

Financial Performance and how it is affected by Mobile Banking Technology Adoption Among SACCOs In Nandi County Kenya

By

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Abstract

The purpose of this study was to determine the effect of mobile banking technology adoption among SACCOs in Nandi County Kenya. The main objectives were: to establish the level of adoption of mobile banking technology, to determine the level of Financial Performance and to examine the effect of adoption of mobile banking technology on financial performance of SACCOs in Nandi county, Kenya. The study adopted a descriptive research design. Primary data was collected using a questionnaire where information related to the independent variable was collected from the members of these SACCOs while dependent variables data was collected from the SACCOs management. The sample size was 384 where 371 respondents responded to the instrument. Target population was 16,821 members of the SACCOs that use mobile banking. The data collected was coded and analyzed using Statistical Package for Social Sciences (SPSS) version 20. Descriptive statistics like frequencies, mean and standard deviation were used that revealed high mean and low standard deviation ratings. Regression and correlation was also used. The study established that the adoption criterion and financial measures like return on equity, return on assets, and liquidity do not significantly correlate. The regression model revealed both weak positive and negative correlation between independent and dependent variables at ($p=0.316$). The adjusted R Square of 0.000 of the regression model indicated that 0% of the variation in the financial performance is explained by the independent variables. The study recommended examining additional factors that might affect SACCOs' financial success besides using mobile banking, such as regulatory environments and economic conditions.

Keywords: Mobile banking Technology Adoption, Financial performance, SACCOs, User registration, accessibility and usability, retention, transaction volume, Liquidity, ROE, ROA

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Introduction

The financial performance of Kenya's SACCOs is positively and considerably affected by mobile banking (Chepkorir, Kemboi & Bett, 2022). Introduction of mobile banking through mobile devices, linking of member's SACCO accounts with personal mobile money wallet and notification of loan standings through short message service has enhanced the financial performance of SACCOs. Mobile banking has a positive impact on financial performance among Deposit Taking SACCOs (Mikae & Magwambo, 2022).

The effect of Mobile banking on the financial performance of Deposit Taking SACCOs has attracted the attention of researchers. Any transaction that is begun and/or finished utilizing a mobile device to access a computer network is referred to as mobile banking. Mobile banking also refers to the delivery of banking-related financial services with the aid of portable communication devices (Bagudu & Abdul-hakim, 2017).

Mobile banking is a digital invention that has greatly impacted the financial industry, giving them a competitive edge. However, deposit taking, saving, and credit cooperatives have been sluggish to adopt mobile banking. With the recent surge in the use of mobile or wireless devices, the use of mobile banking has been gradually rising. Early 2000 studies revealed that European nations, notably the Scandinavian nations, France, the United Kingdom, Ireland, and Germany, together with Canada and Japan, were among the pioneers in mobile banking (Mburu, 2015).

According to a research by Berman and Payne (2018), which focused mostly on online and mobile banking, there was some impact on the SACCOs financial sector's performance. The implementation of these digital advances improved the base, Return on Equity, and Return on Assets. The financial sector has been consumer disrupted by digital technologies, which has created instability that has forced businesses to innovate in order to improve financial performance (Chepkorir, kemboi & Bett, 2022).

In another research to determine the factors influencing individuals' intention to adopt mobile banking in China and Pakistan, found out that mobile banking is one of the most important and emerging ICT in the recent era. It is a type of mobile commerce application that helps the financial institutions to enable their customers to perform the banking activities through mobile devices. M-banking is the new development in financial services sector that contributes the element of pure mobility to service consumption. It makes a convenient access to the consumers of many developing and developed countries to gain value- added banking services (Akhtar & Irfan, 2019).

With reference to a research conducted by Walden University in the United States in 2014, Consumers can perform financial transactions using smartphones and other Internet-enabled mobile devices through mobile banking (m-banking), which removes time and location restrictions. Even though smartphones are the most popular mobile computing devices in the United States, m-banking penetration has been relatively modest, making the adoption patterns of particular academic interest. Adoption of mobile banking in the United

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States was significantly predicted by perceptions of compatibility, credibility, and prices (Engwanda, 2014).

