changes in the business environment. Firms including the banking sector strive to keep up and handle all that global change brings with it. In the current business environment, there is an emerging trend in the needs that people require, that is; quantity and quality from products to services offered. To keep up with the growing needs in the market, financial organizations recognizes the need to acquire and utilize increasing amounts of knowledge and technological advancements in order to achieve a competitive edge in the business environment (Gakure & Ngumi, 2013). For the banking sector, there is a dire need to have an in-depth understanding of the emerging technological advancements and to be able to use it as a strategic tool that enhances their performance and competitiveness. Mobile banking is one such advancement in technology that has been adopted by KCB bank Kenya Limited as a strategy to increase its customer base.

Micintosh (2004) clearly argues that critical analysis of how best an organization can learn in the broadest sense of maximizing their opportunities in this sector enables organizations to maximize their profits from the market. For example, the ability to acquire knowledge and develop practical skills seems to offer a realistic way of tackling the pressing problems of the current times. Ongoing monitoring provides the opportunity to check how well employees are meeting predetermined standards and to make changes to unrealistic or problematic standards.
According to Sorge (2003) by continual monitoring, an organizational performance that is unacceptable can be identified during the appraisal period and assistance provided to address such performance than there and then. Carrying out the processes of performance evaluation provides an excellent opportunity to identify and determine developmental needs.

1.1.3. Commercial banks in Kenya

The Central Bank of Kenya annual report of 2015 indicated that there are 45 banking institutions out of which; 41 are commercial banks, three are mortgage finance companies, one is a non-bank financial institution and the remaining one building society. Kenya banking business was started by Gulf Africans Banks Limited and these services adopted and have increased to 46 financial organizations by December 2007 and 34 out of the 46 organizations were owned locally. The Foreign Banks comprised of 6 locally incorporated and 5 branches of incorporate foreign institutions. As shown in the CBK reports, local banks dominate the Kenyan banking sector regarding numbers, but only account for 48.2% of the sector’s total assets, closely followed by the foreign-owned banks with 43% of the sectors assets. The KCB Kenya Limited has continued to record impressive growth in the last year as compared to other banks in the country. In December 2007 the company profitability had an increment of 30% (CBK, 2015). The stock investment did increased also by 26.1% as compared with the subsequent year. The sector indicate growth with the use of the indicators with the reduction of security of non-performing loans and improved capital adequacy ratio this is as result of fresh capital inputs and profit retention over the same period.
According to CBK (2009) most of Kenya’s financial institutions have adopted and appreciated the use of modern technology in their service delivery and have greatly put financial resources into the self and virtual banking system with the need of improving the quality of customer service. These products and services include the introduction of ATMs, SMS banking, anywhere banking software, Core banking solution, direct debit, and Electronic Clearing Systems among others. In and around mid-2005, the banking Industry in Kenya went a milestone by introducing Real Time Gross and Settlement system, which was renamed Kenya Electronic Payment, and Settlement system. This enabled the bank to facilitate the inter-bank financial data transfer. The adoption of technology and development of e-banking programs is expected to reduce congestion and long queues in banking halls. Digital based financial systems have made a significant contribution in the reduction of the cost of offering financial services.

The banking industry has kept introducing a lot of new products over time, prompting an increase in competition over years and embracing of ICT to enhanced customer needs for instance introduction of a market strategy that are branded in the local manner and using the local developed brand names that match the internal environment of the larger segment of the local customer base creates a wide market hence realization of profits. Other products of Islamic banking has be integrated known as “Shariah”. Currently, Kenya Commercial Bank, Dubai Bank, K-Rep-Bank and Barclays Bank of Kenya has with time made Islamic products inclusive in there services. Banking sector in Kenya has full developed just as the other global banks in the global arena.
1.2. Statement of the problem

Performance is the most research but it’s the least understood because of it multifaceted description of what it is. It can be view in human resource, technology, production and many other areas. Technology is also linked with performance but based on disruptive effect on the performance to find the right technology that can fit the model of the organization is had (Cooper, 2000). Commercial banks have been ever-changing technology and pushing innovation among the latest are mobile banking to put up their performance. The researcher found out that because of few researches done in the field there exist a gap on which mobile based technology can bring up performance of the banks despite high competitive environment. The advent of the mobile money transfer has revolutionized the banking industry as the same has enabled financial institutions with new business models and ways to offer accessibility of this service all round the clock by their customers. Technological advancement also affects performance because mobile banking strategy has come up with new and active parties’ financial services industry which has brought forth rigorous competition and thus affecting the performance of commercial banks in terms of, asset acquisition, revenue, liquidity and customer base, on which firm performance is pegged.

Porter and Miller (1985 as cited in Bett 2013) argues that technological innovations and adoption is strategic to the extent that it enables business organizations to acquire a larger customer base while reducing the cost of operations. However, the incorporation of technologies and emergence of new entrants, performance of commercial banks has drastically reduced in terms of customer base, revenue and profitability.
Empirical studies by Barako & Gatere, (2008) and Nyangosi, (2009) studied technology in Kenyan Banks and deduced that banks in Kenya, have used new technology where the mobile phone has been transformed with introduction of e-banking based application. In the two studies, customers provided the various technological strategies used by their banks in money transfer and services. The third study was carried out by Safaricom Telecommunication Company on January 2007, on technological adoption in which respondents indicated that they support the usefulness of SMS banking, but could not access these services, especially in the rural areas in Kenya. These findings led to the introduction of M-pesa as means of capping the problem of low number of financial institution in the rural regions of Kenya. The results further showed that the use of web-based service through internet banking. Internet banking has become the most popular in financial transaction though the information technology has been steadily growing in Kenya banks.

Kumar (2010) while undertaking a study on Micro Finance and Mobile Banking observed that financial institutions can greatly reduce costs through m-banking services for instance; coming up with automated messages that are used to remind the customers of any upcoming transactions by themselves of the financial institutions i.e customers about upcoming payments, loan disbursements and warn of late payment notices can save loan officers time and phone bills. The research on mobile banking has been scanty and focused on the perception, cost, diffusion technology and economic development of mobile banking (Kumar, 2010; Al-jabri, 2012; Crowe, 2013; Donner & Tellez, 2008) and leaving the impact of this service to the strategic performance of Commercial banks. This led to the investigation of mobile strategy on the performance of Kenya Commercial Bank.
1.3. General Objective

The primary objective of the study was to explore the effect of mobile banking strategy and firm performance of KCB Kenya Limited, Kericho County.

1.3.1. Specific objectives

The specific objective were provided as follows;

i. To determine effects of cell phone savings on firm’s performance of KCB Kenya limited, Kericho County.

ii. To investigate the effect of cell phone credit on firm’s performance of KCB Kenya limited, Kericho County.

iii. To analyze the effect of pay bill services on firm’s performance of KCB Kenya limited, Kericho County.

iv. To assess the effect cell phone money transfer on the performance of KCB Kenya limited, Kericho County.

1.3.2. Research hypothesis

The study research hypothesis were;

H₀₁: There is no significant effect of cell phone savings on the firm’s performance.

H₀₂: There is no significant influence of cell phone credit on the firm’s performance.

H₀₃: There is no significant effect of cell phone money transfer on firm’s performance.
H04: There is no significant influence of pay bill services on firm’s performance.

1.4. The significance of the study

This research study is important to the Government of Kenya as regards the making of policies on the regulation of the banking industry. The results of this research study acts as a guide to formulation of policies. It is also important to commercial banks in Kenya as it provides useful information on the financial performance of KCB Kenya Limited, Kericho Branch. This helped them to take necessary measures to ensure they address the challenges of financial performance. The findings were also significant to future researchers and academicians. It provided literature for future scholars. This study also provided recommendations on other areas for further studies where future knowledge can be drawn. On the other hand, the study was also important reference material for scholars and researchers.

1.5. Scope of the Study

This research study was carried out in 2017 in Kericho County and the researcher sought to address the effect of mobile banking strategy on the performance of KCB Kenya Limited. The study was carried out using descriptive research design with a target population of 100 employees.

1.6. Limitations of the Study

The delay in time was expected as the pick and drop method was used. The issue of confidentiality in the financial institutions makes it hard to collect information from Kenya Commercial branches as the company wants to protect the secrets regarding reasons for being competitive. The research liaised with managers of the commercial bank and from the top bottom method the other subordinate also made effort as well
as enable them to fill without jeopardizing their confidentiality. Regular visits were made to commercial bank and collection time was extended to allow those who were busy in daily work to fill the questionnaire.

1.7 Organization of the Study

Chapter one consists of background of the study, statement of the problem, objective of the study, hypothesis of the study, scope of the study and limitation of the study. Chapter two comprise of theoretical review, empirical literature review, summary of research gaps and conceptual framework. Chapter three contains the research design, target population, sample design, data collection methods, data validity and reliability, data analysis and ethical issues. Chapter four is the findings and it discussion. It then comprises of response rate, bio data, descriptive analysis with discussion of each objective and inferential analysis and discussions. Chapter five is the last chapter with summary, conclusion and recommendation of the study. This section gives the summary of discussion of the finding objective wise. The summaries are group per objective which are cell phone savings, cell phone credit, pay bill service and cell phone money transfer. It also provides the conclusion of the study as well as recommendations.
CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical review

This section focuses on the theories that will guide the study and comprises of those that govern the technology adoption and performance in the banking sector. In particular, it looks at the theory of performance, the diffusion of innovation theory, financial intermediation theory and delegated monitoring.

