MOBILE MONEY SERVICES AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN GARISSA COUNTY, KENYA

AHMED MUHUMED KHOROW
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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL BUSINESS, ECONOMICS AND TOURISM IN PARTIAL FULFILLMENT FOR REQUIREMENTS OF THE AWARD OF MASTER IN BUSINESS ADMINISTRATION (FINANCE OPTION) OF KENYATTA UNIVERSITY

JUNE, 2023
DECLARATION

Declaration by candidate

This project is entirely original to me and has never been presented to a higher education institution for an honor.

Signature…………………………………..Date…………………………………..

Ahmed Muhumed Khorow

REG NO:  D53/OL/GAR/27484/2019

Declaration by supervisor:

I declare that the candidate worked on this project under my supervision.

Signature…………………………………..Date…………………………………..

Dr. Vincent Shiundu Mutswenje (Phd)

Accounting and Finance Dept

School of Business, Economics and Tourism

Kenyatta University
DEDICATIONS

I dedicate the task to my beautiful spouse Yasmin Daud, my son Khorow and my brother Abdi for their encouragement during the study period.
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I value the assistance Dr. Vincent Shiundu has provided for me. His positive criticism and guidance enabled me complete the project work successfully. I acknowledge the support and prayers from my family members especially my nuclear family who are consistently reminding me of the importance of completing the project in time. I thank the Kenyatta University teaching staff for helping me during my course work and enabling me come with an idea to develop a researchable topic. I acknowledge the university management for creating an environment for us MBA students to pursue education especially through digital platforms and opening campuses to several counties to enable the student access library and other useful university resources.
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ABBREVIATION AND ACRONYMS

B2C: Business to Customer
CAK: Communication Authority of Kenya
CBD: Central Business District
CFA: Confirmatory Factor Analysis
C2B: Customer to Business
EFA: Explanatory Factor Analysis
GDP: Gross Domestic Product
KNBS: Kenya National Bureau of Statistics
ILO: International Labour Organization
IT: Information Technology
MSMEs: Micro Small and Medium Enterprises
NACOSTI: National Council for Science, Technology and Innovation
OECD: Organization for Economic Cooperation and Development
PDA: Personal Digital Assistant
SACCO: Savings and Credit Cooperative
SMEs: Small and Medium Enterprises
SPSS: Statistical Package for Social Science
TAM: Technology Acceptance Model
ROI: Return on Investment
UK: United Kingdom
UNDP: United Nations Development Programmes
# OPERATIONAL DEFINITION OF TERMS

| Mobile Banking: | It involves carrying out common banking tasks including checking account balances, making transfers between accounts and payments using a mobile communication system as a medium. Transaction costs, mobile banking convenience, and security was used as proxies. |
| Mobile Finance | This is the practice of using a wireless telecommunications system as a platform for common banking tasks like checking account balances, transferring money between accounts, and processing payments. Obtaining credit, saving money, having insurance, and having lower operational costs was the mobile finance's proxies. |
| Mobile Money: | This is a service which allows users to electronically transfer and receive money via their mobile devices. |
| Mobile Money Services | financial services that comprise of mobile banking, mobile finance, and mobile money. Mobile money payment, mobile money finance, and mobile banking was used to measure it. |
| Mobile Payment: | Purchases of products and services can be made via mobile payments. This can be a customer-to-business (C2B) money transfer, where a customer gives money to a company in exchange for goods or services, like when paying utility bills, or a business-to-consumer (B2C) money transfer, where a firm |
transfers money to clients, such as when a microloan provider lends clients’ money.

**Financial Performance:** Measures the effectiveness with which a firm can use the resources in its core business to generate revenue. Net profit, cash position, and activities was used in this study to gauge how well SMEs are managing their finances.

**Small Enterprises**  A Kenyan enterprises with 10 to 49 personnel.

**Medium Enterprises**  A Kenyan businesses with 50 to 99 personnel.
ABSTRACT

Technology is one of the biggest problems that confronts small and medium-sized businesses (SMEs) globally is according to numerous studies. Technology is universally acknowledged to be vital for enhancing effectiveness, precision, expanding reach, and lowering costs. Nevertheless, numerous SMEs lack the funding to make investments in appropriate back-end technologies or are located in areas with limited access to vital infrastructure, like the Internet. Utilization of mobile phone technology for banking and remittance is one of the most recent innovations in the SMEs sector. This study looked on how mobile money services affect the financial health of SMEs in Garissa County, Kenya. The study's specific objectives were to ascertain the impact of mobile banking, mobile payments, and mobile financing on the financial performance of SMEs in Garissa County, Kenya. The study was based on the theories of agency, technology advancement, dynamic capability, and innovation. The study utilized a descriptive survey research design. All SMEs in Kenya's Garissa County were included in the target population. The respondents were a sample of 334 SME owners who spoke on behalf of the other SMEs in the county. The study used a straightforward random sampling method. Questionnaires were employed to collect data. The data was analyzed through version 24 of the Statistical Package for Social Sciences (SPSS) software. Both descriptive and inferential analysis were done on the data in the study using statistics. Inferential statistics also incorporated the coefficient of determination and the analysis of variance, whilst descriptive statistics only comprised means, standard deviations, frequencies, and percentages. Multiple regression analysis was utilized in the study to show how the variables are related linearly. Tables and charts were utilized to display the data. The study findings suggest that majority of the respondents agreed that mobile money payment, mobile money financing and mobile money banking affected the financial performance of SMEs in Garissa County. The results also demonstrated that mobile money services and financial performance of SMEs in Garissa were positively and significantly correlated. The study came to a conclusion that mobile money payment, mobile money financing and mobile money banking had a significant impact of financial performance of SMEs in Garissa County, Kenya. The study recommended that that all SMEs should include mobile money services into their business processes to maintain their competitiveness and that that communication companies offer mobile money services with more enticing terms that might be designed exclusively for SMEs. The researcher suggested further studies to encompass a broader field of study than just one county and a study on the impact that mobile money services have on organizational performance of other big corporations.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

It is commonly acknowledged and well-documented that Small and medium-sized businesses (SMEs) act as engines for general economic performance (Ngek, 2014). The World Bank (2016) asserts that SMEs are essential to sustainable development. Small and medium-sized businesses (SMEs) have an enormous effect on economic growth, which is increasingly recognized. In various countries, small and microbusinesses (SMEs) are vital to the economy. Urban planners have recognized the value of small businesses in fostering economic growth over the previous 10 years (Ayandibu & Houghton, 2017).

Small and medium-sized businesses have received a lot of attention from governments and development organizations as a means of encouraging more participation from the private sector. In the extended European Union of 25 countries, which consists of 23 million SMEs, which make up 99 percent of all businesses, around 75 million jobs are created. For instance, in Britain, SMEs are essential to the health of the economy (European Commission, 2015; Padachi, 2016). Other industrialized countries have long understood how crucial efficient financial growth management is to the longevity and stability of SMEs, including the US, Canada, Britain, Australia, and many more (Deloof, 2014).

The majority of enterprises in the UK economy, with a labor force of 14.23 million and a labor force of almost 30 million, are small and medium-sized, according to the BERR
British SMEs provide £1.48 billion in sales and GDP to the UK. Small and medium-sized businesses (with at least one person) are more profitable than huge UK companies, despite the fact that there are little resources available and little help provided. 52 percent of jobs are held by large UK enterprises with 250 or more people, while their share of the country's total revenue is less than 50.8%. Due to the dominance of SME efficiency in the UK economy, increases in output will have a very favourable effect on the country's economy as a whole.

Similar to this, SMEs account for 47% of Singapore's GDP and 62% of all jobs, making them the backbone of that country's economy (Lazaridis & Tryfonidis, 2016). The growth of SMEs, especially those working in the informal sector, is attested to by the way in which they support the continent's capital as a workable route to sustainable growth (Harper, 2015). SMEs primarily serve as a means of employment in both industrialized and emerging nations, accounting for more than 90% of the continent's industrial output and more than 50% of its GDP (Lamberson, 2014). Since SMEs account for more than 50% of Zimbabwe's gross domestic product, Zindiye, Chiliya, and Masocha (2012) identify them as the country's main driver of economic growth (GDP). Despite having the potential to significantly boost the economy, SMEs in Zimbabwe continue to encounter numerous obstacles that limit their development (Kwaramba, 2017). In light of this, most banks do not adequately serve the demands of SMEs. By focusing on the unmet needs of the low income group of clients, SMEs primarily fill in the gaps left by major firms (Ngaruiya, Bosire & Kamau, 2014).
SMEs make up 60% of Ghana's workforce and about 90% of the nation's total business units (Kesseven, 2016). They have also been referred to be effective and prolific job creators, the foundation of powerful corporations, and domestic economic catalysts. Several SMEs in Ghana operates in the unorganized sector, and many of them are small, family-run firms with fewer than five employees. Their activities, which are primarily centred in urban and some rural regions, are tiny, semi-organized, and occasionally unregulated. On undeveloped open grounds, in open yards, residential homes, and market stalls, the owner/manager typically conducts commercial operations.

10.54 million of Kenya's 15.2 million young people, or 69.3% of them, are self-employed, according to the Kenya Country Survey (2014). Therefore, entrepreneurship is the primary factor promoting high-quality goods and services, competitive spirit, and social stability, as well as employment, economic expansion, and inventiveness. Most people think that having income is all you require to prosper (Kaburi, et al., 2013), However, it is crucial to remember that there are other crucial factors that significantly influence the achievement of SMEs. Numerous examples of failed businesses in society, unfavourable business mindsets, and preconceived notions on what makes a business profitable all militate against such a choice.

SME success in Kenya has enhanced local economic activity using largely local resources, fostered the manufacture and use of local technologies, and provided society with low-cost skill training. It has also resulted in the creation of jobs at little investment levels per worker (ILO, 2014). However, the owners of these SMEs endeavoured to implement plans to continue operating despite the severe economic turmoil, including
high inflation rates and high borrowing interest rates. Finding the best mobile money service strategies was crucial for the financial performance of SMEs. For SMEs, that would not normally be properly supported by commercial banks, the expansion of mobile money services can be viewed positively (Mararo, 2018). People that are banked can use their phones to access their accounts. The utilization of mobile money is growing, and it is gradually available in rural regions. The ideal it offers has also improved how the platform is used to carry out various transactions that banks or licensed agents may offer. In accordance with the current framework, the parties who make and receive payments are linked.

As reported in the Kenya Country Survey (2014), out of 15.2 million young men and women in Kenya, 69.3 per cent or 10.54 million are self-employed. Therefore, entrepreneurship is the primary force behind employment, economic growth, innovation, the improvement of product and service quality, competitiveness, and economic stability. The basic paradigm that all you need to prevail is finances (Kaburi, et al., 2013) is stacked against such a decision due to numerous instances of failed businesses in society, negative views toward business, and assumptions about what constitutes a profitable business. Conversely, there are more essential factors that significantly influence the SMEs' success.

SME success in Kenya has enhanced local economic activity using largely local resources, fostered the manufacture and use of local technologies, and provided society with low-cost skill training. It has also resulted in the creation of jobs at little investment levels per worker (ILO, 2014). However, the proprietors of these SMEs had tried to put in
strategies to remain operational, even in the severe economic turmoil such as high inflation rates and high borrowing interest rates. Choosing the most appropriate mobile money service strategies was crucial for the financial performance of SMEs. For SMEs, who would not normally be properly supported by commercial banks, the expansion of mobile money services can be viewed positively (Mararo, 2018). People that are banked can use their smartphones to access their accounts. The use of mobile money is growing, and it is gradually available in rural regions. The ideal it offers has also improved how the platform is employed to carry out various transactions that banks or licensed agents may give. In accordance with the current framework, the parties who make and receive payments are linked.

1.1.1 Mobile Money Services

Mobile money, often characterized as mobile payment, mobile wallet, and mobile money transfer, mainly concerns services offered and performed via a mobile device, for instance a cell phone, credit or debit card, respectively (CAK, 2016). Mobile money, regularly alluded to as mobile payment, mobile money transfer, and mobile wallet, mainly describes services offered and performed via a mobile device, including a mobile phone, credit or debit card, and so on (Talom & Tengeh, 2019). It is additionally described as the nexus of financial and telecommunications services (World Bank, 2010). Numerous parties are involved, particularly mobile phone companies and banking service providers. Mobile money services are characterized as as electronic money wallets that is accessible via a mobile device (Zutt, 2010).