A study done in Nigeria to investigate the effect of Mobile Banking on the Performance of the banking sector, postulated that any bank operating in Nigeria that chooses to disregard the truth that mobile banking in Nigeria has radically changed the banking sector must do so at their own peril. Bank financial performance is influenced by both internal (bank-specific) and external (macroeconomic) factors. Internal characteristics of specific banks are what affect their performance because internal decision-making and the board have a fundamental impact on it. The financial performance of the banks is impacted by external factors, which are factors that influence the entire nation or a specific industry and are beyond of the company's control. The overall financial performance the banking sector in Nigeria has improved over the past couple of decades. Mobile banking positively and significantly affects the financial performance of banks in Nigeria. Mobile banking contributed to increased effectiveness and public trust in the financial system (Bagudu & Abdul-hakim, 2017).

Bestowing to a research done on adoption of mobile banking services by Nairobi County SACCOs in 2015, the development of technology has significantly raised service delivery standards for the financial institution industry. The days when clients would line up in the banking halls to pay their utility bills, tuition, or other financial operations are long gone. They can now perform this at their convenience from the comfort of their homes utilizing their phones or the internet. Additionally, because of the mobile phone industry's explosive growth, the majority of financial institutions have seized an unexplored opportunity and teamed up with mobile phone network providers to provide banking services to its customers (Mburu, 2015).

In order to give their customers the freedom to pay bills, arrange payments, and access many other services while traveling or delayed in traffic, banks today have embraced wireless and mobile technology inside their boardrooms. More individuals than ever now prefer to bank while on the go over going to bank branches. One of the newest e-banking trends is quickly becoming e-payments made using mobile banking (Mburu, 2015).

Mobile banking services including mobile deposits services, mobile bill payments services and mobile statements services has a positive statistically significant effect on the financial performance of Deposit-Taking SACCOs in Kenya. Mobile money transfer, mobile account management, mobile credit facilitation and mobile bill presentment had a positive significant relationship with the financial performance of selected SACCOs in Madera County (Osman, 2022).

In a research to find the relationship between Mobile Banking and Financial Performance of Deposit taking savings and credit cooperatives in Kericho County, Kenya, mobile payment and mobile banking have become common in Kenya as a result of the financial landscape being upended by Mpesa and the growth of digital money transfer. Mobile Network Operators (MNO) has made financial services more readily available. Their network distribution, technology, and financial connections made this possible. According to numerous surveys including a survey done by Chepkorir in 2022, many DT SACCOs are still behind in the adoption of information technology systems. The delivery of financial services to the members without bank accounts has suffered as a result. Unlike traditional banks, which are adapting to the changes in the digital world, mobile banking has made it simple and comfortable for customers to use their financial services whenever they want. Some SACCOs have been implementing digital innovation technologies to improve accuracy,

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efficiency, cut operating costs, and broaden their clientele. As a result, financial performance improved (Chepkorir et al., 2022).

This paper aimed to find out the effect of mobile banking technology adoption on financial performance among SACCOs in Nandi county Kenya.

Statement of the Problem

Many developed nations have adopted mobile banking, making it possible for customers to access services like checking account balances, transferring money between accounts, or paying bills using a mobile device like a cell phone (Mburu, 2015). According to Maina, (2012) 70% of financial institutions in Kenya have adopted process innovation (mobile banking) which enabled them to serve more clients within a shorter time hence boosting their financial performance over time.

In recent years, the adoption of mobile banking technology has become increasingly prevalent within Savings and Credit Cooperative Organizations (SACCOs) in Kenya. This adoption signifies a significant shift in the traditional modes of financial transactions and management within these cooperative entities bringing a positive change in the SACCOs financial performance. Through mobile Internet-enabled devices like smartphones, m-banking enables customers to make financial transactions in real-time. Despite the fact that m-banking requires little to no infrastructure, empirical studies carried out globally have shown that a sizable portion of consumers have some sort of aversion to embracing it (Engwanda, 2014).

The benefits of mobile banking for financial institutions, especially SACCOs, are huge including financial adequacy, improving operations, reduction of cost of offering services and increased earnings among others. In Kenya, payments using mobile money have increased to previously unheard-of levels, and the number of mobile agents and accounts has increased significantly (Central Bank of Kenya, 2022). SACCOs are essential to the financial system, but many of them find it difficult to take advantage of digital innovations, which can cause problems with operations and, in some situations, even financial instability (Chepkorir et al., 2022).