2.1.1. Theory of performance

Theory of Performance (ToP) was advanced by Richard Schechner in 1980’s in which he asserts that the theory of performance develops and relates six crucial concepts to form a framework that can be used to explain performance as well as performance improvements. A performer can be an individual, group of people engaging in a collaborative effort or a business organization. This theory view performance in six facet: fixed factors, personal factors, level of knowledge, level of identity and skills. Three axioms are proposed for effective performance improvements. This theory is thus relevant to this study as it explained the relationship between strategies, which in this case is the mobile banking strategy and the firm performance in terms of resources including revenue, asset acquisition, customer base and profitability among other performance indicators.

2.1.2. Diffusion of innovation theory

Diffusion of innovation theory was popularized by Everett Rogers in 1962, where he stated that diffusion is the process by which an innovation is communicated over time among the participants in a social system. The origins of the diffusion of innovations
theory are varied and has multiple disciplines. Rogers (1962) proposes that four main elements influence the spread of a new idea: the innovation itself, communication channels, time, and a social system in which this process relies immensely on human capital. The innovation must be widely adopted so as to become sustainable.

Diffusion of innovation theory is the process whereby technological innovation is utilized by the members of a certain social group (Lynn & Keith 2001). The theory focuses on the conditions, which increase or decrease the likelihood that a new idea, or product, was adopted by the society, organization or individual. This theory therefore was relevant to the study because mobile banking is such a kind of innovation where KCB bank Kenya limited and users of mobile banking among other stakeholders like Safaricom Kenya Limited achieve a mutually beneficial engagement such as increased customer base, increased revenues, achieving a competitive edge, access to credit facilities and advancement in technological innovations.

2.1.3. Financial Intermediation Theory

Gurley and Shaw in 1960 advanced the financial intermediary theory. It focuses on merger between the theory of agency and information asymmetry. In principle, the existence of financial intermediaries is explained by the existence of the following categories of factors: High cost of transaction, lack of complete information in useful time assumptions there is perfect market where no one participant can influence the prices; there are no discriminatory fees; the lack of competitive advantages at the level of participants; the placement and borrowing conditions. Scholtens & Van Wensveen, (2003), the theory is important in creation of specialization of financial institution in producing specific specialized products. The intermediary can then sell their products in a relative price that reduce cost of operation for the financial
organization. The financial intermediation theory highlights the role of financial in economy; most of the studies performed highlight their role in achieving a durable economic growth, and the impact of regulations on financial intermediation, accentuating the role of the central bank in the regulation, supervision and control of financial intermediaries. This theory was relevant to the study as it assisted in analyzing mobile transactions behavior of KCB Bank, Kericho in respect to KCB M-pesa, and it effects on firm’s performance.

2.1.4. Delegated monitoring theory

Andries, 2008, pioneered delegated monitoring theory which is based on two principles which are; the wide view of the investment projects, that explains the significance of delegate monitoring in view of an intermediary than to have it be worked on individually by creditors; and secondly, intermediaries who monitors debtors and allow them to finance a large number of debtors.

Andries on 2008 pioneered delegated monitoring theory which is based on two principles which are; the wide view of the investment projects, that explains the significance of delegate monitoring in view of an intermediary than to have it be worked on individually by creditors; and secondly, intermediaries who monitors debtors and allow them to finance a large number of debtors (Andries, 2008).

Diversification is the financial-engineering technology that makes monitoring of deposit contracts unnecessary when monitoring of loan contracts is necessary. This allows the financial institutions to deliver delegated monitoring. Therefore, debt, monitoring, and diversification are the keys to understanding the delegated monitoring theory as part of financial intermediation. This theory is important to the study as it explains the grounds why commercial banks exist. It assists in
understanding why commercial banks need to focus on very particular goals given that they are just agents. The banks, like any other business, go to any length to ensure that it lives to fulfill their purpose of being established. In the context of the study, the reason why the commercial banks have to incur exceedingly high costs in order to ensure customer satisfaction and enhance their performance can be explained by this theory. On the other hand, the theory is also relevant to this study as it sought to explain how KCB M-Pesa loan, as a financial intermediation interventions is monitored by KCB Kenya Limited, Kericho Branch.

2.2 Empirical Literature Review

Mobile banking has increased in used by commercial banks and other institution to ease financial payment. However, Kumar (2010) pointed out that banking needs a technological platform on which to operate and such technological solution is time consuming and expensive. Donner & Tellez (2008) did a study on mobile banking and economic development in which their objective was to determine the link in adoption of mobile banking, impact, and use on economic development.

Kumar (2010) on his study on Micro Finance and Mobile Banking services in India. It identified that the cost of operation was low than the normal banking service provided in back and front office after the adoption of m-banking, mobile transfer and other mobile services. Automatic messages was used to notify customers on payments schedule, warning on the loan penalty and next payment, bills payment, security bridge, balance checking among other service. This create bull wipe to the customer on the overall cost reduction. This integration of mobile phone to the banking service reduce overall operation cost for the bank making the customer have services at low cost as possible. Due to the mobile banking technology the customer has more benefit
than cheap services. It has made the customer not to travel to the bank reducing travelling cost. It has also assisted the customer to reduce the time wastage in travelling and queuing in the bank. The technology has also made sending money from one point to another to be as simple as a touch of button. Kumar (2010) pointed out on the technology effect to the final users and banking institution. The technology platform made the operation cost lower hence solving the problem of time and cost constraints that affected the customer of the bank. The bank must own an integrated software that enable the m-banking platform.

Ching et al (2011) looked at factors the influenced Malaysian m-banking used in banking sector. The investigated the extent of Technology Acceptance Model (TAM) the focused on the mobile banking. The study concentrated on the perceived usefulness, relative advantages, perceived risk, social norms and perceived ease of use of this technology. The results were indicated the personal innovation, perceived risks, relative advantage, perceived ease of use and perceived usefulness affected the behavior of customer who used the mobile services in Malaysia. While there was an insignificant effect of social norm to the behavior of the customer on mobile services.

According to Al-Jabri (2012), concentrated on the diffusion theory that is anchored on the technology use by the society. It focused on the mobile banking as technology adopted through the diffusion of theory. The study assessed factors which affected mobile banking use and adaptation in Saudi Arabia. The paper were guided by six hypothesis including; trainability, observability, compatibility and relative advantage affected positively the adaptation and use of mobile banking in Saudi Arabia. Complexity had negative influence on the adaptation and use of mobile banking. The perception and behaviors are challengeable and with time it can be changed to based
on the use and benefit. Crowe (2013) studied the effect of mobile phone in the banking sector in developing countries. In his study, he identified that mobile phones are becoming common and bought highly by developing countries. Kenya are one of the countries who are benefiting from the use and acquisition of mobile phones technology in this past decade. This has revolutionized the business including the banking sector, individual personal use in communication, information trafficking and multiple acquisition of skills. These has been related with the growth and development of economy of developing economies.

Gitonga, (2010) investigated on the role of board capital on the technological adoption and turnaround strategies. The board capital as measured by prestige, expertise, knowledge of products and market with the technological advancements was integral in the Kenya Commercial Bank Limited board of directors. It concluded that the board capital of the bank was very important in changing the direction of the bank as a turnaround strategy based on the diminishing returns of Kenya Commercial Bank Limited. Technology was one of the strategic turnover. It recommends that other management in other organization can adopted the turnaround strategy and practices used by the Kenya Commercial Bank through incorporating expertism in various profession, knowledge and technological experience in the banking sector if they are to improve their performance.

Donner & Tellez (2008) on the study on m-banking and economic growth which their objective was to govern the link in adoption of mobile banking, impact, and use on economic development. It identified that by using the lowest cost in transferring money from one location to another, making customers to access real time financial information, mobile banking and mobile payment systems is one of the greatest
growth in innovation for the countries that are developing like Kenya. Never the less it is important to multiple studies, using different theories and methodology should be conducted for growth in development and identification of more gap in technology impact and adoption in the developing worlds to answer several question on mobile banking. Tiwari, Buse & Herstatt (2006) conducted a study on mobile banking as business strategy: impact of mobile technologies on customer behavior and its implications for banks. The study sought to analyze the opportunities for commercial banks to generate revenues by offering value-added, innovative mobile financial services while retaining and even extending their base of technology-savvy customers. The researchers found that the use of mobile banking systems as a strategy increased their customer base.

Wambari (2009) on her studies on mobile banking based on Kenya as one of the developing countries, found out that the adoption and use of mobile product were more of a social process and did affect the small and medium enterprises practices. The study was able to establish that mobile banking was necessary in daily running of business in Kenya and been used as tool of trade in the small and medium scale ventures to conduct transaction. New venture in agency and M-Pesa based business are mushrooming.

