INFLUENCE OF M PESALINK BUSINESS MODEL ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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DECLARA

TION AND APPROVAL

I hereby declare that this project is my own original work and has not been previously submitted for any other award in any institution.

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APPROVAL

This project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

To my beloved mum Habona , my wife Fatuma, my sons Abdulwahab and Muhamed for their unwavering support, love, and encouragement .

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ABSTRACT

M-Pesa is a mobile phone based money transfer system in Kenya which grew at a blistering pace following its inception in 2007. It is a financial innovation which has been a key feature in the banking sector based on the high levels of innovations and use of modern technologies in the day to day operations. The need to meet customer demands and enhance competitiveness in the dynamic markets, has been akey driver to adoption of modern technologies in the banking sectors to keep up with all these trends. This study aimed to assess how M-Pesa linkage business model impacts financial performance of commercial banks in Kenya. The study specific objectives were; To establish how Mpesalink create value addition; determine the impact of Mpesalink on quality of resources; to evaluate the impact of M pesalink on adaptability by the commercial banks and to find out the impact of Mpesalink on imitability on performance of commercial banks in Kenya. The study was guided by Schumpeter theory of Innovation, Innovation Diffusion Theory and Transaction Cost Innovation theory. The study used a descriptive statistic in its methodology. This study used primary data. Data collection was through use of structured questionnaires. The study population were the senior, middle and low level management from a total of 42 commercial banks in Kenya. The questionnaires were issued through drop and pick method, coded, keyed and were analyzed using both descriptive and regression analysis. The regression model had four variables that is value creation, quality of resources, imitability and adaptability were the dependent variables while financial performance of commercial banks were the independent variable. As evidenced by the high mean values of the responses, which were above 3.585, the study's findings showed that the majority of Kenyan commercial banks had realigned their business models by using Mpesa Link's value creation feature to realign their processes. This has increased the banks' market share and customer satisfaction levels. The quality of resources was found to have had a significant impact on business model realignment. This was demonstrated by a mean value of 4.29, which showed that the adoption of MPesaLink innovations had significantly improved the quality of resources provided by Kenyan commercial banks. A mean score of 4.18 indicates that MPesaLink, adaptability, had a significant impact on the business mode realignment of Kenyan commercial banks. MPesaLink's adoption, which has enhanced consumer benefits, timely service delivery, and efficient service delivery. According to the responses, commercial banks in Kenya have been able to realign their business models to a moderate degree because they can provide highly distinctive products that their rivals cannot copy, they can endure over the long term, and they can also achieve consistent profitability. In order to reap the benefits of using MPesaLink as a financial tool to improve financial performance, the study suggests that commercial banks enlighten their clients about its use. Future research should examine additional financial breakthroughs and their impact on the realignment and comparison of company models in relation to this study.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

M-Pesa is a money transfer system operated by Safaricom, Kenya's largest cellular phone provider. M-Pesa allows users to exchange cash for "e-float" on their phones, to send e-float to other cellular phone users, and to exchange e-float back into cash. The story of the growth of mobile telephones in Africa is one of a tectonic and unexpected change in communications technology. From virtually unconnected in the 1990's, over 60 percent of Africans now have mobile phone coverage, and there are now over ten times as many mobile phones as landline phones in use (Aker and Mbiti, 2020). Even with the story of mobile phones' growth as a background, the growth of M-Pesa is
startling.

Within eight months of its inception in March 2007, over 1.1 million Kenyans had registered to use M-Pesa, and over US$187 million had been transferred over the system (Safaricom, 2017). By September 2019, over 8.5 million Kenyans had registered to use the service and US$3.7 billion (equivalent to 10 percent of Kenya's GDP) had been transferred over the system since inception (Safaricom, 2019). This explosive growth was also mirrored in the growth of M-Pesa agents (or service locations), which grew to over 18,000 locations by April 2010, from a base of approximately 450 in mid- 2007 (Safaricom, 2019and Vaughan, 2017).

By contrast, Kenya has only 491 bank branches, 500 postbank branches, and 352 ATMs (Mas and Ng'weno, 2019). While the mobile telephone is within sight of becoming a mature business, e-money services like M-Pesa are still in their early days and are continually evolving in response to competitive pressures and customer needs.