Mobile money services entail mobile money payment, mobile finance and mobile banking (Jamgun & Miroga, 2018). The proxies of mobile money services in this study
will be mobile money payment, mobile finance and mobile banking. Prior studies on mobile money services on SMEs performance (Jamgun & Miroga, 2018; Mararo, 2020; Talom & Tengeh, 2019; Zutt, 2010; Nyaga, 2017; Mutinda, 2016 and Kakwa, 2018) have operationalized the independent variable mobile money services using the proxies mobile payment, mobile finance and mobile banking. Whether there is an enabling environment will determine how much the use of mobile payments will affect performance (Nyaga, 2017). M-Pesa is widely available and needs a supportive atmosphere for its users to succeed. The micro enterprises are dispersed over the nation, with significant concentrations in market districts and close to retail establishments. This makes it simple for individuals to sign up for M-Pesa services and make cash deposits into their accounts (Mutinda, 2016). In Kenya, the agents of mobile payment companies are widely dispersed and simple to reach for small business owners in need of support.

Mobile payment services involve making monetary payments for goods or services using a tablet or other mobile electronic device (Talom & Tengeh, 2019). One can also use mobile payment technology to transfer money to loved ones and friends with the aid of apps like PayPal, Mpesa, and Venmo. According to published research, compared to other industries, SMEs in Kenya have lower take-up of mobile payment systems (CAK, 2016). According to CAK data, amongst many other services, Lipa Na Mpesa, Bebapay, and Mobicash have extremely negative numbers (CAK, 2016). The take-up is moderate and far lower than that of other sectors, including big businesses and individuals. The fact that little has been observed in Kenya's SME sector despite considerable advancements in the adoption of technology in industries like banking and education is also noteworthy (Makau, 2017). When compared to these other remittance systems, M-rapid Pesa's user
growth indicates that Kenya’s payment infrastructure has improved as a result of its debut (Tengeh, 2019).

"Mobile finance services" refer to utilizing a handheld device to access financial services and carry out financial transactions (Tengeh, 2019). This applies to both transactional and non-transactional services, including letting users examine financial data on their smartphones. Mobile financial services help small businesses access financing, build assets, and pay their insurance payments (Govil et al., 2017). Kakwa (2018) assert that SMEs are impacted by the adoption of mobile phone technology via increased internal efficiency, shorter customer turnaround times, opportunities to enter new markets, and lower operating costs. Small and medium-sized businesses can engage with their customers by using mobile financing to save money and obtain credit. Their commercial transactions are improved by the improved communication. Through communication, they can cut back on unneeded customer meetings and debt collection expenses. Over time, their revenues increase due to the connection they have with their customers (Tengeh, 2019). SMEs can obtain loans through mobile finance, which aids them in meeting their immediate business demands.

Nasikye (2019) claims that mobile banking (m-banking) entails using a mobile phone or other mobile device to execute financial operations related to an account holder. (Owen, 2018) defines m-banking as the provision and usage of banking and financial services through a mobile telecommunications device. A mobile device, most frequently a cell phone, which is most prevalent in underdeveloped nations, or a Personal Digital
Assistant, can be employed to perform balance checks, account transactions, payments, credit applications, and other banking functions (PDA).

1.1.2 Financial Performance

Financial performance measures a company's ability to profitably use resources from its primary business segment (Afande, 2015). Performance measurement is the procedure for calculating effectiveness and efficiency (Deloitte, 2016). Performance metrics need to be selected, put into place, and tracked in order to assess effectiveness and efficiency. Sales, business transactions that impact sales, like mobile money purchases, and the availability of financial services, including savings and microcredits (loans), are all considered to be pointers of a small business's financial performance (Schayek, 2011). The financial performance metrics are earnings, revenues, ROI (Duchesneau & Gartner 2018), returns on sales (Kean et al., 1998), and ROE (Richard 2000; Barney 1997).

According to Kenya Agribusiness and Agroindustry Alliance (2020), SMEs, make up the majority of businesses in most nations—95 percent of them. A startling 70% of SMEs fail within the first 3 years, according to a 2017 study by Douglas et al. on the crucial success criteria for SMEs in Kenya. This amounts to an initial investment attrition rate of around 23.3 percent annually. This attrition rate has usually increased in a pandemic setting, which is bad for the generation of wealth and jobs (Wanjohi, 2019). The high attrition rate is a major reason for concern and reflects the challenging economic and operating environment SMEs must contend with as they fight to survive in an era of ever-decreasing SMEs activities and declining revenues.
In the past five years, both formal and informal small enterprises in Kenya have not been medium-sized enterprises (Ferrand, 2018). In less than one year, more than 10% of the companies have stopped operations, 25% stopped operations between one and two years and 20% shut doors during their third to five year cycles (Wanjohi, 2019). SME owners, however, have incredible insights into business access from developing countries to microfinance facilities in other parts of Europe and the U.S. (Madsen, 2016). The commodity value of SMEs had fallen from Kshs1.7B to Kshs0.62B in the year from January to December 2020, according to the Faulu Bank's financial year survey (2021).

The survey from Faulu Bank also indicates an alarming declining trend of sales level growth from 16.7% in 2017, 13.2% in 2018 to 8.9% in 2019. Although KNBS (2018) estimates show that SMEs accounted for just 21.23 percent of microfinance institutions' loan uptake in 2017 compared to 34.17 percent, 37.25 percent respectively in 2016 and 2015. Government initiatives have gone a long way in creating a prosperous business condition through tax incentives, market development for SMEs, and SMEs have still been struggling to create a foothold for sustainable growth (Kimuyu, 2018).

According to Viffa Consult's SMEs performance index 2020, the performance of the SME sector's turnover underwent a significant change between the years 2019 and 2020, with SMEs in the turnover brackets of over 500, 000 Ksh to over 30 Million Ksh experiencing a decline in turnover and SMEs with turnover of 1–500,000 Ksh experiencing a 33%-point increase. The loss in turnover can be mostly attributable to Covid 19's negative impact on the market, and the shift must have decreased to below 500,000 Ksh, which accounts for the rise in turnover in the 1-500,000 Ksh range for the same period.
Mobile credit, business revenues, personal savings, support from friends and family, Chama, SACCO, and banks came in first place for SME financing in 2020. Despite the passage of legislation that could broaden financial inclusion—movable property securities rights acts—mobile money's importance in SME finance has continued to grow. The introduction and effective operation of the SME credit guarantee scheme has the potential to solidify banks' position as a major participant in SME financing.

Revenues for SMEs fell sharply during the first wave of the pandemic and remained low in the majority of countries after that. Since February 2020, 125 SME surveys have been conducted in 31 countries by the OECD, and the monitoring reveals that several SMEs observed a dramatic drop in revenues and sales (OECD, 2020). These results are in line with those of surveys performed by Facebook (2021), the OECD (2020), and the World Bank (2021). Five percent to ten percent of SMEs reported fewer sales at each survey date, with two-thirds reporting drops in sales of at least forty percent.

Additionally, the status of SMEs only little improved over the period, despite the lessening of lockdown measures in several nations. One year after the epidemic began, many SMEs are still struggling with lower revenue, in part because several governments are continuing to tighten their regulations. For instance, according to a research by the Spanish SME organization CEPYME (2021), a new national shutdown would cost Spanish businesses EUR 1.8 billion per week in lost sales, with SMEs bearing 60% of the burden. Fortunately, the New Zealand case study indicates that there are some causes for optimism and indications of resilience among viable SMEs, which strengthens the case for support measures. With the exception of the hotel industry, small businesses' revenues in New Zealand, where containment restrictions were relaxed earlier than elsewhere,
increased starting in July 2020. This growth was attributed in part to innovation, mobile money services, and government subsidies (Steeman, 2020). Most of these studies were done in developed nations, some did not indicate the relationship amongst variables and they considered a shorted period of time. The proxies of financial performance of SMEs considered were sales growth and net profit. Nevertheless, It's important to keep in mind that sales and revenue growth growth shouldn't be viewed in isolation because profits and sales could rise as a result of an underlying factor, such as increased prices or product promotion, respectively, rather than because the business or its products are performing better. The current study will use level of net profit, business transaction activities and level of average annual cash as the proxies of SMEs financial performance

1.1.3 Financial Performance of Small and Medium Enterprises in Garissa County

The new Micro and Small Enterprise Act of 2012 and the currently in place framework establish a window of possibilities for the devolution system can recognize the growth of SMEs. In any event, the architecture of the institutional and bureaucratic framework geared toward supporting SMEs in an economy depends on devolution of SMEs improvement (Mbugua & Makori, 2016). The Sessional Paper No. 2 of 2005 contains the official plan scheme for SMEs in Kenya: creation of small and medium-sized businesses for To reduce poverty, wealth and employment must be created ("Sessional Paper No. 2 of 2005"). This agreement document was supposed to outline the rationale behind enacting the SME Act in order to align Kenya's SME Policy. The revised SME Act will give guidance on important topics including the legal and administrative environment, markets and advertising, commercial links, expenditure management, abilities and innovation, and financial administrations, among others. Undoubtedly, this Policy system
served as the foundation for the Small and Medium Enterprises Bill 2011 that was passed into law in the year 2012 (GOK, 2013).

A paradigm shift in the SME sector has occurred in Garissa in the recent years as a result of increased competition, the entry of newly experienced players, changing legal and regulatory standards, processes for expanding the financial sector, changing consumer tastes and preferences, and technological breakthroughs (Hassan, 2019). The SMEs in Garissa County face a number of challenges, including poor sole proprietor qualifications and expertise, ineffective skills and education, changes in technology, a lack of accurate market information, difficult access to finance, inadequate infrastructure, and a lack of effective innovative approaches that will allow them to produce quality products (Ahmed, 2020).

Garissa County has a variety of small and medium-sized companies, including farming, retail, and technical support. Hotel companies, legal counsel, and medical care are a few forms of professional services. Public transportation services are among several other SMEs. Most SMEs are run in urban areas, whereas the majority of farming is undertaken in remote areas (UNDP, 2020).

The majority of businesses in Garissa County are family-owned or inherited enterprises that typically employ individuals of the close-knit community or acquaintances as employees (Ahmed, 2020). According to their sales growth, which increased from 8% in 2019 to 6.75% in 2020 to 3.3% in 2021 (Garissa County government Report, 2020/21), these SMEs' financial performance has been declining. The report also indicated a low level of operating cash flow and reduced number of transactions per day. There are over 3,741 registered SMEs in Garissa County, Kenya (County government of Garissa,
SMEs contribute to the County's economic growth through creating jobs. These SMEs contribute more than 10% of the county administrations' overall earnings. Additionally, almost 30% of the people in Garissa County receive income and revenue from these SMEs. These SMEs generate a monthly revenue of Kshs. 70,000 on average (County government of Garissa, 2019/20). For instance, in Garissa County several businesses have been affected by the covid-19 pandemic, especially bars and restaurants and they have either closed down or scaled-down on their workforce. On a normal day and a busy week, the clubs, restaurants and Kiosks usually opens its doors to clients from 8 am, but nowadays the clubs and restaurants are almost deserted during at the opening time (Garissa County government Report, 2020/21). This study aims to ascertain how this impacts these SMEs' financial performance because they must rely on mobile money services for their investments and transactions in order to remain competitive.

1.2 Statement of the problem

Small and medium-sized businesses are the main forces behind employment and economic expansion. According to estimates, more than 60% of small enterprises in Kenya fail every year (Kenya National Bureau of Statistics, 2019). Mararo (2020) notes that the nature and health of SMEs are closely related to the state of the economy as a whole. However, despite government efforts in Kenya to encourage SMEs operations, it appears that insufficient advancement has been made based on the achievements of the informal sector. Regardless of the rising percentage of micro businesses, not many of them develop into small businesses that can make a major contribution to generating new jobs and bolstering the economy. According to the county government of Garissa's report
from 2020, the majority of SMEs are still operating after operating for more than two years, but most are having trouble managing their cash levels because of slow-moving inventory, fewer transactions, and ultimately lower net profit margins. Poor financial innovation practices were partially to blame for the drop in sales growth level from 8% in 2019, 6.75% in 2020, to 3.3% in September 2021 (Garissa County government Report, 2020/21).