From the above studies, it is clear that there have been limited studies if any on the strategic effect of KCB M-pesa on the financial performance of KCB Bank, Kericho branch and therefore there is a necessity for this study to bridge the existing research gap.
2.2.1. Mobile savings and performance

Wilson, (2008) with others, points out that, revenue growth in form of savings, interests on loans, and transactions charges in a banking institution is another aspect of the performance indicator, which is obtained by real-time access to service, large coverage and value for customer as result of mobile banking. This can also be measures in the number of people using the platform for savings. On the other hand, interest derived from the loans advanced to the customers is also another indicator of the performance of a banking institution.

According to World Bank 2013 report, globally many banking institutions have embarked on a saving strategy as a measure to overcome bank performance and liquidity challenges and realize increased profitability (WB, 2013). KCB have been competing to acquire a larger customer base over the other competitors in terms of price, service standards, advertising, innovation in products and services offered, relationship management and product differentiation (Mbiti & Weil, 2011). In this regard, several commercial banks, if not all, emphasizes on customer savings in order to improve their liquidity ratio.

Gitonga, (2010) states that, firms that harness these additional capabilities of mobile banking and banking institutions can see a profound impact on the nature of the money transfer relationship. This puts the banking sector in a particular position to develop a new line of business focused on saving capabilities of customers and other entities.
2.2.2 Mobile credit strategy and performance

Adelman (2000) noted that the overall objectives and strategy of an organization determine the technology that the organizations adopt. Such strategies primarily focus on the technologies and in some cases the people who directly manage those technologies. Mobile banking technological strategy allows customers to access credit facilities through their mobile handsets if they are M-pesa registered users. Management theory, developed over the past century, describes how companies plan, organize, staff, lead and control their employees. Effective managers get people to accomplish goals and use the organization’s resources, including knowledge and technological innovations to increase the organization’s revenues, profit, expand the customer base and maintain a competitive advantage, mobile banking technology is one such strategy.

Nyangosi, et.al, (2009), depicted that the advances in technology have enabled standardization, automation and globalization at an unexpected rate. In businesses large and small, all departments, including marketing, sales, finance and manufacturing, currently depend largely on the company's IT infrastructure to manage the daily operations and other company’s functions. The technological strategy that organizations adopt should first focus on creating and measuring the value it will gain from investing in technology but not starting with the investment in technological strategies and figuring out how to deliver business value. This means that the adoption of technology by business organizations should solve an existing and predetermined challenges faced by customers in accessing credit facilities.
2.2.3 Pay bill services and performance

Pay bill service is mobile service application that allows customers to buy goods and services and pay their bills directly to the supplier through their mobile handsets. The pay bill strategy has become an alternative payment model of financial transactions in Kenya. It is a strategy that considers factors such as customer demand, efficiency competition, expertise, implementation expense, security, maintenance costs, and capital support. It has become a competitive edge of modern successful financial transaction (Riivari, 2005).

Financial institutions should periodically re-evaluate this decision to ensure it remains appropriate for the institution's overall business strategy. Institutions may define success in many ways including growth in market share, expanding customer relationships, secure payment methods, expense reduction, or new revenue generation (Tan & Teo, 2000). A large number of organizations from within and outside the financial sector are currently using Pay bill services. Many people see the development of Pay bill services as a revolutionary development, but, broadly speaking, Pay bill services (Goi, 2007). Just like M-pesa transfer, Pay bill services provide customers with medium for conducting their financial transactions. Understanding Pay bill services is important for several stakeholders, not least of which is management of banking related organizations, since it helps them to derive benefits from it (Gaech, 2007).

Mobile banking strategy as a channel for services delivery is different from other channels such as branch networks, telephone banking or Automated Teller Machines (ATMs). Therefore, it brings up unique types of challenges and requires innovative solutions. Many banks and other organizations have already implemented Pay bill
services for their customers to enable them pay loans, and other utility bills because of
the numerous potential benefits associated with it. However, KCB bank Kenya
limited is currently the only bank where customers can open virtual accounts using
mobile phones and can access loans, make deposits, and do all other transactions that
can be done over the counter, KCB M-pesa is an example. This means that banking
services such as loan repayment, account balance inquiry, fund transfer, utility bills
monthly payments, standing order payments, and so forth are provided by a bank
through the mobile banking platform (Safaricom, 2014). A Pay bill service has
evolved into a one-step service and information unit that promises great benefits to
both commercial and customers.

**2.2.4 Mobile banking strategies and performance**

Donner & Tellez (2008) did a study on mobile banking and economic development in
which their objective was to determine the link in adoption of mobile banking,
impact, and use on economic development. The paper found out that by finding a
means of reducing the transaction and accessing the non-banked section of the
community, mobile banking as one of the modern innovation has assisted the
developing economies in economic growth. To be able to understand more on this
more studies that uses different methodology and theoretical aspect. Tiwari, Buse &
Herstatt (2006) conducted a study on mobile banking as business strategy: impact of
mobile technologies on customer behavior and its implications for banks. The study
sought to analyze the opportunities for commercial banks to generate revenues by
offering value-added, innovative mobile financial services while retaining and even
extending their base of technology-savvy customers. The researchers found that the
use of mobile banking systems as a strategy increased their customer base.
2.3. **Summary of research gaps**

There are several studies that have been conducted on mobile technology in the banking sector, Kumar (2010), Ching et al (2011), Al-Jabri (2012), Crowe (2013), Gitonga, (2010), Donner & Tellez (2008), Tiwari, Buse & Herstatt (2006) and Wambari (2009) have all focused on Mobile banking, mobile technology, effects of mobile phones on banking sector and Board capital on strategic turnaround and technological adoption in Kenya Commercial Bank Limited. However, they have not focused on the effect of mobile banking strategy the performance of KCB Kenya Limited, Kericho County. This is therefore evident that there exist a research gap and thus the necessity of the study to bridge the existing gap.
Table 2.1: Summary of research gaps

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Focus of the study</th>
<th>Findings</th>
<th>Research gaps</th>
<th>Focus of current study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kumar (2010)</td>
<td>To determine how Micro Finance and Banks can significantly lower cost of operation by adopting mobile banking in India.</td>
<td>The adoption of mobile banking reduces the bank’s operating costs. This is enhanced performance of the organization.</td>
<td>Micro Finance and Mobile Banking services.</td>
<td>Strategies of mobile banking.</td>
</tr>
<tr>
<td>Ching et al (2011)</td>
<td>To determine the factors affecting Malaysian mobile banking adoption from the point of an empirical analysis.</td>
<td>The findings revealed perceived usefulness, perceived ease of use, relative advantages, perceived risks and personal innovativeness affected behavioral intention of mobile users to adopt mobile banking services in Malaysia.</td>
<td>Focused Mobile banking perception in Malaysia. Empirical study research design.</td>
<td>Focused at mobile banking strategies and performance in Kenya. Descriptive case study research design.</td>
</tr>
<tr>
<td>Al-Jabri (2012)</td>
<td>To analyze mobile banking application on diffusion of innovation theory in Saudi Arabia.</td>
<td>The researcher found that relative advantage had positive effect, complexity had a negative effect, compatibility had positive effect, observable having a positive effect, trainability having a positive effect on mobile banking adoption; and perceived risk having a negative effect on mobile banking adoption.</td>
<td>Mobile banking adoption and the application of diffusion of innovation theory.</td>
<td>Dependent variable is performance of banks.</td>
</tr>
<tr>
<td>Crowe (2013)</td>
<td>To investigate the effect of mobile phones on the banking sector in developing countries.</td>
<td>The researcher observed that the massive uptake of mobile phones usage in developing countries such as Kenya has played a very important role in the success of technological interventions over the last decade.</td>
<td>The independent factors mobile banking strategies.</td>
<td>The focus of the study was Mobile savings, mobile credit and mobile Pay bill services on performance</td>
</tr>
<tr>
<td>Author</td>
<td>Study Title</td>
<td>Methodology</td>
<td>Findings</td>
<td>Focus of the Study</td>
</tr>
<tr>
<td>------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Gitonga, (2010)</td>
<td>Examined the role of board capital on strategic turnaround and technological adoption in KCB Limited</td>
<td>The researcher found that board capital measures such as expertise, prestige, knowledge of market and products, as well as technological advancements was inherent in the bank's board of directors.</td>
<td>Examined the role of board capital on strategic turnaround and technological adoption in KCB Limited.</td>
<td>Mobile savings, mobile credit and mobile pay bill services on performance.</td>
</tr>
<tr>
<td>Donner &amp; Tellez (2008)</td>
<td>To determine the link in adoption of mobile banking, impact, and use on economic development.</td>
<td>The study established that through offering a way to lower the costs of moving money from place to place and offering a way to bring more users into contact with formal financial systems, m-banking/m-payments systems could prove to be an important innovation for the developing world</td>
<td>Mobile banking and economic development</td>
<td>Focused on performance of organization.</td>
</tr>
<tr>
<td>Tiwari, Buse &amp; Herstatt (2006)</td>
<td>To examine impact of mobile technologies on customer behavior.</td>
<td>The researchers found that the use of mobile banking systems as a strategy increased their customer base.</td>
<td>Focused mobile technology on customer base.</td>
<td>Mobile banking strategies of KCB bank limited in Kericho County</td>
</tr>
<tr>
<td>Wambari (2009)</td>
<td>To determine the importance of mobile banking in the day-to-day running of small businesses in Kenya.</td>
<td>The adoption and use of mobile phones is product of a social process, embedded in social practices such as SMEs Practices which leads to some economic benefits.</td>
<td>Focused on mobile banking and economic growth.</td>
<td>Strategies of mobile banking; Mobile savings, mobile credit and mobile pay bill services on performance</td>
</tr>
</tbody>
</table>
2.5. Conceptual framework