Prior to the introduction of M-pesa, individuals used a mixture of informal and formal channels to transfer money. Larger bus companies such as Akamba Bus company or Scandinavia Bus Company offered formal money or parcel transfer services, where recipients would collect the funds at a designated bus terminal. However, smaller bus companies or independent mini-bus operators (matatus) would perform these transactions informally, and in some cases the busdriver would carry the funds with the promise to deliver them. In other cases, individuals would disguise money transfers as packages and place them on the bus for delivery to the designated terminal (Kabbucho et al., 2018 and Morawczynski, 2019). The post office offered a variety of different money transfer products including instant money transfer (postapay) and money orders which would be delivered to the post office closest to the recipient (Kabbucho *et al*., 2018). Banks and money transfer companies such as Western Union or Moneygram also offered transfer services, although their outlet or branch networks were not as extensive as the post office's.

Modern businesses in the developing world are increasingly deploying the use of alternative payment methods to enhance the quality of services to their customers and increase growth. These are methods other than the exchange of cash at the point of sale. The pace of transformation in the business sector has sped up with more businesses realizing the potential of using alternative modes of payments to ease their transactions. They are increasingly deploying the use of mobile payments to enhance the quality of their services and increase growth (Mbogo, 2019).

Modern firms are focusing to improve on their financial performance and long term survival prospects by innovating in products, organizational governance and through embrace of modern core technological support systems. The major reason for financial innovations by commercial banks is the aspect of cost reduction which is the basis of transaction cost theory. (Schumpeter, 2019).

1.1.1 Growth of Mpesa

In Kenya, M-Pesa has grown astronomically. MPesa has more than 2.3 million active consumers in just one year of existence. There were 9.48 million registered users as of March 2010 (up from 2.08 million in March 2008), and there were Ksh 28.59 billion in person-to-person transfers in March 2010 (up from Ksh 3.0 billion in March 2008) (Safaricom Annual Financial Report of 2020). A number of variables contribute to the extraordinary rise of mobile banking, particularly in Kenya, according to Omwansa (2019). The necessity of accessing financial services, the remarkable uptake of mobile phones, and the affordability of electronic money transfers are the top three. The sections that follow provide greater details on each of these elements.

The number of mobile subscribers in Kenya has increased dramatically. The number had increased to well over 13 million by December 2008. Over the same time period, land line usage increased from 328,358 to 463,122, a much slower rate. Two years later, the number of mobile subscribers in Africa had more than doubled to 301.7 million, reflecting a penetration rate of 30.4%, from 147.4 million in the first quarter of 2006. Rosenberg, 2009 As of the second quarter of 2008, Kenya's penetration rate increased from 2% in 2001 to 39%, per an ITU survey. Kenya is the most advanced mobile market in East Africa, and by 2012, its penetration rate is expected to be 67.5%.

In Kenya, there are four active mobile service providers. With 81% of all subscribers, Safaricom is the undisputed market leader with well over 15 million users. Telkom Orange has roughly one million users, followed by Zain (previously Celtel) with somewhat more than three million. Econet hasn't provided any subscription data despite just being around for a month. M-PESA has the advantage it needs to swiftly gain traction because Safaricom controls a significant portion of the subscription base. While other network users can

receive an SMS from an MPESA subscriber, only Safaricom users are able to manage a 22 M-PESA account. (Pickens, 2019).

The necessity of financial services accessibility According to a countrywide poll done in early 2007, only 19% of Kenyans had access to properly regulated financial institutions like banks, and 38% lacked any kind of financial services. There were just 400 bank offices, just over 600 automated teller machines, and more over 10 million mobile phone users nationwide. (2019, Ndungu). One could argue that the poor penetration of banking services and the public's need for them are the main reasons why M-PESA took off so quickly. We have a number of signs that the service has benefited the unbanked in both directions, even though there haven't been many studies to determine whether this is the case. Many people who already use banks are drawn to them by features like ease, speed, and cheap transaction costs. Because M-PESA allows them to spend more time managing their businesses and visit the bank less frequently, small businesses stand to gain the most from its utilization. No matter where they are in the nation, a large number of unbanked Kenyans can now send and receive money using their smartphones.

Safaricom and Pesa Point Ltd. inked a deal in September 2008 that permits M-PESA users to take out cash from PesaPoint ATMs. 2005 saw registration. The goal of PesaPoint is to make it simple for all Kenyans who have bank accounts to access their money from anywhere in the nation. More than 110 ATMs have been placed nationwide thus far. The issue of agents occasionally not having enough cash to 23 issue to M-PESA consumers who wish to withdraw it is resolved by this agreement. By connecting M-
PESA to the official banking system, this relationship was a significant turning point that demonstrated the willingness of additional financial players to work together to increase access to financial services.