Despite the significance of mobile money services on SMEs sales growth and facilitating increased number of transactions, scanty of studies have been done on the effect of mobile money services on performance of SMEs. Mobile money services have contributed a lot to the success of many businesses in Kenya due to improved ways of settling transactions, payment of services, handling money and security and safety ways of transferring money to the banks (Nasikye, 2019). Studies on mobile money services have shown that these technologies have a lot of promise for use in financial transactions. However, the study by Nasikiye presents contextual gaps and methodological gap for they concentrated on business performances and collected secondary data. The impact of mobile money transactions on the financial performance of SMEs in the Nakuru CBD was examined by Ngariuia, Bosire, and Kamau in 2014. The study discovered that mobile money services had no impact on sales turnover. The study context was on sales turnover and sampled employees operating in Nakuru central business. The current study considered sales level, number of transactions and average cash levels as the proxies of financial performance.

Onyango (2016) looked into how the utilization and acceptance of mobile technology affected the performance of MSMEs and discovered a link between these businesses'
performance and mobile usage. The study's conclusions were in contradiction with those of Ngaruiya et al. (2014), therefore more investigation is required to determine how mobile services affect SMEs' performance. Masocha and Dzomonda (2018) investigated the factors that led to the use of mobile money services and the performance of SMEs in Zimbabwe. Owners and managers of SMEs in rural Zimbabwe were chosen as study participants using a convenience sampling technique. The data study employed structural equation modelling and confirmatory factor analysis (CFA) (SEM). The findings indicated that both the benefits of mobile money and the challenges posed by conventional financial services had an impact on the adoption of mobile money services by businesses. The study discovered that the later adoption of mobile money services has an impact on the performance of SMEs. The study will fill the methodological gaps identified in Masocha and Dzomonda study by using descriptive statistics and exploratory factor analysis (EFA). The conceptual gap on studying on challenges relating to mobile money services prompts the need to consider mobile money finance, mobile money payment and mobile banking.

Most recent studies (those conducted in the last five years, from 2016 to 2021) have contextual gaps, particularly those conducted in developed nations. As a result, they may not accurately reflect the influence of various business environments, particularly SMEs in developing nations like Kenya, on the success and growth of those businesses. As a result, in-depth study is required to close the observed contextual, conceptual, and methodological gaps. Local studies have not adequately addressed the effects of mobile money services on SMEs financial performance more specifically in Garissa County and some of the reviewed studies have presented contradicting results. This research paper
attempted to fill this gap by analysing the effect of mobile money services on financial performance of SMEs in Garissa County, Kenya.

1.3 Objectives of the study

1.3.1 General Objective

This study's primary goal was to determine the effects of mobile money services on financial performance of SMEs in Garissa County, Kenya.

1.3.2 Specific Objectives

The specific objectives of this study were:

i. To investigate the impact of mobile payment on financial performance of SMEs in Garissa County, Kenya.

ii. To assess the effects of mobile finance on financial performance of SMEs in Garissa County, Kenya.

iii. To ascertain the impact of mobile banking on financial performance of SMEs in Garissa County, Kenya.

1.4 Hypothesis of the Study

$H_{01}$ Mobile payments have no discernible impact financial performance of SMEs in Garissa County, Kenya.

$H_{02}$ Mobile finance has no discernible impact financial performance of SMEs in Garissa County, Kenya.

$H_{03}$ Mobile banking have no discernible impact financial performance of SMEs in Garissa County, Kenya.
1.5 Significance of the Study

This study will help technological providers, governmental organizations, and relevant stakeholders better comprehend how mobile money service technology affects the expansion of SMEs. This will enable them to offer their clientele new technology as well as greater technological assistance and guidance. The government will also include the requisite legislation and other measures to ensure that all parties involved have a smooth operation. Additionally, the research will enable SMEs operators completely to comprehend the entrepreneurial implications of this breakthrough for their enterprises in order to deal with the difficulties of the microbusiness operating environment on the one hand and the growing innovations in mobile networks on the other. The findings of this study could serve as the basis for further investigation by future scholars.

1.6 Scope of the Study

The research is restricted to the effect of mobile money services on the financial performance of SMEs in Garissa country, Kenya. Garissa County was deemed appropriate for this investigation since it was one of Kenya's fastest growing counties economically. Additionally, there are many SMEs in the county, which have given the bulk of the population much-needed jobs. Additionally, there are many mobile money service providers in the area, showing that the majority of the locals frequently request this service, creating a favorable environment for this study. Descriptive and exploratory research design was utilized. Data was acquired from SME owners in Garissa County. The period of interest was 2022. The period helped to give a snapshot of SMEs performance which according to the county government of Garissa records has been poor.
1.7 Limitations of the Study

The researcher was aware of several limitations; some responders were reluctant to complete the questionnaires because of concern that their answers might be exploited in other ways. Additionally, some respondents could provide fraudulent answers to the questions. However, the responders were convinced to engage in the study since it is for educational purposes with the help of the introductory letter from the institution and frequent telephone reminders. Additionally, the researcher reassured the participants that their information was to be dealt with in the strictest of confidence.

1.8 Organization of the Study

The project is organized into five chapters. Chapter one consists of the introduction of the study which introduced the study variables; the mobile money services and financial performances of SMEs. It also presents; the objectives and the statement of the problem which highlights the gaps and motivation behind the study. The literature review and conceptual framework are discussed in Chapter two. The study methodology is discussed in Chapter 3 and focused on the research design, demographic, sample, data collection tools, data analysis, and presentation methods. Chapter four captures the research findings and discussions. Chapter five presents the summary of the results, conclusions and recommendations.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter presents results on the reviewed literature related to mobile money services and financial performance of the SMEs. Theoretical literature review consists of theories supporting the study variables. Empirical literature consists of the reviewed literature related to mobile money services. The chapter's conclusion features a conceptual framework for the variables.

2.2 Theoretical Review

2.2.1 Entrepreneurship and Innovation Theory

This theory was postulated by Joseph Schumpeter (1838-1950). The initial plan placed a strong emphasis on how innovation affects business, the economy, and societal change. When examined through static lenses, Schumpeter claimed that the economy's main focus was the distribution of existing resources among numerous channels. Schumpeter posits that economic growth is a historical process of qualitative change propelled by innovation. Examples of innovation provided by Schumpeter include novel goods, inventive manufacturing processes, fresh supplies, the exploitation of untapped markets, and novel corporate arrangements.

The author focused on innovation as a fresh synthesis of already-available materials. He labeled the entrepreneurial function and significant role played by entrepreneurs through these combinations. This alludes to the continual resistance to change or stagnation that
businessmen had to conquer in order to thrive on all societal levels. Rafinejad (2007) argues that the Schumpeter theory overemphasizes invention while ignoring an entrepreneur's aptitude for organization and taking calculated risks. Since it explores the link between entrepreneurship and innovation in the supply of mobile money services, the theory of entrepreneurship is essential to this analysis. The thesis contends that innovations trigger societal and economic development. On the other hand, innovation has provided entrepreneurs the chance to create new products, production methods, supply sources, markets to enter, and organizational structures for their businesses. In the study's perspective, mobile money services gave SMEs the opportunity to implement cutting-edge business strategies that probably led to social and economic changes among the clientele. This is seen by the way SMEs utilize the services to interact with their clients and suppliers in order to advance their businesses.

2.2.2 Technology Acceptance Model (TAM)

This model was proposed by Fred David (1989). The model is predicated on Theory of Reasoned Action (TRA). The model is regarded as the most popular and frequently applied theory illuminating a mechanism for tracking individual acceptance (Lee et al., 2003). Perceived utility, perceived usability, mentality toward usage, and actual system utilization were the initial four variables in the model. Later, behavioral intention and external variables were incorporated as two additional variables to the model (Eramus et al., 2015). According to the concept, external circumstances can also affect how valuable and simple something is seen to be (Alharbi and Drew, 2014).

The model suggests that technology adoption is significantly influenced by perceived utility as well as external factors' perceptions of and actual use of technology. Benefits
projected for SMEs include perceived utility, decreased administrative costs, internal efficiency gains, positive associations with strategic partners, heightened competition, higher informational standards, accessibility to bank accounts, fund transfers, and bill payment (Riyadh et al., 2009). According to the model, the fundamental element in determining whether a user would accept or reject the system is the attitude toward simplicity of use. The user believes that the more user-friendly technology will improve their capacity to do their duties. Perceived ease of use affects attitudes toward using the system as well as perceived utility. TAM asserts that customers' opinions of mobile money services are impacted by both perceived utility and perceived ease of use. Develop a positive attitude toward services because they are helpful and straightforward to utilize (Fethena et al., 2015). The expansion of SMEs in this study was impacted by the usability of mobile money services.

In order to take into consideration other elements recognized as external factors that might influence the way individuals see a system. These external variables include things like system components, technical support, user involvement in design, and the complexity of the implementation phase, to name a few (Chullur, 2009). TAM was devised to specify and anticipate certain IT utilization. Several scholars have utilized the model to investigate the adoption and dissemination of diverse information system technologies (Riyadh et al., 2009). The TAM states that perceived ease of use and usefulness influence users' behavior intentions (BI) to utilize mobile money services, and perceived usefulness also predicts attitudes about utilizing such services. Actual use of such services is also influenced by one's intention to use them.
2.2.3 Dynamic Capabilities Theory

Gizawi claims that David Teece and Gary Pisano introduced the dynamic capability theory for the first time in 1994. They described it as the capacity to develop fresh types of competitive advantage through quick and adaptable responses to shifting market conditions. The study argued that, although acknowledging the mechanisms that enable competitive advantage, the resource-based view does not make an effort to explain how these mechanisms function in order to advance this school of thought. Entrepreneurs presently operate in a very dynamic environment, which has been made more difficult by technology disruptions. Managers must therefore use skills that will enable them to compete successfully. This is supported by Zitkiene, Kazlauskiene, and Deksnys (2015), who claimed that for businesses to succeed and sustain a competitive advantage in a very cutthroat and dynamic environment, they must be able to foresee changes and be ready to adjust their strategies.

Dynamic capability, the ability to accomplish things in a systematic way, has as its primary goal articulating the organization's long-term comparative benefit. The resource-based concept, according to which a company would do better than its rivals if it possesses resources that are valued, uncommon, difficult to mimic, and difficult to replace, gave rise to the dynamic capacities hypothesis. One such resource that a business may have and which can improve overall performance is mobile money services. The main issues in the subject of entrepreneurship are the factors that influence business performance and how entrepreneurs build and sustain a competitive edge in their companies. This problem can be resolved by putting into practice the dynamic capabilities approach through strategic innovation, which tries to examine the sources of wealth creation and wealth capture by businesses.
The dynamic capability notion is relevant in a Schumpeterian world of mobile money services-based competition, performance rivalry, expanding returns, and the creative destruction of conventional skills (Kamau, 2020). Gizawi (2014) went on to say that companies having the ability to oversee firm-specific skills in a way that successfully coordinates and redeploys internal and external competencies would be the ones that would be able to respond quickly and flexibly through innovation. According to the dynamic capability theory, competition is viewed in Schumpeterian terms, with businesses continually seeking to innovate or create "distinct combinations" and competitors constantly working to improve their skill levels or copy the proficiency of their most competent opponents. According to Schumpeterian theory, competition is therefore unavoidable, which suggests that a firm's capacity to enhance or create new kinds of competencies through strategic innovation is essential for fostering long-term performance.

Eisenhardt and Martin (2000), as displayed by Mutiso (2018), demonstrated that dynamic capabilities are generated through innovations, such as the invention of new products, the formation of industry partnerships, and the providing of strategic decisions, which assist organizations in competing in rapidly changing environments. Different competencies are reconfigured by managers to fit new strategies. Dynamic capabilities demonstrate similarities between various businesses and are frequently used as examples of best practice techniques. Other research, such Kamau, Senaji, and Nzioki (2019), built on the theory to determine how the performance of the Kenyan banking sector is impacted by information technology competence. Whereas Nyachanchu, Chepkwony, and Bonuke (2017) based on the theory to determine how dynamic capabilities affected the performance of industrial firms in Nairobi County, Kenya, De Guinea and Raymond
(2020) embraced the theory to examine an enabling innovation in the face of uncertainties through IT ambidexterity. This theory is applicable to the study since the value of dynamic skills rests in the rearrangement of enterprise resources and in particular capabilities to use mobile money services for enhanced internal financial performance.