Mobile banking strategies

Cell phone savings
- Level of income
- Availability
- Investments
- Assets

Cell phone credit
- Interest rates
- Repayment
- Government policy
- Accessibility

Pay bill
- Level of education
- Awareness
- Household disposable income

Cell phone money transfer
- Liquidity constraints
- Awareness
- Eligibility
- Technology

Firm’s performance
- Revenues
- Customer base
- Asset base
- Fees
- Commissions

Figure 2.1:
Conceptual framework of the study

Source: Researcher (2017)

The above framework depicts the relationship between the independent variable and the dependent variable. According to the above framework, savings through KCB M-pesa can play a significant role in the liquidity and cash flow of therefore affecting the firm’s performance. The adoption of KCB M-pesa loan strategy can be said to have
an effect on financial performance of KCB Bank Limited, Kericho Branch. The income derived from interest obtained from giving loans to customers through KCB M-pesa also affect the revenue of the bank and therefore the firm’s performance. One of the major reasons, according to CBK (2015) is that KCB M-pesa loans are unsecured loans. Another aspect is the issue of Pay bill and the use of M-pesa platform to buy goods and services. Customers can easily transfer money from their KCB account to their M-pesa account and can easily make transactions at their convenience which affects the household disposable income. The adoption of technological innovations has also affected the efficiency of banking institution and therefore affecting the firm’s performance subsequently. Moreover, in the current dynamic and competitive business environment, KCB M-pesa has enabled KCB bank Kenya Ltd acquire customers thus reaching the population in Kericho. On the other hand, KCB M-pesa users can transfer their money to and from M-pesa accounts, or KCB M-pesa account to KCB bank accounts. The revenue derived from transfer charges is another source of revenue to KCB Bank Kenya and this also affected the firm’s performance. Therefore the KCB competitive products might affect business relationship with the leading telecommunication company, Safaricom.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research design

The study adopted a descriptive research design which aimed at examining the impacts of strategic effect of mobile banking on the firm’s performance of KCB bank Kenya Limited, Kericho Branch, where the context was the bank staffs in strategic impacts of mobile banking on Kericho Branch. Sekaran (2003), defined descriptive research design as a non-experimental way of as it deals with the comparison between non-manipulated variables in a natural rather than laboratory setting. Since the events have already occurred, the researcher takes the related variables for an analysis of their relationships. Kothari (2006) describes descriptive research to be including surveys and real life finding inquiries adding that the main purpose of descriptive research is a description of the condition of affairs as it exists at present. It, therefore, involves blueprint for the collection, measurement, and analysis of data. It is the overall plan, scheme or structure conceived to ease the researcher in solving the raised research questions.

According to Cooper and Schindler (2003) descriptive would be able to finding out the where, how and what of an occurrence, the study best suit this research design. This design was hence chosen since it enabled the researcher to obtain overall findings of a larger population. This study was, therefore, able to generalize the findings mobile banking in Kericho Branch.
3.2. Target Population

The target population is the exact people who have desired information. Cooper, & Schindler, (2003) defined population as a distinct class of group, elements, events, or a group of things that are being investigated. This hence is a group of essentials items or individuals or events to which the researcher wants to make conclusion (Mugenda and Mugenda, 2003). The population of interest consisted of all KCB Kenya limited Branches operating in Kericho County. According to KCB Kenya Limited annual report of 2016, there are four branches which include, Kericho Branch, Kericho East Branch, Londiani Branch and Litein Branch. The three branches has population of 139 employees. Thus the study targeted 100 respondents which included bank’s heads of departments and managers who assumptions would possess enough knowledge on issues to do with impacts of mobile banking on the performance of KCB on Kericho Branch (Bank employee records of 2017).

3.3. Sampling design

Sampling design is the process whereby some portion of the entire population are incorporated in the sample (Cooper, & Schindler, 2003). A sample is a small number of selected to represent the population. Mugenda et al, (2003) suggest that a sample of 30% of the target population can suffice in a study. In this research study, a sample of 30 employees of KCB Kenya Limited in Kericho County being the 30% of the target population, was used. The sample of this study was 30% of the population of the population (Mugenda & Mugenda, 2003).

Target population = 100 which includes employees, heads of department and managers.
Sample size = 30% of Target population were selected using simple randomly sampling

Sample size = (30% of 100) = 30

Sample size = 30 heads of department and managers

The study used simple random sampling technique to select the sample from bank’s heads and managers.

3.4. Data Collection

Data was obtained using questionnaires which consisted of structured and unstructured questions. They were personally administered and picked later. The unstructured questions provided an in-depth information. Secondary data from books, newspapers, journals, brochures and website were used to support the primary data.

3.4.1 Validity

Validity presents a clear picture of the items measuring what are to be designed to measure (Mugenda and Mugenda, 2003). It looks into the examination to ensure the instruments answered all the research questions (Borg and Gall, 1996). This means that a pilot study was done to help in demonstrating the accuracy, clarity, and suitability of the research instrument. Borg and Gall (1989) 10-20% of the sample size are adequate for pilot studies. For this study, a sample of 6 bank officials was sufficient. Based on the analysis of the test and retest results, the researcher made corrections, adjustments, and additions to the research instrument.

Face validity was done through consultation with research supervisors and expert in the field of business. This will enable accurate measure of objective. Contextual
validity was conducted through the pre-test study above as well as been given to supervisors to check the context accuracy.

### 3.4.2 Reliability

Reliability is the quality of measurement which suggests that the data should be collected each time in repeated observation of the same phenomenon (Babbie, 2004). It is the consistency of the instrument to yield the same result. This is measured by the application of the correlation coefficient known as reliability coefficient. Reliability coefficient expresses relationship between scores of the same individuals on the same instrument at two different times, or between two parts of the same instrument (Frankel & Wallen, 2000). It was analyzed and looked into with the use of Cronbach’s alpha coefficient to obtain a coefficient. A Cronbach’s Alpha coefficient of 0.891, 0.744, 0.801 and 0.737 were obtained on cell phone savings, cell phone credit, pay bill and cell phone money transfer respectively with the aid of SPSS. Reid (2006) indicate that as a general rule, a coefficient greater than or equal to 0.7 is considered acceptable and a good indication of construct reliability. Therefore, the coefficients showed that the instruments had a higher reliability.

### 3.5. Data Analysis

Analysis is a process of resolving data into its constituent components to reveal its characteristic elements and structure (Dey, 1993). The data obtained from the study was coded, tabulated and offered in the structure of graphs and charts. The research was adapted Statistical Package for Social Sciences (SPSS) Version 21.0 to aid in data analysis. The paired t-test, a non-parametric test of differences developed by Sir Williams Gosset (Mugenda and Mugenda, 2003) was used in this study as a test of significance. The analysis will be conducted at 0.05, level of significance.
In order to determine the effect of mobile banking strategy on the performance of KCB bank Limited in Kericho County, the researcher conducted a multiple regression and found out the following empirical model.

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \text{Error}, \]

Where: \( Y \) = performance of KCB bank Limited in Kericho County

\( \beta_0 = \text{Constant} \)

\( \beta_1, \beta_2, \beta_3 \) and \( \beta_4 = \text{Coefficients} \)

\( X_1 = \text{Mobile savings} \)

\( X_2 = \text{Mobile credit} \)

\( X_3 = \text{Mobile pay bill services} \)

\( X_4 = \text{Mobile money transfer} \)

In order to test the significance of the model in mobile banking strategy and performance of KCB bank Limited in Kericho County, Kenya, the study conducted multiple regression analysis at 95% confidence level and 5% significance level.

**Table 3.1: Operationalization and measurement of variables.**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Type of variable</th>
<th>Indicators</th>
<th>Quantification of variables</th>
<th>Measurement of variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile banking strategy</td>
<td>Independent</td>
<td>Cell phone savings</td>
<td>Amount of income Number of debtors</td>
<td>Nominal rating of 5-1.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Level of income</td>
<td>Number of investments</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Availability</td>
<td>Number of assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone credit</td>
<td>Amount of interests</td>
<td>Nominal rating</td>
<td></td>
<td></td>
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<tr>
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<td>---------------------</td>
<td>----------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Interest rates</td>
<td>Number of defaults</td>
<td>of 5-1.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Repayment</td>
<td>Number of policies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Government</td>
<td>Number of debtors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Accessibility</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Pay bill</th>
<th>Number of educated users</th>
<th>Nominal rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Level of education</td>
<td></td>
<td>of 5-1.</td>
</tr>
<tr>
<td>• Awareness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Household disposable income</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cell phone money transfer</th>
<th>Frequency of cash flow</th>
<th>Nominal rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Liquidity constraints</td>
<td>Number of customers</td>
<td>of 5-1.</td>
</tr>
<tr>
<td>• Awareness</td>
<td>Number of regulations</td>
<td></td>
</tr>
<tr>
<td>• Eligibility</td>
<td>Number of implemented technology</td>
<td></td>
</tr>
<tr>
<td>• Technology</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Firm’s performance</th>
<th>Dependent</th>
<th>Firm’s performance</th>
<th>Amount of income</th>
<th>Nominal rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>• Revenues</td>
<td>Number of customers</td>
<td>of 5-1.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Customer base</td>
<td>Number of assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Asset base</td>
<td>Amount of fees</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Fees</td>
<td>Amount of commission</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Commissions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 3.6 Ethical considerations

Prior to commencing this study, the researcher sought authorization from the concerned institutions. The University issued a letter of authorization explaining the reason for the study to the respondents before indulging them in data collection process. The respondents were assured that the information and identify they provided were kept confidential and only used for the purpose of the study. Letters and permission were obtained from graduate school, NACOSTI, ministry of education and county commissioner. It enable confidentiality and protocol are followed based on sensitivity of the information of the bank and individuals.
CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Response rate

The researcher obtained all the respondent’s questionnaire providing 100% response rate. This allowed the researcher to continue with analysis.