It is worthwhile to investigate how much Kenyan SACCOS may improve financial performance by using mobile banking. Studies have been conducted to establish how mobile banking affects SACCOs service delivery. According to Mburu 2012, the adoption of mobile banking leads to increased revenue, increased number of transactions, improved loan repayment, reduced cost of offering services and a wider customer reach. Studies in Kenya have examined the adoption of mobile and internet banking. Statistics show that SACCOs in Nandi County have a poor adoption rate of mobile banking services, with only a handful delivering Front Office Services, despite the clear desire for cashless transactions and the government's ICT initiatives (SASRA, 2022).

The issue at hand is caused by shortage of thorough investigation and analysis on the precise relationship between SACCOs financial performance measures and the deployment of mobile banking technologies. Although there are unreliable indications of possible advantages including better accessibility to financial services, lower transaction costs, and higher efficiency, the empirical evidence for these assertions is unconvincing especially in Nandi county where a small fraction of the SACCOs have adopted mobile banking.

This research aimed to provide valuable insights into the extent to which mobile banking technology adoption measures like user registration, SACCO app download, active users transaction volume and retention rate, influences the overall financial health and

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sustainability of SACCOs in the region by looking at key financial indicators like profitability, liquidity, asset quality, and operational efficiency.

Objectives

1. To establish the level of adoption of mobile banking technology on savings and credit cooperative societies (SACCOs) in Nandi county, Kenya.
2. To determine the level of Financial Performance of Savings and Credit Cooperative Societies (SACCOs) in Nandi County, Kenya.
3. To examine the effect of adoption of mobile banking technology on financial performance of SACCOS in Nandi county, Kenya.

Hypothesis

H₀: There is no significant effect of adoption of mobile banking technology on the financial performance among SACCOS in Nandi County, Kenya.

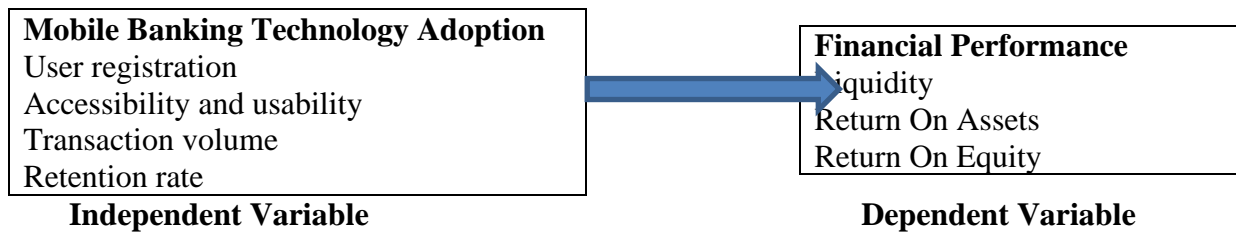


Figure 1. Conceptual Framework.

Source: Field Data 2024

Literature Review

Diffusion of Innovation Theory

It was developed by Everett Rogers in 1960. The theory offers a framework for comprehending the adoption and dispersion of new technologies—like mobile banking—within a particular environment, which may then have an impact on the financial performance of businesses like SACCOs. According to the diffusion of innovation theory, there is a predictable pattern to the adoption of new technology, with several stages including information, persuasion, decision-making, implementation, and confirmation (Rogers, 2003). The theory can assist in explaining how mobile banking technologies are first introduced, assessed, and then incorporated into the operations of SACCOs in Nandi County.

According to the idea, a number of variables, such as perceived relative benefit, compatibility, trialability, complexity, and observability, affect the pace and degree of innovation adoption (Rogers, 2003). These elements may be very important in deciding whether or not SACCOs in Nandi County are willing and able to use mobile banking technologies. SACCOs, for instance, could think that mobile banking offers benefits like better productivity and client convenience, but they might also run into issues with compatibility with current systems and procedures, as well as privacy and security concerns.

Financial Performance

To determine how successfully an organization is accomplishing its goals, performance is a key management concept. Performance is proof of earlier choices and actions that could have an impact on the firm's results today and in the future. Therefore, it is crucial that organizations define the best methods for achieving their objectives as well as proper

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performance evaluation criteria. Therefore, a bank's capacity to create consistent profits to raise shareholder wealth and strengthen its capital base through retained earnings determines its financial success (Osman, 2022).