Enterprises with dynamic capabilities are crucial because they support innovation's need to increase difference and reposition the firm's competitive edge, raising performance levels. The theory also shows how businesses may be able to compete quickly in evolving commercial settings through innovation. The hypothesis backs up the creation of questions and backups the utilization of mobile payment services. to boost SMEs' financial performance.

2.2.4 Modern Portfolio Theory (MPT)

This theory was postulated by Markowitz (1952). The theory makes it easier to understand how financial risk management strategies are implemented in corporations, particularly the decision to manage financial risk. MPT is a framework for selecting and creating investment portfolios that, in its most basic form, maximizes expected returns while also minimizing investment risk (Fabozzi, Gupta & Markowitz, 2002). The fundamental idea of MPT is diversification, which directly relies on the adage that it's never a good idea to put all your eggs in one pack (Fabozzi, Gupta & Markowitz, 2002, McClure, 2010, & Veneeya, 2006).

The strategy promotes asset heterogeneity as a means of guarding against market volatility and risk unique to a particular organization (Omisore, Munirat & Nwufo, 2012). It demonstrates how distributing investments among a number of financial aids reduces
risk. This shows that expected positive news regarding a particular asset would somewhat offset expected bad news about another asset in a range of non-correlational mixed assets. Since it will serve as the foundation for conceptualizing the link between financial success and portfolio diversity, the theory was pertinent to the study. According to the theory, SMEs can pick a group of assets to invest in to maximize portfolio risk and return. Theoretically, the risk of the entire portfolio can be reduced and returns can be increased by SMEs by choosing a mix of assets whose returns are negatively linked. Given Kenya's dangerous and unstable retail business environment, this is essential (Waweru & Ngugi, 2014).

2.3 Empirical Literature

The empirical results present the interrelationship between mobile money services and financial performance of SMEs in Garissa County, Kenya.

2.3.1 Mobile Money Payment and Financial Performance

Mararo (2020) explored the impact of mobile money payment on SMEs growth in Nakuru town Kenya. Descriptive survey research design was utilized in the study. All SMEs in Kenya's Nakuru town were included in the target population. The responders were chosen from a sample of 100 SME owners to reflect the other SMEs in the area. SMEs were selected using a basic random selection technique with a purpose. The data was gathered using closed-ended questions on surveys on a five-point Likert scale. The analysis utilized both descriptive and inferential statistics. The study found a substantial correlation between the expansion of SMEs and mobile payments, mobile finance, and mobile banking. In the study on growth, proxies based on the rate of SME growth were
employed. The current analysis focused on SME transaction activity and the rate of sales growth.

Gahapa and Tengeh (2019) studied the impact of Mobile Money on the Financial Performance of the SMEs in Douala, Cameroon. In order to gather information for this work, a survey questionnaire was administered along with in-depth, one-on-one interviews. The poll received responses from 285 SMEs, and 12 proprietor/ executive managers were specifically chosen to take part in the one-on-one interviews. The SPSS version 25, was utilized to analyze the quantitative data, while themes were employed to analyze the qualitative data. Following that, the results were triangulated for believability. The ultimate results of the investigation revealed that when the SMEs in Douala started using the technology, the mobile money payment and receipt services contributed somewhere about 73% of the entire variance in the businesses' sales. It is believed that by demonstrating the beneficial correlation between the utilization of mobile money services and the financial performance of firms, all relevant parties will regard this as a possible remedy for the financial difficulties faced by SMEs in developing economies. The study was conducted in Cameroon, consequently, the policy and practice suggestions may not be applicable to SMEs in Kenya.

Amos-Abanyie (2019) assessed the impact of mobile money services on SMEs in Tema municipality in Ghana. The study's foundation was a case study that was carried out using questionnaires. The information came from a survey of 100 Ghanaian SME owners, primarily in Tema. Data analysis showed that the behavioral intent to utilize and the actual utilization mobile money services by microbusinesses to foster their advancement and success were attributed to the performance expectations (productivity), effort
expectations (ease of use), social power, accessibility, cost, assistance (facilitating conditions), and security (trust) factors. The utilization of mobile money services by SMEs operators is one of the success elements since it increases productivity, saves time, is simple to use, costs less than banking transactions, requires few skills, and enables them. The survey also showed that people, society, and the clients that SMEs operators trade with all have an impact on how they use mobile money services. The study also found a link between the expansion of SMEs and the actual use of mobile money services. This expansion of small SMEs from one-person operations to those with many employees and major corporations with several branches is indicative of this trend. Enhancing microtransaction or payment efficiency, increasing corporate profit, and lastly making transactions quicker, less expensive, and more secure. The study, which focused on SMEs with headquarters in Ghana, was a case study. The current study concentrated on the various industries represented by SMEs in Garissa County.

Soi (2018) explored the relationship between Kenyan Power Company performance and mobile money transfers. The firm uses mobile money transfer services to pay for energy bills, buy tokens, pay suppliers through M-pesa, collect consumer money, and transact with business partners, according to the findings. The research also revealed that MMT's success in Kenya Power has a beneficial effect. Users were able to quickly purchase tokens, ensure rapid service delivery, and get a quick report on their transactions thanks to mobile money transfers. This led to both economic prosperity and employee empowerment. SME research was necessary because electrical businesses were the primary topic.
Kihoma (2016) investigated the impact of mobile money transfers on Tanzanian agricultural company performance. The study's findings revealed that 64% of the 128 respondents who participated in it used mobile money services for agricultural services. Age, employment, company product type, capital, and client type were discovered to be related factors for agri-business women. These factors are what motivate these women to use Mobile Money Transfer (MMT) services. Additionally, it was revealed that among the difficulties agribusiness women encounter in using and promoting MMT include agent services, network unavailability, and expensive transactions in comparison to banks. While the main advantages of mobile money transfer for agribusiness women were time savings and financial security. The study's findings, which were based on the agricultural sector, made it necessary to look into other industries.

2.3.2 Mobile Money Finance and Financial Performance

Chiemo (2021) investigated how mobile money services affected Tanzanian SMEs' business performance. The study's particular goals were to ascertain the impact of direct payments on firm performance in Tanzania, the impact of cash withdrawal services on firm performance in Tanzania, and the impact of direct payment usage. With a causal link approach and a cross-sectional design, simple random sampling was utilized to choose 150 study participants. The business performance of SMEs was described using descriptive analysis. To gather the information, a structured questionnaire was utilized. The collected data were calculated via SPSS datasheet version 23.0 to produce statistics measurements that could be used to illustrate the outcomes. Regression analysis was also done to investigate the link between independent and dependent variables. According to the study's findings, mobile money services have an impact on a company's profitability-
related performance. Contrarily, direct payment, cash withdrawal services, and money transfers directly have a favorable impact on SME business performance. The study identifies the methodological gaps in the data gathering and analysis design and methodology. With the help of a descriptive and exploratory research design, the current study tried to close these gaps.

Mohamed and Nor (2021) assessed the effects of the mobile money service on SMEs in Somalia. In order to assess the study's data, this study utilized a cross-sectional research design utilizing quantitative methods. The study's target demographic was business entrepreneurs in Somalia's major cities. We looked at 138 companies that were divided into commerce, services, and manufacturing. The cross-section data gathered from the different responders were examined using descriptive and inferential statistics. Robust Least Squares (ROBUSTLS) is employed to estimate the study's model parameters for regression analysis. These findings suggest that mobile money services significantly and favorably affect a company's ability to access financial resources. Using the CUSUM test, we looked at the data's stability and discovered that it is stable. The heteroskedasticity and serial correlation were adjusted, and the model had no multicollinearity issues. The study's model parameters were estimated using Robust Least Squares (ROBUSTLS). however, the current study will employ Ordinary Least Square.

In Douala, Cameroon, Gahapa and Tengeh (2020) explored the justifications for MMS adoption and usage among SMEs, the types of MMS utilized by these SMEs, and the interdependencies between these variables. The study used an exploratory methodology. By choosing to employ a mixed-method methodology, the researchers were forced to conduct both formal in-depth interviews and surveys. During the qualitative part of the
study, representatives of 12 SMEs were interviewed to validate the 285 SMEs questioned in the quantitative component. SPSS version 26 was employed to analyze the quantitative data using descriptive and inferential statistics (SPSS version 26). Themes were utilised by the researchers to describe the qualitative data, and the results were then integrated. The bulk of the listed motivational reasons were also shown to be statistically significantly linked to the most common mobile money services utilized by SMEs in Douala. Policymakers and other stakeholders may be interested in these findings, which demonstrate the value mobile money adds to the inclusive finance agenda for SMEs. They are especially crucial for developing countries where the vast majority of individuals and businesses lack access to financial services. The study concentrated on SMEs in Duala, Cameroon, as opposed to the current scenario, which was on the financial performance of SMEs in Kenya.

Mararo & Ngahu (2017) explored the impact that mobile money services had on the expansion of SMEs in Nakuru, Kenya. One of the newest and fastest-growing technologies in the SMEs sector is the usage of mobile phone technology for both banking and remittances. This analysis aimed to establish the impact that mobile money services had on the expansion of SMEs in Nakuru, Kenya. The goal of the study was to determine how mobile banking, mobile payments, and mobile financing have affected the expansion of SMEs. All SMEs in town were included in the target population. 100 SME business owners were selected as a sample and served as respondents. Analysis using regression demonstrated that the three variables had a big impact on the expansion of SMEs. Respondents who registered means more than 3.5 and standard deviations less than 1.0 agreed with all of the characteristics of mobile finance. As a result, the
respondents' opinions were not widely varied. In accordance with the aforementioned findings, 78.2% of responders agreed and/or strongly agreed with the claims that they can obtain credit from financial institutions by using mobile finance (M=3.95, SD=.887) and that mobile finance has given them access to enough money to expand their enterprises (M=3.95, SD=.956). Furthermore, 83.3% of the participants agreed that utilizing a mobile phone for work-related activities enables them to save money and reduces the inconveniences related to opening a bank account. Moreover, 81.2% of those polled (M=3.96, SD=.951) agreed that accessibility to mobile finance enables businesses to respond quickly to client needs. According to a multiple regression study, mobile financing has characteristics that are important for explaining the variation in SME growth. This study's context was the expansion of SMEs. The current study tried to close the gap by taking into account SMEs' financial performance.

Mpiani (2016) carried out a study in the Ashanti region of Ghana's Kumasi that evaluated mobile money services and their effect on users' savings. The findings show a beneficial influence on saving intentions and were statistically significant for cash withdrawals and deposits made through mobile money services. However, the user's savings objective was positively impacted by the cash transfer, and the customer's intention to save money was not statistically substantially affected by the recharge card. Customers expressed satisfaction with the ease of use and convenience of mobile money services as well as their faith in their application. The study's focus was on consumer savings in Ghana. The current study attempted to fill the gap by reviewing the financial performance of SMEs in Kenya.
2.3.3 Mobile Money Banking and Financial Performance

Researchers Meher, Hawaldar, Mohapatra, Spulbar, Birau, and Rebegea (2021) examined how digital banking in India affected the development of MSMEs. The basic data employed in this study were gathered using the questionnaire approach. The proprietors and operators of 454 MSMEs in Bihar, India's semi-urban Katihar area, were questioned about the nature and size of their firms as well as their perceptions of the numerous advantages of digital banking on a Likert scale ranging from 1 to 10. The study's findings indicate that digital banking has a number of advantages, including the ease with which payments are made, accepted, and managed, as well as the importance coefficients, time savings, and degree of cash embezzlement or theft control, all contribute to the success of MSMEs in India. The need to investigate the performance of SMEs in Kenya was brought on by a study on small and medium firms in India.