Table 4.1: Response rate

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>30</td>
<td>100.0</td>
</tr>
<tr>
<td>Excluded</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research data (2017)

4.2 Reliability test

The reliability of the cell phone savings, cell phone credit, pay bill and cell phone money transfer were obtained.

Table 4.2: Reliability test (SPSS)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>Number of Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cell Phone Savings</td>
<td>0.891</td>
<td>6</td>
</tr>
<tr>
<td>Cell Phone Credit</td>
<td>0.744</td>
<td>5</td>
</tr>
<tr>
<td>Pay bill</td>
<td>0.801</td>
<td>5</td>
</tr>
<tr>
<td>Cell Phone Money Transfer</td>
<td>0.737</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Research data (2017)

These revealed that all the variable were reliable Cronbach’s Alpha at 0.7.
4.3 Respondent’s Information

The respondent demographic information included gender and duration of working. These were presented on the following tables.

Table 4.3: Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>17</td>
<td>56.7</td>
<td>56.7</td>
<td>56.7</td>
</tr>
<tr>
<td>Female</td>
<td>13</td>
<td>43.3</td>
<td>43.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Research data (2017)*

Male gender was dominant in the organization with 56.7% though the female are trailing closely with 43.3%. This indicate minimal gender gap as more women join white color jobs.

*Figure 4.1: Gender*
The gender proportion indicates fair distribution of both gender, thought there is more male than female. The margin seems insignificantly given that women role is being a housewife (Wambari, 2009).

**Table 4.4: Duration of working**

<table>
<thead>
<tr>
<th>Durations of working in Kericho KCB</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4 years</td>
<td>10</td>
<td>33.3</td>
</tr>
<tr>
<td>5-9 years</td>
<td>14</td>
<td>46.7</td>
</tr>
<tr>
<td>10-14 years</td>
<td>4</td>
<td>13.3</td>
</tr>
<tr>
<td>Over 15 years</td>
<td>2</td>
<td>6.7</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The data on duration of working in the organization where it was noted that the largest number 14(46.7%) of employees had worked between 5-9 years in the banking sector, followed by 0-4 years at 10(33.3%) then 10-14 year at 4(13.3%) and finally over15 years at 2(6.7%). Hence most of employees have worked between 0-9 years.
The proportion showed that the largest number of managers and heads of department has worked in the following descending order of years 5-9 years, 0-4 years, 10-14 years and finally over 15 years. It indicated that most employee life length is 5-9 years and younger generation are preferred and represent after they severed for about nine years.

**4.4 Mobile Banking Strategies**

This section contains responses which were rated strongly agree (SA = 5), agree (A = 4), undecided (U =3), disagree (D = 2) and strongly disagree (SD = 1). The data contained mean, standard deviation and frequencies on respective questions using the Likert scale.
### Table 4.5: Cell phone savings

<table>
<thead>
<tr>
<th>Questions</th>
<th>5(SA)</th>
<th>4(A)</th>
<th>3(U)</th>
<th>2(D)</th>
<th>1(SD)</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cell phone savings affect income obtained by the bank</td>
<td>2(6.7%)</td>
<td>12(40.0%)</td>
<td>10(33.3%)</td>
<td>6(20.0%)</td>
<td>0(0.0%)</td>
<td>3.3333</td>
<td>0.8841</td>
</tr>
<tr>
<td>Cell phone savings on availability of revenue in the bank</td>
<td>11(36.7%)</td>
<td>15(50.0%)</td>
<td>4(13.3%)</td>
<td>0(0.0%)</td>
<td>0(0.0%)</td>
<td>4.2333</td>
<td>0.6789</td>
</tr>
<tr>
<td>Cell phone influence availability of revenue in banks</td>
<td>11(36.7%)</td>
<td>15(50.0%)</td>
<td>4(13.3%)</td>
<td>0(0.0%)</td>
<td>0(0.0%)</td>
<td>4.2333</td>
<td>0.6789</td>
</tr>
<tr>
<td>Cell phone savings affects the investment of the bank</td>
<td>2(6.7%)</td>
<td>17(56.7%)</td>
<td>11(36.7%)</td>
<td>0(0.0%)</td>
<td>0(0.0%)</td>
<td>3.7000</td>
<td>0.5960</td>
</tr>
<tr>
<td>Cell phone savings affect the asset of bank</td>
<td>5(16.7%)</td>
<td>19(63.3%)</td>
<td>6(20.0%)</td>
<td>0(0.0%)</td>
<td>0(0.0%)</td>
<td>3.9667</td>
<td>0.6150</td>
</tr>
<tr>
<td>Cell phone savings directs the level of performance</td>
<td>1(3.3%)</td>
<td>2(6.7%)</td>
<td>10(33.3%)</td>
<td>15(50.0%)</td>
<td>2(6.7%)</td>
<td>4.1000</td>
<td>0.6618</td>
</tr>
</tbody>
</table>

**Source: Research data (2017)**

The results on table 4.5 indicated that cell phone savings affect income obtained by the bank to some extent (mean of 3.3333). The variation in income due to cell phone savings was low (standard deviation of 0.8841).

The results revealed that cell phone savings to a great extent influence available revenue (mean of 4.2333). It’s variation on revenue was low (standard deviation of 0.6789).

The cell phone influence the availability of revenue in the bank to somehow (mean of 4.2333). There was low variation in the influence of cell phone on availability of revenue (standard deviation of 0.6789).
Cell phone savings was found to affect the investment of the bank significantly (mean of 3.7000). The variation in investment as a result in cell phone saving was low (standard deviation of 0.5960).

There was significant effect of cell phone savings on the asset of bank (mean of 3.9667). Based on the saving the bank somewhat increased liquidity and with low variance (standard deviation of 0.6150).

The cell phone savings indicated a significant contribution to the bank’s level of performance (mean of 4.1000). The variation in performance based on cell phone savings was low (standard deviation of 0.6618). Wambari (2009) argues that mobile service is embedded in the social practices.

Figure 4.3: Cell phone savings

Source: Research data (2017)
The cell phone savings affects the income, availability of revenue, investment, asset of the bank and performance of KCB as provided by mean of 3.333, 4.233, 3.79, 3.967 and 4.10 respectively. Cell phone saving highly affected the availability of revenue which ensured liquidity in the commercial banks.

**Table 4.6: Cell phone credit**

<table>
<thead>
<tr>
<th>Questions</th>
<th>5(SA)</th>
<th>4(A)</th>
<th>3(U)</th>
<th>2 (D)</th>
<th>1 (SD)</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cell phone affects the interest rates of the bank</td>
<td>1(3.3%)</td>
<td>2(6.7%)</td>
<td>10(33.3%)</td>
<td>15(50.0%)</td>
<td>2(6.7%)</td>
<td>2.5000</td>
<td>0.8610</td>
</tr>
<tr>
<td>Cell phone credit affect repayment frequency of debtors</td>
<td>0(0.0%)</td>
<td>5(16.7%)</td>
<td>15(50.0%)</td>
<td>0(0.0%)</td>
<td>0(0.0%)</td>
<td>2.8333</td>
<td>0.6989</td>
</tr>
<tr>
<td>Cell phone affect government policies on banking</td>
<td>0(0.0%)</td>
<td>10(33.3%)</td>
<td>15(50.0%)</td>
<td>5(16.7%)</td>
<td>0(0.0%)</td>
<td>3.1667</td>
<td>0.6989</td>
</tr>
<tr>
<td>Cell phone credit affects ability to access financial services</td>
<td>0(0.0%)</td>
<td>12(40.0%)</td>
<td>13(43.3%)</td>
<td>5(16.7%)</td>
<td>0(0.0%)</td>
<td>3.2333</td>
<td>0.7279</td>
</tr>
<tr>
<td>Firm’s performance depends on cell phone credit</td>
<td>0(0.0%)</td>
<td>9(30.0%)</td>
<td>13(43.3%)</td>
<td>8(26.7%)</td>
<td>0(0.0%)</td>
<td>3.0333</td>
<td>0.7649</td>
</tr>
</tbody>
</table>

**Source: Research data (2017)**

The results indicated that on average cell phone credit affected the interest rates of the bank (mean of 2.5000). The variation in interest rates was low (standard deviation of 0.8610). It implied that there is significant number of respondents who disagreed that cell phone credit affect interest rates.