A study by Adewoye, (2013) on the “Impact of Mobile Banking on Service Delivery in the Nigerian Commercial Banks” shows that E-banking services has boosted banking efficiency in offering services to clients. The investigation was conducted in Lagos State using a total of 140 questionnaires which were conducted and delivered to senior and junior employees of the chosen banks, and 35 employees from each of the four (4) chosen institutions were chosen. One hundred twenty-five (125) questionnaires, or 83.3% of the total given, were deemed suitable for the study's purposes. To examine the effect of mobile banking on service delivery and also look at the relationship between mobile banking and service delivery in the sampled banks, data was collected and analyzed using frequency tables, percentage and mean score analysis, as well as the non-parametric statistical test Chi-square.

About (70.40%) of the respondents strongly agreed that great value on the improved quality of life, inter relationship and other personal gains can be achieved from using of mobile banking services. The results of the findings showed that Mobile banking improve banks service delivery in a form of transactional convenience, saving of time, quick transaction alert and cost saving,

Liquidity

Liquidity according to the International Accounting Standards (IFRS, 2006), is defined as the cash available for the immediate future after accounting for any related financial commitments. According to Stoica (2000), liquidity risk is the possibility that an organization won't be able to pay its creditors due to fluctuations in the ratio of long-term to short-term debts and the lack of a link between these two variables. Agreeing with Songe (2015), Profit before taxes as a percentage of total assets, which is a measure of financial performance, is positively correlated with liquidity, financing liquidity risk, operational effectiveness, quick ratio, and log of total assets. A large body of research theoretically asserts positive association between good liquidity management and financial performance of financial institutions. According to study on “The Effect of Liquidity Management on the Financial Performance of Deposit Taking SACCOs in Nairobi County,” liquidity management of Deposit taking SACCOs has a strong positive association with their financial performance as given by R2 values of 0.829 and adjusted to 0.811. From the analysis of findings, it was established that a unit increase in liquidity, while holding other factors (funding liquidity risks, operational efficiency, quick ratio and size) constant, will lead to an increase in ROA by 13.491 ($p < .001$).

Return On Assets (ROA) and Return On Equity (ROE)

Return on Assets (ROA) is a popular metric for determining the rate of return on total assets after interest and tax payments. A financial statistic called return on assets (ROA) is used to gauge how well an organization has utilized its assets to produce profits. Due to the higher rate of return on investment, a higher Return on Assets (ROA) demonstrates superior business success. For the SACCOs, the high Return on Assets (ROA) is beneficial. Return on Equity (ROE) measures the success of the investment made by owners of the company's own capital or shareholders and illustrates how successfully businesses manage their own money (net worth). Because more working capital may be utilized to support the SACCOs' activities,

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which may ultimately create profits, the greater the value, the higher the ROE amount of profit earned (Heikal et al., 2014).

In a study to determine “Different approaches to the EBIT construction and their impact on corporate financial performance based on the return on assets: Some evidence from Czech top100 companies” prove that the level of indebtedness influences the difference in the ROA calculations when different kinds of profit are used. In the case of the companies with a higher indebtedness (above 45% of interest-bearing debts), it is more appropriate to compare the ROA indicators based on the nominator containing earnings before interest and taxes (EBIT). This nominator has also a high comparison power in the case of the companies with a lower indebtedness (Strouhal, Ključnikov, Štamfestová & Vincúrová, 2018).

User Registration

Consumers today seek out a variety of delivery options, convenient working hours, and freedom from time and place restrictions. As a result, practically financial institutions use several alternative electronic channels to deliver services. Financial institutions have started offering mobile banking services as a result of the significant shifts in global technology and consumer attitudes. For example, by 2017, 5.5 million Middle Eastern consumers have registered for internet banking, and 30% of all banking transactions were expected to be completed online. (Osman, 2022).