Mutio (2019) investigated how Kenya's informal microbusiness sector performed in relation to the use of mobile banking services. A cross-sectional research design was utilised in the study. Given that the study's goal was to ascertain the link between autonomous factors and the execution of miniature scale organizations in the casual sector, the research methodology was intriguing. The study's intended audience was the 1850 micro enterprise traders in Nairobi’s Gikomba market, in Kamukunji Sub-County. Chi square ($\chi^2$) and Pearson’s correlation analyses were utilized in this research to assess the significance of mobile banking services on the performance of small enterprises in the unorganized sector. On mobile banking cash management, the study found that mobile banking services has enhanced micro businesses by minimising cost of sending money via traditional means which is tedious and involves logistical costs. More than half of
those surveyed said that mobile banking facilitated their ability to send money, save money, deposit money, withdraw money from their mobile bank accounts, receive money, check their account balance at the bank, and pay bills. On mobile banking credit convenience, the study found that micro businesses in the study area were able to access a short-term loan on their mobile phone account which meant that the micro businesses will flourish if they continue to embrace mobile banking services. On mobile banking convenience, the study established that more than three thirds of the micro enterprises were of the opinion that using mobile banking requires little time which implies that microbusinesses in the research field will keep on flourishing if environment of mobile banking services continues in the future. The study design was a cross sectional one, while the current study used descriptive and exploratory design.

Muchiri (2018) investigated how the use of mobile banking affected the efficiency of small and medium-sized businesses in Nairobi County. In order to ascertain the effects of m-banking adoption on the performance of SMEs in Nairobi County, the study used a descriptive kind of survey approach. 176 SMEs in Nairobi County were the target audience for this research project. Primary data were gathered. According to the report, SMEs have been able to continue using mobile banking services due to its openness, diversification, convenience, privacy, and simplicity. The survey found that more people use mobile banking since it promotes more transactions and higher earnings, enables payments straightforward, offers users more time to engage in other business activities, and makes it easy to obtain bank funds. The survey also revealed that mobile banking has a wider customer base since it supports more transactions, revenue, and operational performance while also making payments simple, allowing users additional time to
engage in other business activities. The study suggested that the utilization of mobile banking has a favourable impact on SME competition in the county of Nairobi. The study of mobile money finance, mobile payment services, and mobile banking as the explanatory variables was required because the notion was limited to the use of mobile banking.

Jamgun and Miroga (2018) investigated how mobile banking affected the financial health of small and medium-sized businesses in Kakamega County. The analysis was carried out as an exploratory study. The SMEs in Kakamega County that offer financial services comprised the research's target demographic for study. The technique for the investigation was random sampling. 373 SMEs made up the sample size. Information from SMEs's owners was gathered via semi-structured questionnaires. The study found that SMEs utilised mobile banking services to transfer money, monitor account balances, and decide whether to deposit or withdraw funds from their bank accounts. The findings also showed a favorable correlation between the financial success of SMEs and convenience (R=0.524), efficiency (R=0.607), and accessibility (R=0.704). Nevertheless, there was a poor correlation (R=-0.660) between the cost of mobile banking services and SME financial success. The idea was limited to mobile banking services, therefore mobile money finance, mobile payment services, and mobile banking were to be studied as the explanatory variables.

2.4 Summary of Empirical Literature Review and Research Gaps

This section presents the gaps identified in the reviewed study. Some of the gaps identified relate to contextual gaps, conceptual gaps and methodological gaps. These gaps
are summarized in Table 2.1 and also include how the researcher filled the gaps identified. The table also presents the authors, titles of the research topics and the major findings.
<table>
<thead>
<tr>
<th>Author</th>
<th>Title of the Research</th>
<th>Findings</th>
<th>Gaps Identified</th>
<th>Gaps</th>
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<tbody>
<tr>
<td>Chiemo (2021)</td>
<td>examined how mobile money services impact Tanzanian SMEs' business performance.</td>
<td>the study's findings, suggested that mobile money services have an impact on a company's profitability-related performance.</td>
<td>The study presents the methodological gap on the design and the procedure for gathering and analyzing data.</td>
<td>The current study attempted to fill the gaps by using descriptive and exploratory research design.</td>
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<tr>
<td>Mohamed et al (2021)</td>
<td>evaluated how the mobile money service affected Somalia's SMSEs.</td>
<td>These findings suggest that mobile money services significantly and favourably affect a company's ability to access financial resources.</td>
<td>The explanatory variables for the study's model were estimated using robust least squares (ROBUSTLS).</td>
<td>The current study used the Ordinary Least Square.</td>
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<tr>
<td>Meher, et al (2021)</td>
<td>investigated how digital banking affected the expansion of India's MSMEs.</td>
<td>According to the study's results, the ease of receiving payments, the ease of making payments, the ease of managing business expenses, the ease of saving time, and the ease of preventing cash theft or misappropriation are all positive aspects of digital banking that significantly influence the growth of MSMEs in India.</td>
<td>The research focused on small and medium-sized businesses in India.</td>
<td>Prompted the need to study performance of SMEs in Kenya.</td>
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<tr>
<td>Gahapa et al (2020)</td>
<td>analyzed the variables that interrelate to explain why SMEs in Douala, Cameroon, adopted and utilised Mobile Money Services (MMS), including the varieties of</td>
<td>Most of the cited motivational factors were shown to be statistically significantly correlated with the most popular mobile money services utilized by SMEs in Douala.</td>
<td>The study focused on SMEs in Duala Cameroon</td>
<td>The current context was financial performance of SMEs in Kenya.</td>
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<tr>
<td>Author(s)</td>
<td>Focus</td>
<td>Methodology</td>
<td>Findings</td>
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<td>Mararo (2020)</td>
<td>examined how mobile money transactions affected the expansion of SMEs in Nakuru, Kenya.</td>
<td>The study found a significant correlation between the expansion of SMEs and mobile payments, mobile finance, and mobile banking.</td>
<td>The research was done on growth and proxies used were based on growth level of SMEs. The current study was based on financial performance of SMEs.</td>
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<tr>
<td>Gahapa et al (2019)</td>
<td>examined how mobile money affects SMEs' financial performance in Douala, Cameroon.</td>
<td>It is anticipated that by demonstrating the beneficial correlation mobile money services and the financial performance of firms, all relevant parties will view this as a possible remedy for the financial issues SMEs in emerging economies face.</td>
<td>The study was conducted in Cameroon, hence the recommended measures and procedures might not be appropriate for SMEs in Kenya. The current study focused on Kenyan SMEs.</td>
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<tr>
<td>Amos-Abanyie (2019)</td>
<td>evaluated how mobile money services affected SMEs in Ghana's Tema municipality.</td>
<td>The survey discovered that individuals, society, and the clients SMEs operators deal with all have an impact on how they use mobile money services.</td>
<td>The study was a case study and concentrated on SMEs based in Ghana. The present study's emphasis was on various sectors represented by SMEs in Garissa County.</td>
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<tr>
<td>Mutio (2019)</td>
<td>explored how Kenya's microbusinesses operating in the informal economy were affected by mobile banking services.</td>
<td>According to more than half of those polled, utilizing mobile banking made it simpler for them to send money, save money, deposit money, withdraw money from their mobile bank accounts, receive money, monitor their account balance at the bank, and pay</td>
<td>The study design was a cross-sectional research design. The current study used descriptive and exploratory design.</td>
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<tr>
<td>Author(s)</td>
<td>Methodology</td>
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<td>Muchiri (2018)</td>
<td>Studied how SMEs County performed after using mobile banking, examined how use of mobile banking affected the success of SMSEs in Nairobi County.</td>
<td>The study found that SMEs have kept up their adoption of mobile banking services due to their accessibility, affordability, flexibility, privacy, and uniqueness.</td>
<td>The concept was only on mobile banking adoption. Prompted the need to study mobile money finance, mobile payment services and mobile banking as the explanatory variables.</td>
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<tr>
<td>Soi (2018)</td>
<td>A study to determine the relationship between Kenya's Power Company performance and mobile money transfers.</td>
<td>The firm uses mobile money transfer services to pay for energy bills, buy tokens, pay suppliers through MPESA, collect consumer money, and transact with business partners, according to the findings.</td>
<td>The focus was on power companies thus a need to study SMEs. The current study was on SMEs in Garissa County.</td>
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<tr>
<td>Jamgun et al (2018)</td>
<td>Examined how mobile banking affected the financial health of small and medium-sized businesses in Kakamega County.</td>
<td>According to the research, SMEs utilized mobile banking services to send and receive money, monitor account balances, and determine when to deposit money into or take money from their bank accounts. The findings also showed a favourable correlation between SMEs' financial performance and accessibility.</td>
<td>The concept was only on mobile banking services. Prompted the need to study mobile money finance, mobile payment services and mobile banking as the explanatory variables.</td>
<td></td>
</tr>
<tr>
<td>Mararo et al (2017)</td>
<td>Studied the effect of mobile money services on SMEs' expansion in Kenya's Nakuru town.</td>
<td>Multiple regression suggested that mobile financing has characteristics that are important for explaining the variation in</td>
<td>The context of this study was on growth of SMEs. The current study attempted to fill the gap by considering</td>
<td></td>
</tr>
<tr>
<td>Source: Researcher (2022)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Kihoma (2016)</strong></th>
<th>investigated the impact of mobile money transfers on Tanzanian agricultural company performance.</th>
<th>SME growth.</th>
<th>financial performance of SMEs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>It was also observed that some of the difficulties agribusiness women encounter in using and promoting MMT include network unreliability, high transaction fees relative to banks, and agent services. While the main advantages of mobile money transfer for agribusiness women were time savings and financial security.</td>
<td>The study results were based on Agricultural sector thus prompting the need to study other sectors.</td>
<td>The current study was on SMEs Garissa County</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Mpiani (2016)</strong></th>
<th>did a study examining mobile money services and how they affected consumers' savings in Kumasi, in Ghana's Ashanti region.</th>
<th>The results demonstrate a positive impact on saving intentions and were statistically significant for mobile money transactions including cash withdrawals and deposits.</th>
<th>The context of the study was on customer savings in Ghana.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>The current study attempted to fill the gap by reviewing the financial performance of SMEs in Kenya.</td>
<td></td>
</tr>
</tbody>
</table>
2.4 Conceptual Framework

The conceptual framework depicts the interrelationship amongst the study variables.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Money Payment</td>
<td>Financial Performance</td>
</tr>
<tr>
<td>✓ Accessibility</td>
<td>✓ Level of sales</td>
</tr>
<tr>
<td>Mobile Money Finance</td>
<td></td>
</tr>
<tr>
<td>✓ Obtain Credit</td>
<td></td>
</tr>
<tr>
<td>✓ Savings of</td>
<td></td>
</tr>
<tr>
<td>Mobile Banking</td>
<td></td>
</tr>
<tr>
<td>✓ Transaction Costs</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.1 Conceptual Framework

Source: Researcher (2022)
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter details the steps that were utilized to conduct the research. These encompass the target audience, sample size and sampling method, data gathering tool, pilot testing, research design, and the data analysis techniques that were utilised.

3.2 Research Design

Research design fundamentally serves as the study's overall road map. Both an exploratory and descriptive survey research design was utilized. Descriptive surveys, according to Kothari (2008), allow the researcher to address the "what" question, that is what this study will do. Exploratory research is defined as investigation into an unidentified issue. A researcher begins with a broad concept and utilizes this study to uncover difficulties that could be the focus of more investigation (Mugenda & Mugenda, 2013). The study was done at a specified period, and the respondents came from a variety of groups, thus that was the basis for the survey's aspect.

3.3 Target Population

The target population is the group to which the study's results are projected (Cooper & Schindler, 2003). The current study only focused on SMEs in Kenya's Garissa County. The number of SMEs in Garissa County is 3,343. SMEs served as the subject of study, while SME managers and owners served as the subject of observation. 3,343 SME owners supplied the necessary data.
Table 3.1 Distribution of SMEs in Garissa County, Kenya

<table>
<thead>
<tr>
<th>Type of Target Business</th>
<th>Registered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retailers</td>
<td>788</td>
</tr>
<tr>
<td>Medium workshop/Service repair</td>
<td>889</td>
</tr>
<tr>
<td>Hotels and Fast-food shops</td>
<td>679</td>
</tr>
<tr>
<td>Manufacturing and allied</td>
<td>987</td>
</tr>
<tr>
<td><strong>Total Population</strong></td>
<td><strong>3,343</strong></td>
</tr>
</tbody>
</table>

Source: Department of Licensing Garissa County Government (2022)

3.4 Sampling Technique and Sample Size

A sample is a segment of the population that has been randomly chosen to represent the whole. It is possible to extrapolate the findings from a scientific sample to the entire population. The process of choosing a group of individuals, occasions, or behaviours with whom to carry out a research is known as sampling, according to Burns and Groove (2001). 10% of the population is a good enough sample size to be considered representative (Mugenda & Mugenda, 2013). The study used a Yamane (1967) formula reduces known population to a sample size with a known level of confidence. The formula sampled the target population of 3,343 respondents to 357 sample size as follows

\[ n = \frac{N}{1 + N(e)^2} \]

The formula is explained as follow;
N= Represent the total population of 3,343

e- Is the level of precision which is 95% confidence level

n= Sample size

Using the same formula, the sample size is determined as follow;

\[
n = \frac{3,343}{1 + 3,343(0.05)^2} = 357.25
\]

Therefore, 357 respondents took part in the study. For the proportional stratification of each stratum, the following formulation by Yamane (1967) was used to ensure the acceptable sample size; \( n_h = (N_h/N)n \). The formula was applied to compute the sample size for each category as captured in table 3.2 below.