M-PESA and Western Union inked a new contract for international cash transactions in December 2008. A cross-border intercontinental mobile money transfer service between the UK and Kenya will be piloted by Vodafone, Safaricom, and Western Union. In the end, overseas remittances will be accepted by M-PESA customers in the same way as domestic ones. The World Bank says. International remittances totaled over SUS 1.3 billion for Kenyans in 2007; for some, these remittances constitute a sizable portion of their overall income. The lives of many Kenyans will undoubtedly be improved by these advancements. Omwansa (2019).

As to the aforementioned 2007 survey, more than 70% of Kenyans favor informal means when sending money to their loved ones in the nation. 55% of those surveyed sent money with friends or family who would be traveling, and 22% made use of public transportation. Because these methods have lower transaction fees than banks and money transfer firms, many choose them even though they are not safe. Ndungu (2019).

M-PESA provides a very attractive transaction cost together with a very competitive bundle. It would cost roughly K.shs. 1.200 (approximately US$17) to move KShs. 35,000 (approximately US$500) inside the country using a money transfer business like Western Union 24. However, sending the same amount via M-PESA would cost less than a third of that amount, and M-PESA is far less expensive than using a bank account. Banks and money transfer services are unable to provide such low rates due to their setup and operating expenses. (2019, Safaricom Financial Report).

1.1.2 Mpesa in Kenya

In Kenya the business community has undergone many challenges with the introduction of Information Communication Technology (ICT). Mobile phones are in the centre of this development. The mode of payment through mobile phones has impacted the way in which

business conduct their transactions. Mpesa is at the forefront of these mobile phone transactions. The businesses view this mode of payment as an easier form of cash delivery to their suppliers and business partners, a system which is relatively affordable, personal and can be used anywhere at any time (Anurag, Tyagi and Raddi,2019).

There‘s appeal in mobile banking and 2 mobile payment services across the country as there are probably more people with mobile handsets than bank accounts (Porteous, 2016).

M-PESA was developed by mobile phone operator Vodafone and launched commercially by its Kenyan affiliate Safaricom in March 2007. M-PESA (M‖ for mobile and PESA‖ for money in Swahili) is an electronic payment and store of value system that is accessible through mobile phones. To access the service, customers first register at an authorized M-PESA retail outlet. They are then assigned an individual electronic money account that is linked to their phone number and accessible through a SIM card-resident application on the mobile phone. Customers can deposit to and withdraw cash from their accounts by exchanging cash for electronic value at a network of retail stores or agents.

These stores are paid a fee by Safaricom each time they exchange these two forms of liquidity on behalf of customers. Once customers have money in their accounts, they can use their phones to transfer funds to other M-PESA users and even to non-registered users, pay bills, and purchase mobile airtime credit. All transactions are authorized and recorded in real time using secure SMS (Safaricom, 2017).

M-Pesa allows users to exchange cash for "e-float" on their phones, to send e-float to other cellular phone users, and to exchange e-float back into cash. The story of the growth of mobile telephones in Africa is one of a tectonic and unexpected change in communications technology. From virtually unconnected in the 1990's, over 60 percent of Africans now have mobile phone coverage, and there are now over ten times as many mobile phones as

landline phones in use (Aker and Mbiti, 2020). Even with the story of mobile phones' growth as a background, the growth of M-Pesa is startling. Within eight months of its inception in March 2007, over 1.1 million Kenyans had registered to use M-Pesa, and over 87 million United States Dollars had been transferred over the system (Safaricom, 2017). By September 2009, over 8.5 million.

Kenyans had registered to use the service and 3.7 billion United States Dollars (equivalent to 10 percent of Kenya's GDP) had been transferred over the system since inception (Safaricom, 2019). This explosive growth was also mirrored in the growth of M-Pesa agents (or service locations), which grew to over 18,000 locations by April 2010, from a base of approximately 450 in mid- 2007 (Safaricom, 2019 and Vaughan, 2017). By contrast, Kenya has only 491 bank branches, 500 Postbank branches, and 352 ATMs (Mas and Ng'weno, 2019).

The rapid adoption of mobile money transfer services in Kenya since Safaricom launched its MPesa in 2007 has quickly caught the attention of other mobile telephone operators on the continent (Business Daily, 2021) since inception; Mpesa has evolved in service offering. MPESA'S initial main offering was peer to peer money transfer enabling users to send money to anyone with a mobile phone. M-PESA filled a niche which previously was essentially handled via informal channels- through personal trips, friends, relatives, and public transport.