Accessibility and Usability

According to Gunther, 1997, accessibility is a component of the overall service offered to financial consumers allowing them to do banking transactions anywhere as long as they can access the internet. Customers may utilize the websites or applications based on how user-friendly and useful they are for helping them do their jobs. The demand for smartphones for banking in financial services and mobile commerce has surged due to Asia's rapid growth of smartphone technologies. In Pakistan, individuals' intentions to use mobile banking are significantly predicted by perceived utility, social influence, and simplicity of use, but in China, perceived usefulness is a key predictor. Cultural values were seen as playing a moderating effect in the positive association between social influence and people's intentions (Akhtar & Irfan, 2019).

Transaction Volume

Technology has been incorporated into everyday business and retail transactions during the past 20 years, causing a technological flood. These phenomena may be explained by a number of factors, including client convenience and time-effectiveness as well as service providers' cost-effectiveness. The adoption of mobile banking is being impeded by issues related to customer enrollment, such as mobile number registration, the process of generating an M-PIN, security-related concerns, staff education and customer awareness, and technical issues that banks are facing, such as transaction access channels, a laborious transaction process, and coordinating with Mobile Network Operators (MNOs) in the mobile banking ecosystem. However, if the problems are resolved, this research predicts a promising future for mobile banking, so all is not lost. The study shows that mobile banking is becoming more and more popular, with transaction values and volumes increasing by 228.9% and 108.5%, respectively, over the Financial Years 2012 and 2013 (Bhatt, 2016).

Retention Rate

The essential deposit-taking services, such as membership applications, account openings, loan applications and approvals, loan repayments, deposits and withdrawals, fund transfers, bill payment, and account statements, must, at the very least, be accessible online and via mobile platforms. Requiring members to execute these fundamental services over the phone or in person at a branch discourages member retention. In order to survive in the present digital era, it is essential to use social media platforms and interactive websites to answer members' questions, promote financial services, and measure member satisfaction (Gathoni & Obwogi, 2015).

The idea of customer retention centers on a customer's history of purchases, which characterizes the connection to customer pleasure. Due to their poor customer retention rate, SACCOs have had to reconsider the caliber of the services they provide to their clients in their business plan through incorporating quality service, flexibility, resource utilization and innovation. The process via which clients receive customized services to fulfill their needs as a result of outside circumstances is known as service flexibility that includes delivery speed and adaptability. Speed of delivery includes providing timely responses to customer questions and inquiries, and informing your clients promptly. Resource utilization encompasses effectiveness and efficiency in the components of resource utilization. Innovation is the systematic process of creating, approving, and introducing new concepts, procedures, goods, and services with the goal of improving consumer experiences. The provision of logistics services is a major function of adaptability, with an emphasis on the fact that adaptability of service not only helps meet customer needs but also ensures customer satisfaction and loyalty to build strong business ties between service provider and recipient hence ensuring retention the customer (Waithera, 2020).

Methodology

Research Design

This study adopted descriptive research design. According to Saunders (2011), descriptive research design enables the researcher to gather data from a set of population either through administration of questionnaires or through interviews. The researcher collected the data from five SACCOs in Nandi County that represented the whole population of SACCOs in the said County. This design allowed the researcher to collect substantial amount of data by gathering it directly from the population. In this study, the researcher gathered primary data from the members of these SACCOs and analyzed the data to answer the research questions.

Target population and sampling techniques

Many SACCOs in Kenya including SACCOs in Nandi County use Frond Office Service Activity (FOSA) services which is the mobile banking aspect. The target population was members of the SACCOs and their branches situated in Nandi County. The members are key consumers of the mobile banking technology which is my unit of analysis. The number of targeted respondents was 384 which was attained using Cochran's formula.

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Presentation and Discussion of Findings

Table 1: Statistical Summary of Demographics

	N	Percentage	
Age	19-28	102	27.5%
	29-38	97	26.1%
	39-48	100	27.0%
	49-58	65	17.5%
	59 and above	7	1.9%
Gender	Male	206	55.5%
	Female	165	44.5%
	Total	371	100.0%

Source: Field Data 2024

Table 2 Calculation of Mean

	User registration	Accessibility and usability	Retention	Transaction volume
Grand Mean	4.025	4.06	4.074	4.052
Grand Standard Deviation	1.00875	0.922	0.895	0.930

Source: Field Data 2024

The means of the four independent variables are high on a 5 point likert scale an indication of a high level of agreement of SACCO members on the user registration, accessibility and usability, retention and transaction volume of mobile banking application. The standard deviation was low indicating a small disparity in the responses. There was a strong agreement among respondents.