**Table 3.2 Sample Size**

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Total</th>
<th>Sample ((N_i/N))=</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>9.3575</td>
<td></td>
</tr>
<tr>
<td>Retailers</td>
<td>788</td>
<td>84.21</td>
<td>84</td>
</tr>
<tr>
<td>Medium workshop/Service repair</td>
<td>889</td>
<td>95.00</td>
<td>95</td>
</tr>
<tr>
<td>Hotels and Fast-food shops</td>
<td>679</td>
<td>72.56</td>
<td>73</td>
</tr>
<tr>
<td>Manufacturing and allied</td>
<td>987</td>
<td>105.48</td>
<td>105</td>
</tr>
<tr>
<td><strong>Total Respondents</strong></td>
<td><strong>3,343</strong></td>
<td></td>
<td><strong>357</strong></td>
</tr>
</tbody>
</table>

*Source: Author*
3.5 Empirical Model

The multiple regression model given below was employed.

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \]

Whereby:

\( Y = \) Financial Performance of SMEs
\( \beta_0 = \) Constant
\( X_1 = \) Mobile Payment
\( X_2 = \) Mobile Finance
\( X_3 = \) Mobile Banking
\( \epsilon = \) Error Term

\( \beta_1, \beta_2, \beta_3 = \) Regression Coefficients of Independent Variables

3.6 Data Collection Instrument

Survey research can benefit from using questionnaires, claim Mugenda and Mugenda (2013). In support of this claim, data from the respondents will be gathered using a structured questionnaire. The questionnaire collected data about the respondents' backgrounds. Most essential, data on both the independent and dependent variables was recorded. The questionnaire allowed the researcher to gather information using a Likert scale.

Because it is practical, can get data from a large number of individuals quickly, and can be assessed more objectively and scientifically than other types of research, a questionnaire was chosen to gather data for this study. By utilizing a questionnaire, the researcher or any other number of people can do the research with little to no impact on its validity and reliability.
3.6.1 Pilot Test

The main research was preceded by a pilot test. Pilot testing was intended to identify any potential flaws in the research instrument. The reliability and validity of the research instrument was evaluated in order to accomplish the aforementioned (Mugenda & Mugenda, 2013). 36 participants from the target population, or 10% of the sample, were chosen at random by the researcher to take part in the pilot study. The study's primary participants from the pilot study were excluded in the final study.

3.6.2 Validity of the Research Instrument

Brains & Manheim (2011) posit that the validity of an idea, judgment, or measurement is determined by how accurate it is and how correctly it captures the real world. To put it another way, the amount to which a measurement tool measures the variables that it is intended to. The purpose of the study is to evaluate the content validity of the research instrument. To determine the validity of the questionnaire's content, the researcher sought the knowledgeable counsel of the university's academic supervisor.

3.6.3 Reliability of the Research Instrument

Reliability is the degree to which a survey produces reliable results. When dependability is maintained, the research tool should gather comparable data when used to different sampling groups that display the same qualities. The reliability of the research instrument was evaluated by the study using the Cronbach alpha (α) coefficient. The cutoff was 0.7 for Alpha values.
3.7 Data Collection Procedure

Data collection procedures are the actions followed by the researcher when gathering data utilizing data collection tools (Ng’anga, 2012). The researcher begun the data collection process once he received the requisite authorization and permit from Kenyatta University and NACOSTI, correspondingly. The collection of data lasted for 14 days. The researcher employed the "drop and select later" strategy.

3.8 Operationalization of Study Variables

Table 3.3 lists the study variables and details the operationalization and measurement methods utilized by the researcher.

<table>
<thead>
<tr>
<th>Table 3.3 Operationalization and Measurement of Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Dependent Variable</td>
</tr>
<tr>
<td>Independent Variable</td>
</tr>
<tr>
<td>Mobile Money Finance</td>
</tr>
<tr>
<td>Mobile Banking</td>
</tr>
</tbody>
</table>

Source: Researcher (2022)
3.9 Data Analysis and Data Presentation

With the help of the SPSS version 24, descriptive and inferential statistics was utilised to analyse the data that was acquired. Frequencies and percentages for the respondents' demographic data were used in the descriptive analysis. Additionally, means and standard deviations were used across all variables (independent and dependent variables). Correlation and multiple regression analysis using inferential statistics were used. Statistics tables were utilised to display the study's findings.

3.10 Ethical Considerations

Before the study can start, the participants provided their informed permission. None of the study's participants was forced, coerced, or otherwise constrained to participate if they choose not to. The researcher got an introduction letter from Kenyatta University and a permit from NACOSTI for the data collection.
CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction
This chapter summarizes the research conclusions as they are suggested by the information gathered, examined, and understood. The chapter includes demographic information, diagnostic tests, and descriptive and inferential analyses of the responses.

4.2 Response Rate
The results of the study were based on questionnaires that were given out and completed.

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Questionnaire</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed questionnaires</td>
<td>250</td>
<td>70%</td>
</tr>
<tr>
<td>Non-completed questionnaires</td>
<td>107</td>
<td>30%</td>
</tr>
<tr>
<td>Total</td>
<td>357</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Data (2022)

A total of 357 questionnaires were distributed to SMEs owners in Garissa County, according to Table 4.1 above, of which 250 were completed and returned. This demonstrated an overall response rate of 70% which, in Kothari's (2010) opinion, was an excellent response rate which enabled analysis of findings, discussion and drawing inferences from the sampled respondents.
4.3 Demographic Characteristics

The demographic characteristics studied were gender, age, years of operations and highest education qualification.

4.3.1 Gender of the Respondents

The study aimed to determine the respondents' gender distribution. The results were summarized in the Figure 4.1 below.

![Figure 4.1 Gender of the Respondents](image)

**Source: Field Data (2022)**

According to Table 4.1's findings, 61% of respondents were men and 39% were women. This shows that although the highest number of respondents was male, there was gender parity.
4.3.2 Age of the Respondents

The goal of the study was to figure out how old the respondents were. The results were as presented in Figure 4.2 below.

![Age of the Respondents](image)

**Figure 4.2 Age of the Respondents**

**Source: Field Data (2022)**

According to the findings in Figure 4.2 above, 25% of the respondents were between the ages of 18 and 30 and 31 and 40, respectfully. The statistics also show that 28% of respondents were between the ages of 41 and 50, whereas 22% were 50 years of age or older. The outcomes showed that the study was inclusive in terms of age.

4.3.3 Years of Operations

The purpose of the investigation was to ascertain how long the company had been in operation. The outcomes appear in Table 4.2 below.
Table 4.2 Years of Operations

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>63</td>
<td>25%</td>
</tr>
<tr>
<td>6-10</td>
<td>70</td>
<td>28%</td>
</tr>
<tr>
<td>11-15</td>
<td>65</td>
<td>26%</td>
</tr>
<tr>
<td>15 and above</td>
<td>52</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>250</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Field Data (2022)

According to the findings in Table 4.2 above, 25% of the respondents said their companies had been in existence for one to five years. 28% of them said that their businesses have been operational for between 6 and 10 years. 26% indicated that they had operated their businesses for between 11 and 15 years while 21% had operated their businesses for more than 15 years.

4.3.3 Respondents’ Highest Level of Education

The goal of the study was to ascertain the respondents' greatest educational level. The findings were as displayed in Figure 4.3 below.

![Figure 4.3 Highest Education Level of the Respondents](image)

Source: Field Data (2022)
According to Figure 4.1 above, 34% of the respondents had a diploma. The respondents who held undergraduate degrees made up 33%. whereas only 6% of respondents had postgraduate degrees, 27% had O' Levels.

4.4 Descriptive Analysis

Each of the research variables was given a thorough descriptive analysis. This was done based on data collected from the research. The researcher was able to reach relevant findings by using the frequency, mean, and standard deviation. The study's goal was to determine how mobile money services affected the financial performance of SMEs in Kenya's Garissa County. The results were tabulated according to the precise goals of the study. The responders were asked to apply a Likert Scale Key:

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

4.4.1 Mobile Money Payments and Financial Performance of SMEs

The goal of the study was to ascertain how mobile phone payments affected the financial success of SMEs in Garissa County. The results were as indicated in Table 4.3 below
Table 4.3 Mobile Money Payments and Financial Performance

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is great use of mobile phones to pay suppliers</td>
<td>4.4211</td>
<td>.75641</td>
</tr>
<tr>
<td>Majority of the SMES place orders with my suppliers through the utilization of mobile phones</td>
<td>4.0625</td>
<td>.97232</td>
</tr>
<tr>
<td>There is increased use mobile for payments of goods/services by my clients</td>
<td>4.3375</td>
<td>.81043</td>
</tr>
<tr>
<td>Lipa na Mpesa services have been heavily embraced by majority of my clients</td>
<td>4.3125</td>
<td>.75630</td>
</tr>
<tr>
<td>Getting payments via M-Pesa solves my issue of having so much cash on hand.</td>
<td>4.1375</td>
<td>.96448</td>
</tr>
<tr>
<td>There is increased transfer of money through M-pesa to my business associates</td>
<td>4.4121</td>
<td>.72216</td>
</tr>
<tr>
<td>The efficiency of doing business has increased thanks to mobile payments.</td>
<td>4.2501</td>
<td>.83439</td>
</tr>
</tbody>
</table>

Aggregate Score 4.2762 .83092

**Source: Filed Data (2022)**
The results in Table 4.3 above shows that majority of the respondents strongly agreed that there is great use of mobile phones to pay suppliers as indicated by a mean of 4.4211 and a stan deviation of 0.7564. The respondents also agreed that there is increased transfer of money through M-Pesa from one business to the other as evidenced by a mean of 4.4121 and a stan dev of 0.7221 correspondingly and that there is increased use mobile for payments of goods/services by customers evidenced by a mean of 4.3375 stan dev of 0.8104 respectively. The respondents stated that Lipa na Mpesa services have been heavily embraced by majority of customers as demonstrated by a mean of 4.3125 and a stan dev of 0.7563 and that the efficiency of doing business has increased thanks to mobile payments. as demonstrated by a mean of 4.2501 and a stan dev of 0.8344 correspondingly. The respondents agreed that Getting payments via M-Pesa solves my issue of having so much cash on hand as evidenced by a mean of 4.1375 and a sta dev of
0.9645 and that most of the SMES place orders with my suppliers through the utilization of mobile phones as evinced by a mean of 4.0625 and a stan dev of 0.9723 correspondingly. With an aggregate mean score of 4.2762 and a stan dev of 0.8309 respectively, this study finding indicate that mobile payment affects the financial performance of SMEs in Garissa County. The study concurs with that of Mararo (2020) who explored the impact of mobile money payment on SMEs growth in Nakuru town Kenya and found a substantial correlation between the expansion of SMEs and mobile payments, mobile finance, and mobile banking.

4.4.2 Mobile Money Financing and Financial Performance of SMEs

The goal of the study was to ascertain how mobile financing affected the financial success of SMEs in Garissa County. The results were as indicated in Table 4.5 below.