Cell phone credit averagely affect the repayment frequency of debtors (mean of 2.8333). It’s variation on repayment was low (standard deviation of 0.6989).
Cell phone credit facility strategy to some extent affect government policies on banking (mean of 3.1667). The variation in government policy on banking due to the strategy was low (standard deviation of 0.6989).

The results indicated that cell phone credit had moderate effect on the ability to access financial services (mean of 3.2333). There was little variation on financial services (standard deviation of 0.7279).

Firm’s performance depends on cell phone credit to some extent (mean of 3.0333). The variation in the performance as a result of cell phone credit was low (standard deviation 0.7649). It implies that it significantly affect the performance of the bank to a small extent. This concurred with Wambari (2009) where the economies indicated growth based on the mobile phone services.

![Figure 4.4: Cell phone credit](source:image)

Source: Research data (2017)
The cell phone credit and service had no influence on the banks’ interest rate (mean 2.50). It somehow affected there repayment frequency. It influence the government policies, access to financial services and firm’s performance (mean of 3.167, 3.233 and 3.033 respectively).

Table 4.7: Pay bill strategy

<table>
<thead>
<tr>
<th>Questions</th>
<th>5(SA)</th>
<th>4(A)</th>
<th>3(N)</th>
<th>2 (D)</th>
<th>1 (SD)</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay bill strategy influenced by level of education</td>
<td>0(0.0%)</td>
<td>15(50.0%)</td>
<td>11(36.7%)</td>
<td>4(13.3%)</td>
<td>0(0.0%)</td>
<td>3.3667</td>
<td>0.7649</td>
</tr>
<tr>
<td>Pay bill service improve customer preference</td>
<td>0(0.0%)</td>
<td>10(33.3%)</td>
<td>11(36.7%)</td>
<td>9(30.0%)</td>
<td>0(0.0%)</td>
<td>3.0333</td>
<td>0.8097</td>
</tr>
<tr>
<td>Pay bill service affects the household disposal income</td>
<td>0(0.0%)</td>
<td>0(0.0%)</td>
<td>7(23.3%)</td>
<td>14(46.7%)</td>
<td>9(30.0%)</td>
<td>1.9333</td>
<td>0.7397</td>
</tr>
<tr>
<td>Pay bill service affects the revenue of the bank</td>
<td>9(30.0%)</td>
<td>14(46.7%)</td>
<td>5(16.7%)</td>
<td>2(6.7%)</td>
<td>0(0.0%)</td>
<td>4.0000</td>
<td>0.8710</td>
</tr>
<tr>
<td>Pay bill service affects firm’s performance</td>
<td>6(20.0%)</td>
<td>15(50.0%)</td>
<td>9(30.0%)</td>
<td>0(0.0%)</td>
<td>0(0.0%)</td>
<td>3.9000</td>
<td>0.7120</td>
</tr>
</tbody>
</table>

Source: Research data (2017)

The results table 4.7 showed that pay bill strategy was somewhat influenced level of education of the customer (mean of 3.3667). Its variation on level of education was low (standard deviation of 0.7649). Tiwari and Herstatt (2006) research found that mobile banking increased the customer base of the firm. It was also affected by level of education positively.

The results from research indicated that pay bill mobile service improved customer preference to some extent (mean of 3.0333). The variation in customer preference due to pay bill was low (standard deviation of 0.8097).
Pay bill service affects the household disposal income to very low extent (mean of 1.9333). The variation on income was low (standard deviation of 0.7397).

Pay bill service significantly affected the revenue of the bank to great extent (mean of 4.0000). The variation on bank’s revenue was low (standard deviation of 0.8710) implying that the pay bill service inadequately affect the revenue of the bank.

The performance as results of the pay bill service was significant indicator of revenue in banks (mean of 3.9000). The variation was low (standard deviation of 0.7120) implying there little prove on the relationship. Pay bill has significantly reduce the cost of transaction as uttered by Donner & Tellez (2008).

Figure 4.5: Pay bill services

Source: Research data (2017)
Pay bill services were crucial for improvement of customer preference, revenue and performance of the banks. It was no significant in the household disposal income. The level of education affected the pay bill strategy.

**Table 4.8: Cell phone money transfer**

<table>
<thead>
<tr>
<th>Questions</th>
<th>5(SA)</th>
<th>4(A)</th>
<th>3(N)</th>
<th>2 (D)</th>
<th>1 (SD)</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cell phone money transfer affects the bank liquidity</td>
<td>3(10.0%)</td>
<td>13(43.3%)</td>
<td>12(40.0%)</td>
<td>2(6.7%)</td>
<td>0(0.0%)</td>
<td>3.5667</td>
<td>0.7739</td>
</tr>
<tr>
<td>Cell phone money transfer affects the level of awareness of customer</td>
<td>2(6.7%)</td>
<td>17(56.7%)</td>
<td>10(33.3%)</td>
<td>1(3.3%)</td>
<td>0(0.0%)</td>
<td>3.6667</td>
<td>0.6609</td>
</tr>
<tr>
<td>Cell phone money transfer influence the eligibility of users</td>
<td>0(0.0%)</td>
<td>7(23.3%)</td>
<td>14(46.7%)</td>
<td>8(26.7%)</td>
<td>1(3.3%)</td>
<td>2.9000</td>
<td>0.8030</td>
</tr>
<tr>
<td>Cell phone money transfer affects technological advancement</td>
<td>3(10.0%)</td>
<td>13(43.3%)</td>
<td>14(46.7%)</td>
<td>0(0.0%)</td>
<td>0(0.0%)</td>
<td>3.6333</td>
<td>0.6687</td>
</tr>
<tr>
<td>Cell phone money transfer service directs firm’s performance</td>
<td>3(10.0%)</td>
<td>17(56.7%)</td>
<td>6(20.0%)</td>
<td>4(13.3%)</td>
<td>0(0.0%)</td>
<td>3.6333</td>
<td>0.8503</td>
</tr>
</tbody>
</table>

*Source: Research data (2017)*

Table 4.8 results on cell phone money transfer on bank liquidity was moderate (mean of 3.5667). The variation was low (standard deviation of 0.7739), which in turn it had little effect on the liquidity in the bank.

There was also moderately high level of awareness of customer through mobile money transfer (mean of 3.6667). The variation was low (standard deviation of 0.6609) indicating little effect on customer awareness.

On average cell phone money transfer affect the eligibility of users (mean of 2.9000). The low variation (standard deviation of 0.8030) showed a weak linkage.
The findings on cell phone money transfer was to some extent was the source of technological advancement (mean of 3.6333). The variation was low (standard deviation of 0.6687), meaning that the role of cell phone money transfer on technology advancement is minimal.

The cell phone money transfer service moderately affected the direction firm’s performance (mean of 3.6333). There was low variation (standard deviation of 0.8503) in cell phone transfer on firm’s performance.

According to Donner and Tellez (2008), they indicated that m-banking system was important innovation for developing world. This affirmed the findings since the researcher found that there was significant effect of cell phone money transfer on the performance.

![Figure 4.6: Cell phone money transfer](Source: Research data (2017))
On cell phone money transfer somehow affected bank liquidity, level of awareness of the customer, technology advancement and firm’s performance. In some small extent it influence eligibility of the user.

Table 4.9: Firm’s performance

<table>
<thead>
<tr>
<th>Questions</th>
<th>5(SA)</th>
<th>4(A)</th>
<th>3(N)</th>
<th>2 (D)</th>
<th>1 (SD)</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue affects the firm’s performance</td>
<td>7(23.3%)</td>
<td>10(33.3%)</td>
<td>9(30.0%)</td>
<td>4(13.3%)</td>
<td>0(0.0%)</td>
<td>3.6667</td>
<td>0.9942</td>
</tr>
<tr>
<td>Customer retention influence firm’s performance</td>
<td>5(16.7%)</td>
<td>9(30.0%)</td>
<td>9(30.0%)</td>
<td>4(13.3%)</td>
<td>3(10.0%)</td>
<td>3.3000</td>
<td>1.2077</td>
</tr>
<tr>
<td>Assets affects the performance of the bank</td>
<td>6(20.0%)</td>
<td>16(53.3%)</td>
<td>8(26.7%)</td>
<td>0(0.0%)</td>
<td>0(0.0%)</td>
<td>3.9333</td>
<td>0.6915</td>
</tr>
<tr>
<td>Commission affect the performance of the bank</td>
<td>7(23.3%)</td>
<td>12(40.0%)</td>
<td>11(36.7%)</td>
<td>0(0.0%)</td>
<td>0(0.0%)</td>
<td>3.8667</td>
<td>0.7761</td>
</tr>
<tr>
<td>Cell phone savings, credit, pay bill and transfer affect performance</td>
<td>5(16.7%)</td>
<td>13(43.3%)</td>
<td>8(26.7%)</td>
<td>4(13.3%)</td>
<td>0(0.0%)</td>
<td>3.6333</td>
<td>0.9279</td>
</tr>
</tbody>
</table>

*Source: Research data (2017)*

Revenue and cell phone savings, somewhat have effect on performance with mean of 3.6667 and 3.6333 respectively, and its variance was low (standard deviation of 0.9942 and 0.9279 in that order).