Safaricom based the initial launch of the M-PESA service on the 'send money home' proposition. This targeted city dweller with the need to send money to their relatives in the rural areas. In recent months Safaricom has increasingly opened up M-PESA to offer more services. Since its launch in March 2007, M-PESA has spread quickly, and has become the most successful mobile-phone based financial service in the developing world. M-PESA

customers can now pay bills, pay for goods and services, deposit and withdraw money from bank, pay loans, buy water, pay school fees, buy air tickets and even buy insurance. This evolution of the M-PESA service 4 has enabled up to 40 per cent of the adult population in Kenya get access to financial services. M-PESA is definitely on the right path, and my hope is that the service will keep evolving until the problem of financial inclusion in Kenya is successfully tackled (Business Daily, 2018).

The inception of M-Pesa in 2007 dramatically changed the money transfer market. In lessthan two years since its inception, M-Pesa was the leading money transfer method with over 50 percent sending money via M-Pesa and over 65 percent receiving funds through the system in 2009 The emergence of M-Pesa as the dominant money transfer mechanism virtually eliminated the use of post office products, bus companies, and formal channels such as Western Union and banks, where between 3.5 percent and 0.4 percent of individuals now use these methods to send or receive money . However, sending and receiving funds through friends remains a popular means of money transfer, where 33 percent of individuals send money via a friend and 22 percent receive funds through a friend in 2009 (Safaricom, 2021).

The explosive growth of M-Pesa has inevitably inspired a great deal of discussion about what the system really is and what it could grow to be. Is it simply a low-cost money transfer system competing with (or replacing) modalities such as cheques and Western Union? Is it a nascent form of electronic money that will someday largely displace cash? Can it be used as a savings account? Is it a means by which financial services can be provided to the unbanked? Suri and Jack (2017) report that three out of four M-Pesa users indicate that they use it to save money. Recently, the potential for M-Pesa to be a savings vehicle has received even more attention, as Safaricom and Equity Bank have introduced M-Kesho, an interest-bearing savings account that is directly linked to M-Pesa. M-

PESA consumers are also drawn to the service's cost, which is 27% less expensive than postal network services and 68% less expensive than bus firms. Moraw'czynski (2019) According to the same study, there are two types of M-PESA users: rural recipients, who are primarily women, and urban senders, who are typically men. The majority of their transactions are either lump sum transfers, which are frequently used to cover school tuition, or small, frequent transfers that serve as financial support for rural families. M-PESA does have certain drawbacks, too, according to the same study.

Since M-PESA uses the same technology as text messaging, urban customers report that they are occasionally irritated by unsuccessful transactions, which are frequently the consequence of network issues. Due to the fact that Safaricom's customer service is frequently difficult to reach M-PESA support phone number 234: If a transaction fails, the user may need to contact the M-PESA agent network, which frequently has trouble fixing the issue. Users in rural areas claim that agents occasionally don't have enough cash on hand, often known as cash float. M-PESA users frequently have to travel to the cities to retrieve their money when their agents are unable to fulfill their withdrawal requests.

On the plus side, consumers say that transfers made via M-PESA have increased their incomes by 5% to 25%. Urban migrants are sending home more money than ever before, on average, through smaller but more frequent payments. Remittances can account for as much as 70% of rural receivers' household income, so this is a significant gain. In 2009, Morawczynski According to the study, M-PESA is also empowering rural women by making it simpler for them to approach their husbands and other contacts in Kenyan cities for financial assistance.

Many rural women no longer have to take the bus to the city to pick up their husbands' money, a process that might take up to a week for some. This is made possible by

remittances made through M-PESA. Unexpectedly, several men who work in the city have reduced the frequency of their visits to their rural homes, something they used to do regularly before M-PESA was introduced in order to send money to their wives and family. A full halt in remittances or, worse, conflicting claims for their houses and land could result from some wives' worry that their husbands will abandon them for "city wives." (2019, Morawczynski)

All things considered, the study indicates that M PESA has improved saving habits. The financial business diaries specifically show that a large number of clients are combining M-PESA with well-known savings instruments including bank accounts and unofficial savings clubs. The users who kept financial diaries the most frequently made 15 to 20 little deposits to their M-PESA accounts on average every month. Some put these savings into bank accounts to generate interest, while others invested them in their rural homes, such as by building a house or buying a cow.

Although there isn't any concrete proof that rural women are more empowered and have higher wages and savings, the study highlights the advantages in only two Kenyan villages. Therefore, the study marks the start of a deeper comprehension of how mobile banking affects the lives of the impoverished using new data sources. Our analysis makes it abundantly evident that M-PESA is removing numerous obstacles to money transfers, especially by assisting in the delivery of funds to rural Kenyan communities that frequently face difficulties in obtaining traditional banking and financial services.