**Table 4.4 Mobile Money Financing and Financial Performance**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am able to receive credit from financial firms through the usage of mobile finance.</td>
<td>4.3125</td>
<td>.77286</td>
</tr>
<tr>
<td>I was able to acquire sufficient funds thanks to mobile finance to expand my business.</td>
<td>3.9375</td>
<td>.99802</td>
</tr>
<tr>
<td>I can reduce the cost of my business operations via mobile financing.</td>
<td>3.6750</td>
<td>1.14488</td>
</tr>
<tr>
<td>The availability of mobile finance negates my requirement to open a bank account.</td>
<td>4.2625</td>
<td>.83808</td>
</tr>
<tr>
<td>I can respond to consumers’ demands immediately due access to mobile money.</td>
<td>4.0750</td>
<td>.99078</td>
</tr>
</tbody>
</table>

**Aggregate Score**

<table>
<thead>
<tr>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.0525</td>
<td>.94894</td>
</tr>
</tbody>
</table>

*Source: Field Data (2022)*
Table 4.3 of the study's findings demonstrates that the majority of respondents strongly agreed that they were able to receive credit from financial firms through the usage of mobile finance as evidenced by a mean of 4.3125 and a stan dev of 0.7729 respectively. The respondents also agreed that the availability of mobile finance negates their requirement to open a bank account as demonstrated by a mean of 4.2625 and a stan dev of 0.8380 and they were able to respond to consumers' demands immediately due access to mobile money as evidenced by a mean of 4.0750 and a stan dev of 0.9908 correspondingly. The respondents also agreed that they able to acquire sufficient funds thanks to mobile finance to expand my business as demonstrated by a mean of 3.9375 and a stan dev of 0.9981 and that they were able reduce the cost of my business operations via mobile financing as evidenced by a mean of 3.6750 and a stan dev of 1.1449 corresponding. The study findings infers that mobile money financing affect the financial performance of SMEs in Garissa County as indicated by an aggregate mean score of 4.0525 and a standard deviation of 0.94894 respectively. The study's results coincide with one by Chiemo (2021) who investigated how mobile money services affected Tanzanian SMEs' business performance and found that mobile money services have an impact on a company's profitability-related performance.

4.4.3 Mobile Money Banking and Financial Performance of SMEs

The goal of the study was to ascertain how mobile money banking affected the financial health of SMEs in Garissa County. The results were as indicated in Table 4.5 below.
### Table 4.5 Mobile Money Banking

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I can monitor transactions in my bank account thanks to mobile banking.</td>
<td>4.2750</td>
<td>0.85647</td>
</tr>
<tr>
<td>Mobile banking has enabled me access my account balances through my phone</td>
<td>4.3038</td>
<td>0.85266</td>
</tr>
<tr>
<td>I may use mobile banking to make direct deposits to my bank account.</td>
<td>4.3125</td>
<td>0.85082</td>
</tr>
<tr>
<td>Due to the availability of mobile banking, money theft that results from keeping large sums of money on-site has been avoided.</td>
<td>3.8750</td>
<td>1.03575</td>
</tr>
<tr>
<td>I conduct all of my banking business via mobile banking.</td>
<td>3.8250</td>
<td>1.11122</td>
</tr>
<tr>
<td>When it comes to transaction speed and cost, mobile banking is convenient.</td>
<td>4.3750</td>
<td>0.73562</td>
</tr>
</tbody>
</table>

**Aggregate Score**

<table>
<thead>
<tr>
<th>Aggregate Score</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.1610</td>
<td>0.90709</td>
</tr>
</tbody>
</table>

**Source:** Field Data (2022)

The study findings in Table 4.5 show that majority of respondents strongly agreed that when it comes to transaction speed and cost, mobile banking is convenient as evidenced by a mean of 4.3750 and a stan dev of 0.7356 respectively. The respondents also agreed that they were able to make deposits direct to their bank account through mobile banking as illustrated by a mean of 4.3125 and a stan dev of 0.85082 and that mobile banking enabled them access their account balances through their mobile phone as illustrated by a mean of 4.3038 and a stan dev of 0.8527 respectively. The respondents also indicated that they were capable of monitoring transactions in their bank account thanks to mobile banking as illustrated by a mean of 4.2750 and a stan dev of 0.8565 and that due to the availability of mobile banking, money theft that results from keeping large sums of money on-site has been avoided as illustrated by a mean of 3.8750 and a stan dev of...
1.0358 respectively. The respondents indicated they conducted all their banking business via mobile banking, as illustrated by a mean of 3.8250 and a stan dev of 1.1112 respectively. The study findings showed that mobile money banking affect the financial performance of SMEs in Garissa County as illustrated by an aggregate mean of 4.1610 and s stan devn of 0.90709 respectively. The study findings are congruent with those of a study by Muchiri (2018) who investigated how the use of mobile banking affected the efficiency of small and medium-sized businesses in Nairobi County and suggested that the utilization of mobile banking has a favourable impact on SME competition in the county of Nairobi. The study's conclusions also complement those of a study by Mutio (2019) that investigated how Kenya's informal microbusiness sector performed in relation to the use of mobile banking services and found that mobile banking services has enhanced micro businesses by minimizing cost of sending money via traditional means which is tedious and involves logistical costs.

4.4.4 Financial Performance of SMEs

The goal of the study was to evaluate the financial soundness of SMEs in the county of Garissa. The results were as indicated in Table 4.6 below.
Table 4.6 Financial Performance of SMEs

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is increased number of transactions over the period of five years</td>
<td>4.4110</td>
<td>.72216</td>
</tr>
<tr>
<td>The increased in the number of transactions is greatly related to mobile money services</td>
<td>4.3375</td>
<td>.76214</td>
</tr>
<tr>
<td>My business has grown to the point where I now need to hire more employees to help run it.</td>
<td>3.7375</td>
<td>1.18795</td>
</tr>
<tr>
<td>My business has experienced amazing growth since I began utilizing mobile money services.</td>
<td>4.0250</td>
<td>.96751</td>
</tr>
<tr>
<td>Alternative sources of credit from banks that were difficult to get were made available by mobile money providers.</td>
<td>4.3374</td>
<td>.72816</td>
</tr>
<tr>
<td>Several SMEs in the county have grown as a result of the use of mobile money services.</td>
<td>4.0750</td>
<td>.85351</td>
</tr>
<tr>
<td>There is tremendous increase in profits as a results of mobile money services</td>
<td>3.9125</td>
<td>.98333</td>
</tr>
<tr>
<td>The business has experienced increase in the sales</td>
<td>4.1500</td>
<td>.92913</td>
</tr>
</tbody>
</table>

**Aggregate Score**

<table>
<thead>
<tr>
<th>Aggregate Score</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.1732</td>
<td>.89174</td>
</tr>
</tbody>
</table>

**Source: Field Data (2022)**

The study findings in Table 4.6 showed that majority of respondents strongly agreed that there is increased number of transactions over the last five years as illustrated by a mean of 4.4110 and a std dev of 0.72216 and that the increased in the number of transactions is greatly related to mobile money services as illustrated by a mean of 4.3375 and a std dev of 0.7621 respectively. The respondents also stated that alternative sources of credit from banks that were difficult to get were made available by mobile money providers as illustrated by a mean of 4.3374 and a std dev of 0.7282 and that businesses has experienced increase in the sales as illustrated by a mean of 4.1500 and a std dev of
0.9293 respectively. The respondents stated that several SMEs in the county have grown as a result of the use of mobile money services as illustrated by a mean of 4.0750 and a standard deviation of 0.8535 and that their business has experienced amazing growth since they began utilizing mobile money services as illustrated by a mean of 4.0250 and a standard deviation of 0.96751 respectively. The respondents indicated that there was tremendous increase in profits as a result of mobile money services as illustrated by a mean of 3.9125 and a standard deviation of 0.9833 and that their business has grown to the point where they now need to hire more employees to help run it as illustrated by a mean of 3.7375 and a standard deviation of 1.1880 respectively.

4.5 Inferential Analysis

Regression and correlation analyses are discussed in this subsection. Correlation analysis was utilized to gauge the potency of the correlation while regression analysis was utilized to ascertain the correlation between the independent variables (mobile money payment, mobile money financing and mobile money banking) as well as the dependent variable (financial performance of SMEs in Garissa County).

4.5.1 Correlation Analysis

The research used Pearson correlation analysis to ascertain the relationship between independent variables and dependent variable.
Table 4.7 Correlations

<table>
<thead>
<tr>
<th></th>
<th>Mobile Payments</th>
<th>Mobile Financing</th>
<th>Mobile Banking</th>
<th>Financial Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Money Payments</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.849**</td>
<td>.913**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>250</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Mobile Money Financing</td>
<td>Pearson Correlation</td>
<td>.849**</td>
<td>1</td>
<td>.899**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>250</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Mobile Money Banking</td>
<td>Pearson Correlation</td>
<td>.913**</td>
<td>.899**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>250</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>Pearson Correlation</td>
<td>.886**</td>
<td>.916**</td>
<td>.942**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>250</td>
<td>250</td>
<td>250</td>
</tr>
</tbody>
</table>

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

Source: Field Data (2022)

The study findings in Table 4.7 illustrate that mobile money payment and financial performance of SMEs had a positive and meaningful correlation (r =0.886, p = .000). This signified that mobile money payment was significantly linked with financial performance of SMEs in Garissa County. The findings reinforce a study by Macharia (2018) that found a high and favorable association between efficiency and characteristics of product innovation. The findings agree with those of a study Gahapa and Tengeh (2019) who studied the impact of Mobile Money on the Financial Performance of the SMEs in Douala, Cameroon and found a substantial correlation between the expansion of SMEs and mobile payments, mobile finance, and mobile banking.
The study findings also indicate that mobile money financing and financial performance of SMEs had a positive and meaningful correlation ($r = 0.916$, $p = .000$). This signifies that mobile money financing was positively related to the financial performance of SMEs in Garissa County. The study findings concur with a study by Mohamed and Nor (2021) who assessed the effects of the mobile money service on SMEs in Somalia and found that mobile money services significantly and favorably affect a company's ability to access financial resources.

Finally, the study findings also indicate that mobile money banking and financial performance of SMEs had a positive and meaningful correlation ($r = 0.942$, $p = .000$). This demonstrates that mobile money banking was significantly linked with the financial performance of SMEs in Garissa County. The findings agree with a study by Meher, Hawaldar, Mohapatra, Spulbar, Birau, and Rebegea (2021) that examined how digital banking in India affected the development of MSMEs and found that mobile money banking significantly and favorably affect a company's ability to access financial resources.

### 4.5.2 Regression Analysis

Regression analysis was utilized to determine how mobile money services can impact SMEs' performance. Results from the ANOVA and coefficient calculations are displayed in Tables 4.8, 4.9, and 4.10 respectively.
Table 4.8 Model Summary

<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>.956(^a)</td>
<td>.914</td>
<td>.910</td>
<td>.23069</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Mobile Money Banking, Mobile Money Financing, Mobile Money Payments

Source: Field Data (2022)

The above model summary presents the correlation coefficient (R) and Coefficient of determination adjusted R square. The value of R was 0.956 indicating a strong correlation between variables. The adjusted R square value of 0.914 indicated that 91% changes in the financial performance of SMEs in Garissa County was as a result of changes in mobile money payment, mobile money financing and mobile money banking. The remaining 9% can be ascribed to additional elements not modeled in this study.

Table 4.9 ANOVA\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.(^b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>42.736</td>
<td>5</td>
<td>14.245</td>
<td>26.677</td>
<td>.000(^b)</td>
</tr>
</tbody>
</table>

Residual 4.045 244 .053

Total 46.780 249

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Mobile Money Banking, Mobile Money Financing, Mobile Money Payments

Source: Field Data (2022)

Table 4.9 displays a p value of 0.000<0.05 and a F statistic of 26.677. This suggests that the study model accurately predicted the dependent variable and was statistically significant (good fit). This demonstrates how mobile money services have a big impact on SMEs' financial health in Garissa County.
Table 4.10 Coefficients

<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>.195</td>
<td>.152</td>
<td></td>
<td>1.287</td>
</tr>
<tr>
<td>Mobile Money Payments</td>
<td>.101</td>
<td>.087</td>
<td>.097</td>
<td>1.159</td>
</tr>
<tr>
<td>Mobile Money Financing</td>
<td>.318</td>
<td>.071</td>
<td>.347</td>
<td>4.453</td>
</tr>
<tr>
<td>Mobile Money Banking</td>
<td>.531</td>
<td>.099</td>
<td>.541</td>
<td>5.353</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial Performance

Source: Field Data (2022)

The model adopted was $Y = 0.195 + 0.101X_1 + 0.318X_2 + 0.531X_3 + \varepsilon$

Table 4.10 shows that mobile money payment had a beneficial and substantial effect on the profitability of SMEs ($\beta = 0.101$, $p < 0.05$). This implies that a rise in mobile money payments per unit will result in an improvement in the financial performance of SMEs in the county of Garissa by 0.101 units. The study is congruent with a study by Amos-Abanyie (2019) that assessed the impact of mobile money services on SMEs in Tema municipality in Ghana and found that people, society, and the clients that SMEs operators trade with all have an impact on how they use mobile money services. Additional study by Kihoma (2016) that investigated the impact of mobile money transfers on Tanzanian agricultural company performance suggested that 64% of the 128 respondents who participated in it used mobile money services for agricultural services.