Asset (mean of 3.9333) and commission (mean of 3.8667) have a moderately high effect and low variation (standard deviation 0.6915, 0.7761) on performance.

Customer retention has a moderate effect on performance (mean of 3.3000) and somewhat low variation (standard deviation of 1.2077).
Buse and Herstatt (2006) argued that the mobile technology would improve economy by increasing the customer base on any industry. The research showed significant change in the customer base and general performance of the banking industry. Wamburi (2009) terms it as economic benefit to the SMEs existing in the social setup though he was referring to mobile phones service which include mobile banking.

![Figure 4.7: Duration of working in organization](image)

*Source: Research data (2017)*

The performance of firm was to some extent contributed by revenue, customer base, assets and commission. It was greatly affected by the mobile transfer strategies in place.

### 4.5 Inferential statistics

The regression model was used to relay inferential statistics. The results were obtained from SPSS software version 21.0 with coefficient of determinant, ANOVA and model table representing the information for the research.
Table 4.10: Coefficient of determination using SPSS version 21.0

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.873</td>
<td>.762</td>
<td>.724</td>
<td>.48767</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Cell phone money transfer, Pay bill service, Cell phone savings, Cell phone credit

b. Dependent Variable: Firm’s performance

Source: Research data (2017)

The data collected indicated strong correlation relationship (R of 0.873) between the firm’s performance and strategies of cell phone money transfer. The determinant of correlation indicate that significantly 76.2% of the data was used to determine the variation of the firm’s performance against cell phone money transfer and 23.8% was due to other factors (R Square of 0.762).

Table 4.11: ANOVA on Cell Phone Savings (SPSS version 21.0)

<table>
<thead>
<tr>
<th>Performance * Cell phone savings</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups (Combined)</td>
<td>1.233</td>
<td>2</td>
<td>.616</td>
<td>.701</td>
<td>.505</td>
</tr>
<tr>
<td>Within Groups</td>
<td>23.734</td>
<td>27</td>
<td>.879</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>24.967</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2017)

Cell phone savings was not significantly related with performance (F=0.701, P (0.505) >0.05).
Table 4.12: ANOVA on Cell Phone Credit (SPSS version 21.0)

<table>
<thead>
<tr>
<th>Performance * Cell phone credit</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups (Combined)</td>
<td>14.100</td>
<td>2</td>
<td>7.050</td>
<td>17.517</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>10.866</td>
<td>27</td>
<td>.402</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>24.967</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2017)

The cell phone credit was significant because \( F = 17.517, P < 0.05 \).

Table 4.13: ANOVA on Pay Bill Service (SPSS version 21.0)

<table>
<thead>
<tr>
<th>Performance * Pay bill service</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups (Combined)</td>
<td>2.478</td>
<td>2</td>
<td>1.239</td>
<td>1.487</td>
<td>.044</td>
</tr>
<tr>
<td>Within Groups</td>
<td>22.489</td>
<td>27</td>
<td>.833</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>24.967</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2017)

The investigation indicated pay bill service was significant \( F = 1.487, P < 0.05 \).

Table 4.14: ANOVA on Cell Phone Money Transfer (SPSS version 21.0)

<table>
<thead>
<tr>
<th>Performance * Cell phone money transfer</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups (Combined)</td>
<td>13.525</td>
<td>3</td>
<td>4.508</td>
<td>10.246</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>11.441</td>
<td>26</td>
<td>.440</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>24.967</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2017)

Cell phone money transfer was significant \( F = 10.246, P > 0.05 \).
Table 4.15: ANOVA on Regression Model (SPSS version 21.0)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>19.021</td>
<td>4</td>
<td>4.755</td>
<td>19.995</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>5.946</td>
<td>25</td>
<td>.238</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>24.967</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Firm’s performance  
b. Predictors: (Constant), Cell phone money transfer service, Pay bill service, Cell phone savings, Cell phone credit

Source: Research data (2017)

There is significant effect of cell phone strategies on firm’s performance because (F=19.995, P (0.000) <0.05). This concurred with Kumar (2010) who noted that there existed relationship between mobile banking and reduction of operation cost. The relationship of cost reduction indicates that the firm’s would highly performance. Though Kumar (2010) did not linked it with performance based on his research on cost reduction techniques with the use of mobile banking. Profitability can maximized if the cost of services and expenses are at a lower level.

Table 4.16: Regression analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-.1.943</td>
<td>.936</td>
<td>-2.076</td>
<td>.048</td>
</tr>
<tr>
<td>Cell phone savings</td>
<td>.113</td>
<td>.145</td>
<td>.081</td>
<td>.780</td>
</tr>
<tr>
<td>Cell phone credit</td>
<td>.654</td>
<td>.152</td>
<td>.539</td>
<td>4.316</td>
</tr>
<tr>
<td>Pay bill service</td>
<td>.446</td>
<td>.133</td>
<td>.343</td>
<td>3.364</td>
</tr>
<tr>
<td>Cell phone money transfer service</td>
<td>.382</td>
<td>.134</td>
<td>.350</td>
<td>2.841</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Firm’s Performance  
Source: Research data (2017)

\[ Y = -1.943 + 0.113X_1 + 0.654X_2 + 0.446X_3 + 0.382X_4 + Error, \]
The constant was given by -1.943, where the highest positive significant effect of 0.654 comes from cell phone credit on the performance of Kenya commercial bank. Pay bill services was positive and significant on performance with change of 0.446 on performance. Cell phone money transfer somehow had positive significant effect of 0.382 on performance. The effect of cell phone savings was very low on the performance with coefficient of 0.113 on the performance which was insignificant.

The regression model was used to interpret the hypothesis which were in agreement of the ANOVA test conducted earlier.

**H₀₁:** There is no significant effect of cell phone savings on the firm’s performance. The null hypothesis was accepted as t-statistics had P value 0.443 greater than 0.05. This implied that cell phone savings had no significant effect on the performance of the firm.

**H₀₂:** There is no significant influence of cell phone credit on the firm’s performance. P value 0.000 was less than 0.05 meaning null hypothesis was rejected. The finding indicated positive significant influence of cell phone credit service on the firm’s performance.

**H₀₃:** There is no significant effect of pay bill service on firm’s performance. The null hypothesis was rejected because (P (0.002) < 0.05). The findings showed significant positive influence of pay bill services on the firm’s performance.

**H₀₄:** There is no significant influence of money transfer service on firm’s performance. The hypothesis was rejected because (P (0.009) < 0.05). Money transfer service had positive significant influence to the performance of the firm’s.
As Donner and Teller (2008) study on mobile banking and economic development he linked the m-banking system would improve economy of the developing world. This is concur with the findings where banking sector has improve in performance due to the mobile banking strategies deployed. The study by Gitonga (2010) gave a light to the development of m-banking that technology is a tool to enhance turnaround strategy and use of experience and knowledge lead to high performance. M-banking is one of technological venture that Kenya Commercial Bank that has improved the performance. The mobile banking has extensively improve service in major banks.
CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Summary

The males were slightly more than the female. The largest number of respondent had worked between 0-9 years indicating a high job turnover in the firm. The research also found more information on the mobile banking strategies as follows;

5.1.1 Cell Phone Savings

Cell phone savings has slightly provided income and investment to the bank. The savings are crucial to the bank for the purpose of liquidity. They are not linked directly to the performance. On available revenue and asset level of the bank the performance of the bank was moderately improved. The saving by mobile users was very important in developing capital base of the bank.

The ANOVA analysis indicated that cell phone savings did not significantly affected the performance of the commercial banks in Kenya.

5.1.2 Cell Phone Credit

Cell phone credit averagely affected interest rates and repayment frequency of debtor. It was found out that cell phone credit facility affected positively government policies and the ability to access financial services on the bank. The results further indicated that cell phone credit affected the firm’s performance.

Cell phone credit was crucial in the performance of commercial banks in Kericho. It was confirmed by the ANOVA analysis that showed it had positive significance.
5.1.3 Pay Bill Service

The pay bill strategies influenced positively on customer preference and revenue of the bank. There was no influence to household disposal income. It then showed that there exist significant influence of pay bill services to firm’s performance.

Performance of the commercial as from the ANOVA result was significantly affected by the pay bill service.

5.1.4 Cell Phone Money Transfer

The finding’s further revealed that cell phone money transfer improved the performance of the firm. The cell phone money transfer influenced bank liquidity, level of awareness of the customer and technology advancement. Though it did not influence the eligibility of the users. It was rated as new innovation in banking industry increasing efficiency and effectiveness.

Cell phone money transfer was significant on the study as indicates in the ANOVA test conducted.

Revenue, customer base, assets and commissions were found to have positive effect on performance of KCB bank. Where the overall performance of firm was significantly related to the cell phone strategies implemented by KCB banks in their operation. The ANOVA result confirmed that the mobile money transfer was significant on performance of the KCB banks of Kenya.

The findings did address the problem and was able to establish the strategies in mobile banking which are important in increasing performance of the commercial banks. These strategies were cell phone credit, pay bill service and cell phone money
transfer. The study also addressed that though cell phone savings were not significant on performance it was crucial for the liquidity of the commercial banks.