Furthermore, many rural clients are using a developing network of possible remitters and lenders to efficiently boost their incomes as M-PESA has reached critical mass. (2019, Morawczynski) The societal impact that M-Pesa has had on Kenyans, particularly in rural regions, is essentially summed up in the sentence above. The number of lowincome

Kenyans who use M-PESA to keep money is among the most intriguing discoveries. According to one in five M-PESA users, they store money in their wallet, which functions similarly to a bank account. This is compelling proof that Kenyans are more in need of money and are prepared to pay for high-quality services. (2019, Pickens) Likewise, the aforementioned remark encapsulates the economic impact that M-Pesa has had on Kenyans, particularly those with modest incomes.

1.1.3 M Pesa Structure

There are three basic transactions that customers conduct with M-Pesa. First a customer may deposit money at an M-Pesa outlet in return for e-float (called a "cash- in" transaction.) The customer is required to show a valid identification document, and his identity and the amount of the deposit are logged in a book kept at the outlet. Upon receipt of the money, the M-Pesa agent enters the customer's telephone number and deposit information into his/her cell phone, and the customer waits at the outlet window until he/she receives a confirmation text message that e-float has been deposited. Unless the system is running slowly (which happens occasionally), the whole transaction takes about a minute or less.

Secondly A customer may exchange e-float for cash at an M-Pesa outlet (called a "cash out" transaction.) Again, the customer must show a valid identification document, and the transaction is logged. The customer tells the the shop clerk how much cash he/she wants, then chooses "withdraw cash" on the M-Pesa menu on his phone, enters the amount to be withdrawn (plus the relevant fee), and enters the agent number. The agent then receives a text indicating that the transaction is complete, and the agent then gives the appropriate amount of cash to the customer. This whole transaction takes about one minute. Thirdly, a user may transfer e-float from his/her phone to another phone. Our study refers to such a

transfer as a "person-to-person transfer," even though one or both of the parties may be an institution or firm. The user enters the phone number of the recipient and the amount to be transferred on his/her cellphone. The sender and recipient each receive a text message stating that money has been transferred. (Safaricom, 2021).

1.2 Statement of the Problem

A key assumption of most research work done on the improvement of operations has been financial innovation is directly proportional to improvements in business model realignments (Upton & Kim, 2019). To achieve sufficient performance in the banking sector requires that banks should be prepared in the face of uncertainty, to have good systems in place to counter challenges and sustain their operations while at the same time reduce the risks that come with financial innovations. The only institutions that will survive are those which are able to adapt to the dynamism of the external environment and incorporate new methods of doing business. Forces of change that have had an immense impact on the performance of commercial banks include mainly financial innovation advancement (Oyeyinka, 2022).

Technological change has been inevitable in the financial sector. The adoption of internet banking has changed the dimensions of competition following the introduction of personal computer banking, automated teller machines (ATMs) and phone banking, which are the initial cornerstones of electronic finance. In order to minimize their operational costs, commercial banks have adopted internet banking and mobile banking platforms as key channels for efficient fast and reliable service delivery (Smith, 2019).

Globally, Hao and Hunter (2017) tested the impact of financial innovation and economic innovation on economic growth. The findings indicated that both financial innovation and economic innovation are positively related to economic growth. Phillippas and Costas

(2019) carried out a study on influence of financial innovation to the validation of operational risk. The results indicated that financial innovation is more likely to occur and spread in production lines that have a great cross-correction with an increasing operational risk. Kinderstom et al (2023) carried out a study on service innovation in product-centric firms: a multidimensional business model perspective. The results indicated that there is need for specific resources and capabilities for specific business model elements.

Locally in Kenya, Kigen (2020) studied the impact of mobile banking on transaction costs of micro finance institutions where he found out that by then, mobile banking had reduced transaction costs considerably though they were not directly felt by the banks because of the then small mobile banking customer base. This is however in contrast to today where an increased number of commercial banks have embraced mobile banking platform as a key business driver. Kingoo (2021) did study on the relationship between electronic banking and financial performance of commercial banks in Kenya, and in addition, also examined the wider electronic banking where he established electronic banking has a positive impact on financial performance.