The results also indicated that mobile money financing had a beneficial and noteworthy effect on the profitability of SMEs ($\beta = 0.318$, $p < 0.05$). This implies that a rise in the
number of units financed by mobile money will result in an improvement in the financial performance of SMEs in Garissa County by 0.318 units. The results agree with a study by Mohamed and Nor (2021) that assessed the effects of the mobile money service on SMEs in Somalia and discovered that mobile money services significantly and favorably affect a company's ability to access financial resources. The findings are also compatible with a study by Mararo & Ngahu (2017) that explored the impact that mobile money services had on the expansion of SMEs in Nakuru, Kenya and found that mobile financing has characteristics that are important for explaining the variation in SME growth.

The results also indicated that mobile money banking had a beneficial and essential effect on the profitability of SMEs ($\beta = 0.531$, $p< 0.05$). This suggests that a rise in mobile money banking units will result in an improvement in the financial performance of SMEs in the county of Garissa by 0.531 units.

The study findings are similar to those of a study by Muchiri (2018) who investigated how the use of mobile banking affected the efficiency of SMEs in Nairobi County and suggested that the utilization of mobile banking has a favourable impact on SME competition in the county of Nairobi. However, the findings are dissimilar to a study by Jamgun and Miroga (2018) that investigated how mobile banking affected the financial health of SMEs in Kakamega County and indicated a poor correlation between the cost of mobile banking services and SME financial success.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
The chapter presents a summary of findings, suggestions, and recommendations. This is done based on the objectives of the study. The chapter makes recommendations for additional research.

5.2 Summary of Findings
The main objective of this research was to evaluate the effects of mobile money services and financial performance of SMEs in Garissa County. This study is based on three objectives, namely: to determine the effect of mobile money payments, mobile money financing and mobile money banking on the financial performance of SMEs in Garissa County, Kenya.

The first objective of the study was to ascertain the impact of mobile money payment on financial performance of SMEs in Garissa County, Kenya. Majority of the respondents agreed that there was extensive usage of mobile devices to pay suppliers, and business owners transferred more money using M-pesa. Majority of the respondents also agreed that there was increased use of mobile phone in payments of goods/services by the clients and that Lipa na Mpesa services had been heavily embraced by majority of their clients. The study's results further demonstrated that using mobile payments improved the effectiveness of conducting business and that using M-Pesa to receive payments helped business owners avoid having too much cash on hand. Finally, the respondents indicated that majority of them placed orders to their suppliers through the utilization of mobile
phones and that availability of mobile finance relieved them the need of having to open a bank account. The respondents also agreed that access to mobile finance enables my quick response to customers’ needs.

The study's second goal was to determine how mobile money lending affected the financial success of SMEs in Kenya's Garissa County. The majority of respondents concurred that having access to mobile finance allowed them to receive credit from financial institutions and eliminated the need for them to open a bank account. The majority of respondents also concurred that having access to mobile finance had made it possible for them to rapidly respond to their customers’ needs and to acquire sufficient capital to expand their enterprises. Ultimately, the results showed that most respondents said they were able to save money from their business activities by using mobile finance.

The final goal of the study was to determine how mobile money banking affected the financial performance of SMEs in Kenya's Garissa County. The majority of respondents stated that mobile banking is easy in terms of transaction time and cost, and they were able to deposit money directly into their bank accounts through it. The respondents also mentioned that they could follow transactions in their bank accounts and view their account balances via mobile devices thanks to mobile banking. Findings from the study indicate that having mobile banking available reduced the risk of theft associated with keeping large sums of money on-site at businesses, and those surveyed relied only on mobile banking for all of their banking operations.

5.3 Conclusion of the study

The study concluded that mobile money payment has a favorable and statistically significant impact on financial performance of SMEs in Garissa County. Based on these
findings, the study draws the conclusion that mobile money payment had a substantial impact of financial performance of SMEs in Garissa County, Kenya.

The study came to a conclusion that mobile money financing has a favorable and statistically substantial impact on financial performance of SMEs in Garissa County. Based on these findings, the study came to a conclusion that mobile money financing had a substantial impact of financial performance of SMEs in Garissa County, Kenya.

The study concluded that mobile money banking has a favorable and statistically significant influence on financial performance of SMEs in Garissa County. Based on these findings, the study draws the conclusion that mobile money banking had a significant impact of financial performance of SMEs in Garissa County, Kenya.

5.4 Recommendations

On the first study objective, the study recommends that SMEs should encourage the suppliers to embrace mobile payment services for their supplies and also emphasizes their customers to place orders and pay through mobile money services as their will enhance efficiency in doing business.

On the second study objective, the study recommends that all SMEs should utilize money financing to obtain credit to grow their businesses. The SMEs should also embrace mobile money financing to save money from the businesses proceeds.

On the third study objective, the study recommends that SMEs should embrace mobile money banking to deposit proceeds from their business and also to track their bank transactions and also access their bank balance. The study also recommends that SMEs
should use mobile money banking to avoid having a lot of cash in their business premises.

5.5 Contribution to the practice

Basing on the conclusion the study recommends, this study will be helpful to SMEs and relevant stakeholders better comprehend how mobile money service technology affects the performance of their businesses. Additionally, the research will enable SMEs operators completely to comprehend the entrepreneurial implications of this breakthrough for their enterprises in order to deal with the difficulties of the microbusiness operating environment on the one hand and the growing innovations in mobile networks on the other. Industries which runs the mobile money transfer platform should add more user-friendly feature to the platform that support services that SMEs so that their customers and suppliers can be able to utilize their services seamlessly The company should also increase the service provider and SMEs collaborations

5.6 Suggestions for Further Studies

The researcher suggests further studies to cover a wider area of study than just a particular county. Hence, further studies can consider conduction similar research in the entire Kenya. The researcher can collect data from all parts of the country to analyze the effect of mobile money services on SMEs in Kenya.

Moreover, future research may take into account using other factors and a variety of measurement techniques to determine the effect of mobile money services on performance. Also, further studies can include businesses from various industries to see how mobile money services effect their productivity. Future researchers can look into how mobile money services affect other large firms’ organizational performance. This is
due to the fact that the researcher found it is mostly used by most SMEs, thus a study like this might assist understand it better and encourage firms that have not adopted it to do so.
REFERENCES


Chiemo P., (2021). This study was carried out to examine the influence of mobile money services on performance of business in Tanzanian SMEs.


Chew, E., Ilavarasan, V., & Levy, M., (2012). When there's a will, there might be a way: The economic impact of mobile phones and entrepreneurial motivation on female-owned microenterprises. Sixth International Conference on Information and Communication Technologies and Development (pp. 196-204). New York: ACM.


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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Dear Respondents,

I am a Kenyatta University student pursuing an MBA (Finance). I'm now conducting research on how mobile money services affect the financial success of small and medium-sized businesses in Garissa County. All of the data will be kept completely confidential and exclusively utilised research. Please answer all inquiries as truthfully as you can.

Your assistance will be much valued. I want to say thank you.

Yours

Ahmed Muhumed Khorow
APPENDIX II: QUESTIONNAIRE

Please check the appropriate box(es) to indicate the response(s) when there are choices for the response.

SECTION A: GENERAL INFORMATION

1. SME type

2. Gender of the respondent:
   Male [ ] Female [ ]

3. Years of operations?
   1 – 5 Years [ ] 6 – 10 Years [ ]
   11 – 15 Years [ ] More than 15 Years

4. Respondent’s highest level of education:
   Diploma [ ]
   Undergraduate [ ]
   Postgraduate [ ]
   Others. Please specify

Section B: Mobile Payments and Financial Performance

Use the following scale to express how much you agree with the assertions in the subsequent sections.

1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, 5 = Strongly Agree

<table>
<thead>
<tr>
<th>Assertions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5) Receiving payments via M-Pesa solves my issue of having so much cash on hand.

6) Money transfers to my business colleagues via M-pesa have grown.

7) The simplicity of doing business has increased thanks to mobile payments.

8. Discuss some of the difficulties SMEs may encounter while using mobile payment services.

Section C; Mobile Finance

Use the following scale to express how much you agree with the assertions in the subsequent sections.

1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, 5 = Strongly Agree

<table>
<thead>
<tr>
<th>Assertions</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>I'm capable of receive credit from financial institutions by using mobile financing.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am able to acquire sufficient funds thanks to mobile finance to expand my business.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using mobile financing, I can reduce the cost of my business operations.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to mobile finance, I no longer have to worry about opening a bank account.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My ability to respond quickly to consumer needs is made possible by my access to mobile finance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

14. Which approach do you employ for mobile finance??

- Mshwari [ ]
- Equitel [ ]
- KCB Mpesa [ ]
- All [ ]
Section D; Mobile Banking

Use the following scale to express how much you agree with the assertions in the subsequent sections.

1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, 5 = Strongly Agree

<table>
<thead>
<tr>
<th>Assertions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>16. I can monitor transactions in my bank account thanks to mobile banking.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. My account balances are now accessible via my phone thanks to mobile banking.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Using mobile banking, I may make direct deposits to my bank account.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Due to the amount of money stored on-site at businesses, there is less chance of theft thanks to mobile banking.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. I conduct all of my banking business via mobile banking.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. When it comes to transaction speed and cost, mobile banking is convenient.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. I can monitor transactions in my bank account thanks to mobile banking.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23. I can check the balances of my accounts on my phone.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

24. Outline the difficulties SMEs have using mobile banking.

………………………………………………………………………………………………………………………………………………
………………………………………………………………………………………………………………………………………………

Section E; Financial Performance

Use the following scale to express how much you agree with the assertions in the subsequent sections.

1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, 5 = Strongly Agree

<table>
<thead>
<tr>
<th>Assertions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>24. There is increased number of transaction over the period of five years.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25. The increased in the number of transaction is greatly related to mobile money services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26. My business has expanded to the point where I now need to hire more employees to help run it.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27. Since I began utilizing mobile money services, my firm has experienced amazing growth.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28. Alternative sources of credit from banks, which were</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
challenging to get, were made available via mobile money services.

<table>
<thead>
<tr>
<th>No.</th>
<th>Sentence</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>Numerous SMEs in the county have grown as a result of the use of mobile money services.</td>
</tr>
<tr>
<td>30</td>
<td>There is tremendous increase in profits as a results of mobile money services</td>
</tr>
<tr>
<td>31</td>
<td>The business has experienced increase in the sales</td>
</tr>
</tbody>
</table>

32. What are some of the major challenges in achieving set sales target by SMEs………………………………………………………………
…………………………………………………………………………………
……………………………………………………………………………………


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APPENDIX III: RESEARCH AUTHORIZATION

Internal Memo

FROM: Executive Dean, Graduate School
TO: Ahmed Muhumed Khorow
       C/o Accounting and Finance Dept.

DATE: 23rd February, 2023
REF: D58/OL/GAR/27484/2019

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 15th February, 2023 approved your Research Project Proposal for the MBA Degree Entitled, “Mobile Money Services and Financial Performance of Small and Medium Enterprises in Garissa 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 and progress report Forms per semester. The Forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.

ANNBEL MWAHANGI
FOR EXECUTIVE DEAN, GRADUATE SCHOOL

c.c. Chairman, Accounting and Finance.

Supervisors:
1. Dr. Vincent Shiundu
       C/o Department of Accounting and Finance
       Kenyatta University
APPENDIX IV: RESEARCH PERMIT

[Image of a research license certificate]

This is to certify that Mr. Ahmed Muhumuza Khorow of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev. 2014) in Garissa on the topic: Mobile Money Services and Financial Performance of Small and Medium Enterprises in Garissa County, Kenya for the period ending 20/March/2024.

License No: NACOSTI/P/28/24318

754120
Applicant Identification Number

[Signature]

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

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