

**CUSTOMERS' PERCEPTION OF MOBILE BANKING AND FINANCIAL  
PERFORMANCE OF COMMERCIAL BANKS IN NAIROBI CITY, KENYA**

**MUNYASIA NELIMA ROSE**

**D53/OL/22029/2011**

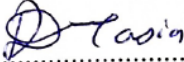
**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS,  
ECONOMICS AND TOURISM IN PARTIAL FULFILMENT FOR THE AWARD OF  
DEGREE IN MASTER OF BUSINESS ADMINISTRATION OF KENYATTA  
UNIVERSITY**

**NOVEMBER, 2023**



## DECLARATION

This project is my original work and has not been presented for a degree in any other university.

  
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24<sup>th</sup> November, 2023  
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Signature

Date

**Munyasia Nelima Rose**

**D53/OL/22029/2011**

I approve that the candidate conducted the project under my supervision as university supervisor.

  
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24/11/2023  
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Signature

Date

**Dr. Stephen Titus Waithaka**

**Lecturer, Computing and Information Technology department**

**School of Engineering**

**Kenyatta University**

## ABSTRACT

With the transition from traditional branch banking to mobile banking, banks needed to find new ways to attract new customers while retaining existing ones. These banks employ mobile banking to minimize operational and management costs and competition. Banks continued to revolutionize with innovations in telecommunications and information technology. Kenya's banking sector has changed significantly since the start of digital transformation. Significant advances in technology have made banking processes efficient and cheaper, but investment in technology is consuming more and more banking resources. Therefore, this study sought to explore customers' perceptions on mobile banking and the financial performance of commercial banks in Nairobi County, Kenya. The customer perceptions were on Perceived Cost (PC), Perceived Usefulness (PU), Perceived Ease of Use (PEOU), and Perceived Risk (PR) as the independent variables and financial performance as dependent variable. The study was anchored on technology acceptance model and used descriptive analysis. It targeted the top five rated commercial banks and target population was 200 customers which was reduced to 133 customers using the Yamane formula. Primary data was collected using questionnaires that were first pilot tested and found to be valid and reliable based on Cronbach Alpha of 0.778. The quantitative data was analyzed using descriptive, correlation and regression analysis and findings presented in tables, charts and discussions. The study's response rate was 75.94%. The descriptive analysis revealed respondents agreed with the statements with high scores where perceived usefulness had (M=3.94), perceived ease of use at (M=3.942), perceived risks (M=3.723), perceived costs (M=3.534) and financial performance (M=4.191). The correlation results showed that all the variables were positively and significantly associated with financial performance of the banks. From the regression analysis, perceived usefulness had the strongest effect on financial performance at  $\beta=.545$ ; followed by perceived risks at  $\beta=.501$ , then perceived ease of use  $\beta=.466$  and the least effect was for perceived costs at  $\beta=.392$ . Further findings showed that 62.9% of financial performance was influenced by customers' perception of mobile banking application. The study concluded that financial performance with aspects like increased customer numbers, profit margins and cash flows was improved by elements of customer perception on mobile banking. The study recommended that commercial banks reduce costs associated with mobile banking, use easy to understand instructions and improve security measures for the application to encourage more subscriptions and use of mobile banking. The sector players like application developers needed to formulate policies to protect customers and systems that have stronger security measures for customers using mobile banking in the country. Improved financial performance of the banks is associated with customer perceptions on mobile banking. The applications will increase financial coverage and expand the market base; hence investment in the sector is beneficial to the customers, the banks and the economy. Further research can cover other commercial banks and assess other factors contributing to financial performance in the commercial banks in Kenya.