Njeri (2023) carried out a study on effects of financial innovation on the financial performance of deposit taking SACCOs in Nairobi County. The results indicated that there is a positive relationship between financial innovation and financial performance. The World Bank estimates that in many countries, over half the population, "the unbanked", has never had a bank account. The poor tend to be terrified of banks, since they are often humiliated or ignored when they try to enter them. That means they cannot leave their savings anywhere safe, pay a bill without walking with the cash to the office, or prove that they are credit-worthy. (Wireless intelligence. 2017) Studies have been done by Owens, John and Anna Bantug-Herrera (2016) for other countries, specifically South Africa and Philippines. Despite the phenomenal growth of M-Pesa and the major impact it has had in

Kenya, they have been no published academic studies done so far in Kenya on the socio-economic impact of mobile banking in Kenya (Gikunju. 2019).

From the studies above, it is evident that there existed a gap in knowledge on the impact of M Pesalink business model on financial performance of commercial banks. Therefore this research study will seek to address this gap by evaluating the impact of M pesalink business model on financial performance of commercial banks in Kenya.

1.3 Purpose of the Study

The purpose of this study was to assess the influence of Mpesa link on financial performance of commercial banks in Kenya.

1.3.1 Objectives of the Study

i. To establish how Mpesalink create value addition on financial performance of commercial banks in Kenya.
ii. To determine the influence of Mpesalink on quality of resources on financial performance of commercial banks in Kenya iii. To evaluate the influence of M pesalink on adaptability on financial performance of commercial banks in Kenya iv. To find out the influence of Mpesalink on imitability on financial performance of commercial banks in Kenya.

1.4 Research Questions

i. How does Mpesalink create value addition on performance of commercial banks in Kenya?

ii. To what extent does Mpesalink impact quality of resources on performance of commercial banks in Kenya?

iii. What is the influence of M pesalink adaptability on performance of commercial banks in Kenya iv. What is the influence of Mpesalink on imitability on performance of commercial banks in Kenya.

1.5 Significance of the Study

This research study will be of value to different stakeholders in the field: First, to the management in commercial banks, this study will inform them on the need for embracing innovation in designing the organization's business models. Through the findings of this study, the management will be able to evaluate the arising opportunities for the banking industry as they desire to create competitive advantage through service delivery, reduced costs and enhanced efficiency in operations.

Secondly, to the policy makers and government regulatory agencies including the Central bank of Kenya, (CBK), Communications Authority of Kenya (CA), the findings of this study will be important in informing the policy formulation especially with regard to regulating the provision of mobile money transfer services. The research findings will also aid Competition Authority of Kenya to promote and safeguard competition within the banking and telecommunication sectors in addition to protecting and safeguarding consumers.

Lastly, to research scholars, academicians and students of business, the findings of this study are expected to be of benefit as they would assist build the existing literature and knowledge base in the discipline of mobile banking and money transfer solutions. The study will also be used as a source of reference material in addition to suggesting areas where future research may be conducted.

1.6 Scope of the Study

This study focused on commercial banks in Kenya at at 31st December 2023. The research will be carried out in Nairobi city which hosts the headquarters of the commercial banks. The study will use audited published financial reports for the years 2019-2023 to measure the financial performance of the commercial banks. The study will be carried out between the month of june 2024 to December 2024.

1.7 Limitation of the Study

The study demanded a lot of time that but the researcher got a research assistant to help in data collection. The respondents delayed in filling in the questionnaires but the researcher made a follow up with phone calls to get them filled on time. The study findings were applicable to the commercial banks settings in Kenya specifically those in Nairobi Kenya only. Therefore, the findings cannot be used as representative of all other without considering other lending institutions or financial institutions. Some commercial banks were reluctant on providing information based on the nature of their business and the criticality of the information sought. Some of the respondents has very tight working schedules and were therefore not available for the interview. However, the researcher tried as much as possible and got above 60% response rate which was considered an adequate representative sample of the target population. The study was majorly focused on role of MPesaLink as a financial innovation in business model realignment in commercial banks in Kenya. However the study suffered a limitation only focusing on MPesaLink as a financial innovation tool and leaving out the other types of financial innovations available or in use.

1.8 Delimitation of the Study

The study only coverED commercial banks performance in Kenya. This however does not mean that it is only commercial banks that have been linked with Mpesa transactions.

However due to the bulk of the cash transactions commercial banks were selected for this study.

1.9 Assumptions of the Study

i. The target population accepted to be involved in the study. ii. The respondents provided honest and accurate information.

iii. The time and resources were sufficient to complete the study

1.10 Definition Operation of Key Terms

Mpesa- money transfer system operated by Safaricom

Mpesa link –Mpesa new approach to electronic payments real time 24-hour digital payment solution that allows for bank-to-bank transfers at a low cost

Quality of services - The ability of a business model to take advantage of industry value drivers leads to improved customer benefits which are valuable to the customers.