5.2 Conclusion

The conclusion of the study was that the cell phone strategies were significant to the firms’ performance. Cell phone credit provided the highest input to the performance of the banks among the cell phone banking strategies used. The interest from mobile loan facility proved the gain. Pay bill provided the commission for the service and would provide financial performance. The commission obtained and charge for the service contribute positively on the banks net income. The bank service relies on commission, charges and interest. Cell phone money transfer was significant though rated the lowest based on the withdrawal and transaction charges. Firm’s performance was affect slightly by cell phone saving, since it creates liquidity and no tangible source of income the bank. The Kenya Commercial Bank should advertise and sensitize people on mobile banking services and the importance of saving money. The dynamic banking sector should keep pace with technology should then be at per with banking sector for significant performance.

The researcher noted that the technology has made strides in the banking sector by reducing cost of operation and service. This has encouraged the unbanked customers to join in banking. There is significant improvement of performance therein overall.

5.4 Recommendations

The researcher recommended that the cell phone technology should be sensitized to encourage saving. This would increase the customer share as well as assist the bank in performance. Saving through mobile phone was low in the commercial banks. People
preferred to use cell phone money transfer through paying bills or borrowing credit facilities. A saving culture should be created in Kenya. It further recommended that sensitization was important since the services of mobile banking were known to the learned section of the population.

The research noted that there is an increase of people who depend on the instant credit. It shows a good gesture to KCB bank for more opportunities that could increase performance.

5.4.1 Recommendation for further studies

Further research should be done on mobile banking transaction bank customer expansion, mobile saving and personal development of bank customers.
REFERENCES


International Monetary Fund (2011), Central America: Structural Foundations for Regional Financial Integration, Washington DC.


62


APPENDICES

APPENDIX I: LETTER OF TRANSMITTAL

KENYATTA UNIVERSITY
PO BOX 43844 – 00100,
NAIROBI

Dear Respondent,

RE: RESEARCH PROJECT

I am a student of Kenyatta University pursuing a Master in Business Administration. I am conducting an academic research on the strategic impact of KCB M-pesa on KCB Kenya Limited, Kericho Branch. I will appreciate if you could answer the following questions as comprehensively and as truthful as possible. Please use the space provided

.

Yours faithfully,

Brendah.
APPENDIX II: LETTER FROM GRADUATE SCHOOL

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

FROM: Dean, Graduate School
TO: Morang'a Monyangi Brenda
C/o Business Administration Dept.

DATE: 27th June, 2017
REF: D33/KER/PT/25441/14

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 21st June, 2017 approved your Research Project Proposal for the M.B.A Degree Entitled, “Mobile Banking Strategy and Strategic Firm Performance: A Case of KCB Limited Kericho County, Kenya”.

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University’s Website under Graduate School webpage downloads.

Thank you.

GIDEON KAINENYI
FOR DEAN, GRADUATE SCHOOL

C.c. Chairman, Business Administration Department.

Supervisors:

1. Dr. Kiplorir Sitenci Chris Simon
C/o Department of Business Administration
Kenyatta University
APPENDIX III: LETTER FROM NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Ref: NACOSTI/P/17/43652/18618

Date: 10th October, 2017

Brendah Monyangi Moranga
Kenyatta University
P.O Box 43844-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “Project Proposal On The Effects Of Mobile Banking Strategies On Firm Performance A Case Study Of Kcb Bank Kenya Ltd Kericho County.” I am pleased to inform you that you have been authorized to undertake research in Kericho County for the period ending 24th August, 2018.

You are advised to report to the Branch Manager, Kenya Commercial Bank, the County Commissioner and the County Director of Education, Kericho County before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The Branch Manager
Kenya Commercial Bank.

The County Commissioner
MINISTRY OF EDUCATION
STATE DEPARTMENT OF BASIC EDUCATION

FAX NO. 05221361
When Replying Please Quote:

County Education Office
P.O BOX 149
KERICHO

REF:  KER/C/ED/GC/2/VOL 1/ 17TH OCTOBER,2017

TO WHOM IT MAY CONCERN.

RE: RESEARCH AUTHORIZATION – BRENDAAH MONYANGI MORANGA

The above named has been authorized by National Council for Science, Technology and Innovation to undertake research on “Project proposal on the effects of mobile banking strategies on firm performance, a case study of KCB Bank Ltd, Kericho County, Kenya” for a period ending 24th August, 2018.

Accord her the necessary assistance.

COUNTY DIRECTOR OF EDUCATION
KERICHO COUNTY.
APPENDIX V: LETTER FROM OFFICE OF THE PRESIDENT

THE PRESIDENCY
MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT

Telegrams: .........................
Telephone: Kericho 20132
When replying please quote
kerichocc@yahoo.com

COUNTY COMMISSIONER
KERicho COUNTY
P.O. BOX 19
KERicho

REF: MISC.19 VOL.III/8

19th October, 2017

TO WHOM IT MAY CONCERN,

RE: RESEARCH AUTHORIZATION – BRENDAH MONYANGI MORANGA

Authorization has been granted to Brendah Monyangi Moranga by National Commission for Science, Technology and Innovation, as per a letter Ref: No. NACOSTI/P/17/43652/18618 dated 10th October, 2017 to carry out research on "Project proposal on The Effects of Mobile Banking Strategies on Firm Performance A Case Study of KCB Bank Kenya Ltd Kericho County-Kenya" for a period ending 24th August, 2018.

Kindly accord her the necessary assistance.

B.O. ABONYO
FOR: COUNTY COMMISSIONER
KERicho COUNTY

CC:
The County Director of Education
Kericho County
APPENDIX VI: QUESTIONNAIRE

The purpose of this questionnaire is to obtain information the strategic impact of KCB M-pesa on KCB Kenya Limited, Kericho Branch. You are therefore requested to participate in the study by filling in this questionnaire. The information you will provide will be used solely for the purpose of the study and will be treated with utmost confidentiality. Therefore, fill free to respond to all the questions contained in this questionnaire as to the best of your knowledge.

Section one: Demographic information

1. What is your gender

Male [ ] Female [ ]

2. How long have you worked in KCB Kenya Limited Kericho Branch

Below 5 years [ ] 5-10 years [ ]

10-15 Years [ ]

Over 20 years [ ]

SECTION B: MOBILE BANKING STRATEGY.

3. The strategies cover cell phone savings. The respondents will be rated based Likert scale. Strongly Agree (SA) =5, Agree (4) =4, Undecided (3) Disagree (D) =2, and Strongly Disagree (SD) =1.
<table>
<thead>
<tr>
<th></th>
<th>SA</th>
<th>A</th>
<th>U</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cell phone savings strategy</strong></td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Cell phone savings affect the level of income of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone savings has an influence on availability of revenue in the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone savings affects the investments of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone savings affects the number of assets of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone savings directs the level of firm’s performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. The strategies cover cell phone credit strategy. The respondents will be rated based on Likert scale. Strongly Agree (SA) =5, Agree (A) =4, Undecided (U) =3, Disagree (D) =2, and Strongly Disagree (SD) =1.

<table>
<thead>
<tr>
<th></th>
<th>SA</th>
<th>A</th>
<th>U</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cell phone credit strategy</strong></td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Cell phone affects the interest rates of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone credit affect the repayment frequency of debtors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone credit has an effect on government policies regarding the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone credit affects the firm’s ability to access financial services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Firm’s performance depends on cell phone credit

5. The strategies cover pay bill strategy. The respondents will be rated based Likert scale. Strongly Agree (SA) =5, Agree (4) =4, Undecided (3) Disagree (D) =2, and Strongly Disagree (SD) =1.

<table>
<thead>
<tr>
<th>Paybill strategy</th>
<th>SA</th>
<th>A</th>
<th>U</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paybill services is influenced by the level of education of users</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Paybill services improves the awareness of the customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paybill services affects the household disposable income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paybill services affects the revenue of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paybill services affect firm’s performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. The strategies cover cell phone money transfer strategy. The respondents will be rated based Likert scale. Strongly Agree (SA) =5, Agree (4) =4, Undecided (3) Disagree (D) =2, and Strongly Disagree (SD) =1.

<table>
<thead>
<tr>
<th>Cell phone money transfer strategy</th>
<th>SA</th>
<th>A</th>
<th>U</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cell phone money transfer affects the liquidity of the bank</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Cell phone money transfer affects the level of awareness of customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone money transfer affects the eligibility of users</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Cell phone money transfer affects the technological advancement of the bank

Cell phone money transfer services directs the level of firm’s performance

7. The strategies cover performance of KCB bank. The respondents will be rated based Likert scale. Strongly Agree (SA) =5, Agree (4) =4, Undecided (3) Disagree (D) =2, and Strongly Disagree (SD) =1.

<table>
<thead>
<tr>
<th></th>
<th>SA</th>
<th>A</th>
<th>U</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Firms performance</strong></td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>The revenues affect the firm’s performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer base influence firm’s performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets of affects the performance of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees affect the performance of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commissions affect the performance of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone savings, cell phone credit, paybill, cell phone money transfer affect the firms, performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your corporation.