Table 3: Correlation Analysis

		LIQUIDITY	RETURN_ON ASSETS	RETURN_ON EQUITY
USER_REGISTRATION	Pearson Correlation	-.006	.077	.023
	Sig.(2-tailed)	.914	.141	.656
	N	371	371	371
ACCESSIBILITY_USABILITY	Pearson Correlation	.028	.044	-.018
	Sig.(2-tailed)	.593	.400	.730
	N	371	371	371
RETENTION	Pearson Correlation	.002	.067	.007
	Sig.(2-tailed)	.966	.199	.894
	N	371	371	371
TRANSACTION_VOLUME	Pearson Correlation	.018	-.001	-.012
	Sig.(2-tailed)	.732	.983	.823
	N	371	371	371

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

Source: Field Data 2024

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According to the study findings in the table 13 above, the null hypothesis which stated that:

H₀. There is no significant effect of adoption of mobile banking technology on the financial performance among SACCOS in Nandi County, Kenya.

This was supported since all the p-values returned as indicated in table 13 above were above 0.01. This implied that there is no significant effect between Mobile Banking Technology Adoption (*in terms of user registration, accessibility and usability, retention and transaction volume*) and financial performance (*in terms of liquidity, return on assets and return on equity*).

This showed that SACCO managers may not consider mobile banking as a key factor for their institutions financial performance. They can consider other factors like economic cycles, market conditions, managerial effectiveness, and regulatory frameworks among others that may have effect on the overall financial performance. Due to the changing nature of technology related factors, mobile banking technology adoption can be monitored for a longer period of time for it to bear positive effect on the SACCOs financial performance.

Table 4: Variables

ANOVAa

Model	Sum of Squares	of Df	Mean Square	F	Sig.
Regression	2.305	1	2.305	1.008	.316 ^b
Residual	843.434	369	2.286		
Total	845.739	370			

a. Dependent Variable: DEPENDENT_VARIABLE

b. Predictors: (Constant), INDEPENDENT_VARIABLE

Source: Field Data 2024

The table above shows that the F-value between the dependent and independent variables is 1.008. The study established that there are no significant differences between the opinions of the respondents regarding mobile banking technology adoption. The results in the table above show 0.316 significance which is above the 0.01 test significance indicating that the null hypothesis is accepted. The findings inform the SACCOs management that mobile banking technology does not have an effect on the SACCOs financial performance.

Conclusion

The lack of a substantial association between these adoption criteria for mobile banking and financial measures like return on equity, return on assets, and liquidity, however, suggests that other factors could potentially affect financial success. The direct effects of mobile banking variables may be obscured by external factors such as market conditions, regulatory frameworks, managerial effectiveness, and economic cycles. Adopting mobile banking technologies might not have an immediate financial impact. It could take some time for mobile banking's enhanced client happiness, lower expenses, and higher efficiency to show up as quantifiable gains in profitability or liquidity indicators. Financial indicators can be greatly impacted by external economic conditions, such as changes in inflation, interest rates, or political unrest, even in cases where mobile banking usage is not present.

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Recommendations

This study highlights the necessity for SACCOs to enhance member education and communication to make their members aware of the available technological innovations and how to use them. To meet the varied demands of its members, SACCOs ought to think about providing a greater range of services, such investment possibilities, insurance products, and more, through mobile banking platforms.

SACCOs should make sure that mobile banking services satisfy changing member demands and preferences by continuously monitoring usage trends and member feedback. User-friendly interfaces, simplicity of navigation, and service dependability should remain top priorities for SACCOs. Enhancing overall satisfaction will require regular feedback systems and modifications to address customer issues.

SACCOs should Strengthen Retention methods. This involves offering individualized customer care, loyalty incentive plans, and early notice of upcoming features and advantages. SACCOs should make significant investments in technology infrastructure to resolve obstacles relating to user access and technological restrictions through improving security protocols, guaranteeing device interoperability, and offering technical assistance to allay user anxieties.

SACCOs should keep a careful eye on these measures even if the study revealed no correlation between the adoption of mobile banking and financial performance metrics (ROA, ROE, and liquidity). Performance may be gradually improved with the use of regular financial analysis, benchmarking against industry norms, and strategic modifications.

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