Adaptability- Extent to which an adapted business model can offer superior benefits which are superior as compared to competitors in time of need and with the changes in the business environment.

Imitability - Continuity of a firm in its profits by ensuring that their products are able to offer very unique benefits to the customers in comparison to their competitors. Besides these products or services should not be imitated or substituted by the

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical framework applied in the study and reviews previous studies done on financial innovations and business models realignment. It contains the theoretical review, determinants of business model adoption, empirical review, conceptual framework and summary of literature review.

2.2 Empirical Framework

2.2.1 Mpesa

M-Pesa – one of the largest mobile money services in Africa – has seen a steady increase in customer numbers from 2017 to 2024, eventually reaching over 66.2 million customers in the financial year ending 31 March 2024. M-Pesa is a mobile money service run by Vodafone and Kenyan telecommunications provider Safaricom, that provides payment and financial services, even if a customer has no access to a bank account. M-Pesa is also known as Vodafone Cash in Ghana and Egypt. (Safaricom Annual Financial Report. 2024). According to Omwansa, (2019) several factors help explain the phenomenal growth of Mobile Banking, especially in Kenya. The top three are the impressive adoption of M pesa , the need to access financial services, and the low cost of money transfers through mobile phones. Each of these factors is explained in more detail in the sections below.

a) Diffusion of Mobile Phones

The growth of Kenya's mobile subscribers has been tremendous. As of December 2023. the number had risen well above 33 million. Meanwhile, the use of land lines grew far less quickly over the same period, from 628,358 to 963,122. In the first quarter of 2023 there were 357.4 million mobile subscribers in Africa: two years later the number had more than doubled, to 701.9 million, representing a penetration rate of 30.4%.

(Rosenberg, 2019).

According to a survey done by ITU. Kenya's penetration rate rose from 83% in 2001 to 79% as of the second quarter of 2018. Kenya is the most developed mobile market in East Africa and its penetration rate is forecast to reach 87.5% in 2022. Four mobile service operators are active in Kenya. Safaricom. with well over 25 million subscribers, is the clear market leader with 81% of the total subscriber base. Airtel follows with just over 3 million subscribers, and Telkom has about 1 million. Econet, barely a month old, has not released any subscription data. The fact that Safaricom controls such a large percentage of the subscription base has given M-PESA the advantage it needed to penetrate very quickly. Only Safaricom subscribers can operate an M- PESA account, though other network subscribers can receive an SMS from an MPESA subscriber.

(Pickens. 2019).

b) The need for access to Financial Services

A survey that was conducted in early 2017 revealed that 32% of Kenyans had no access to any form of financial services, according to a national survey, and only 49% had access to formally regulated financial institutions such as banks. In the entire country there were only 490 bank branches and slightly over 860 ATMs—and over 10 million mobile subscribers. (Ndungu. 2019) We could easily say that M-PESA took off so rapidly because of the low penetration of banking services and the public need for them. Though few studies have been done to establish whether the service mostly benefits the un-banked, we have several indications that it has gone both ways. Features such as convenience, speed, and low transaction fees attract significant numbers of those who already use banks.

Small businesses are among the greatest beneficiaries in using M-PESA because it lets them go to the bank less often, and spend more time running their businesses. Many

unbanked Kenyans can now receive and send money via their mobile phones, wherever they are in the country. In September 2018, Safaricom signed an agreement with Pesa Point Ltd. to allow M-PESA subscribers to withdraw money through PesaPoint ATMs.

Registered in 2005. PesaPoint has a vision: to provide all banked Kenyans with easy access to funds in their bank accounts wherever they are in the country. So far it has installed over 410 ATMs across the country. This agreement helps overcome the problem that agents sometimes do not have enough cash to issue to M- PESA customers who want to withdraw it.

This partnership was a major milestone in linking M-PESA to the formal banking system, a confirmation that more financial players are willing to collaborate to improve access to financial services. In December 2008, M-PESA signed another agreement with Western Union for international cash transactions. Vodafone, Safaricom and Western Union announced that they would partner to pilot a cross-border intercontinental mobile money transfer service between the United Kingdom and Kenya. Ultimately M-PESA subscribers will be able to receive international remittances just like local ones. According to the World Bank. Kenyans received approximately SUS 1.3 billion in international remittances in 2007; for some Kenyans, these remittances are a considerable part of their total income. These innovations will certainly improve many

Kenyans' lives. (Omwansa. 2019).

c) Low Transaction Costs

According to the 2017 survey mentioned above, over 80% of Kenyans prefer informal methods to remit funds to their loved ones within the country. Of those interviewed,

55% sent money with friends or family members who would be travelling and 22% used public transport companies. Though such methods are not safe, people prefer them because

the transaction fees are lower than those of banks and money transfer companies. (Ndungu. 2019) M-PESA offers a very competitive package with a very attractive transaction fee. To send KShs. 75,000 (approx US$ 500) using a money transfer company such as Western Union would cost about K.shs. 1.200 (approx US$ 17) within the country, but using M-PESA to send the same amount would cost less than a third as much and M-PESA is much cheaper than using a bank account. Given their setup and operational costs, banks and money transfer companies cannot offer such low rates. (Safaricom Financial Report, 2019).

2.2 MpesaLink on Performance of Commercial Banks

2.2.1 Mpesa link -Quality of services on Performance of Commercial Banks Quality of services is a determinant in adoption of M pesa by firms. The higherthe size of the network, the higher the more valuable the firm becomes before the customers. Quality of activities done by a firm is a great determinant in the benefits to be expected by the customers .The ability of a business model to take advantage of industry value drivers leads to improved customer benefits which are valuable to the customers (Allan, 2018).

Another study done by Mariotti and Sgobbi (2021) argues that M-commerce has already improved business value by fundamentally changing the ways products are conceived, marketed, delivered, and supported. The relationship and interaction of various stakeholders such as customers, suppliers, strategic partners, agents, and distributors is entirely changed. On the positive side, m-commerce has been creating opportunities for individuals and businesses in the new economy. M-commerce is helping organizations to reduce transaction, sales, marketing, and advertising costs. M-pesa is also helping businesses to reach markets efficiently, all day ever day. Many of the benefits come from improved consumer convenience, expanded choices, lower prices, and the opportunity for

better interactions with partners, suppliers and targeted customers for service and relationships Cost a significant attraction for M-PESA users, who find that transactions are 27 percent cheaper than services offered by the postal network, and 68 percent less than sending money by bus companies. (Moraw'czynski. 2018).

The same research showed that M-PESA users fall into two categories— urban senders, who are usually men and rural recipients, who are mostly women. Their transactions are generally either small, regular transfers that act as income support for rural members and lump sum transfers, which are often used to pay school fees. However, the same research revealed that there are some downsides to M-PESA. Urban users say they are sometimes frustrated by failed transactions which are often the result of network problems as M-PESA relies on the same technology that supports text messaging. Because it is often difficult to get through to Safaricom's busy customer care M-PESA support phone number 234, a failed transaction may require the user to turn to the MPESA agent network, which often struggles to resolve the problem. Rural users complain that agents sometimes lack cash on hand sometimes referred to as cash float. M-PESA customers whose agents cannot meet their withdrawal requests are often forced to travel to the cities to get their money. As a positive, users report increases of 5% to 30% in their incomes thanks to transfers through M-PESA. By making smaller but more frequent transfers, urban migrants on average are sending more money home than ever before. This represents a substantial boost for rural recipients, for whom remittances can represent up to 70% of their household income. (Morawczynski. 2020).

2.2.2 Mpesa link -Value addition creation on Performance of Commercial Banks

Value creation is the ability of products offered in the market satisfying customer needs. It is the profits or social value sought from use of products. It defines ways in which items of value are packed and offered to fulfill customer needs. The Mpesa adopted by the banks

should be perceived by customers as being valuable to them. Measures of the extent to which a business model offers value to its customers which is measured through customer satisfaction and loyalty, market shares, benefits offered to customers relative to competitor's offerings and image or reputation (Amit, Zott 2018).

M-pesa has also improved product promotion through mass-customization and one toone marketing. Adoption of new information technologies, particularly m-commerce, is expected to improve firm performance, such as reducing transaction costs and close coordination of economic activity among business partners (e.g.. Malone et al., 2018; Mukho padhyay et al.,2018). M-commerce specifically (especially Business to Business) is predicted to result in lower coordination or transaction costs due to automation of transactions online, as well as productivity and efficiency gains (Amit and Zott, 2021; Lucking-Reileyand Spulbur, 2021; Wigand and Benjamin. 2018). M-commerce also is expected to facilitate entry into new markets and the extension of existing markets (Garicano and Kaplan, 2021), and greater integration of systems with suppliers and customers (OECD. 1999; Timmers, 2019; Wigand and Benjamin. 2020). As m-commerce continues to grow rapidly, it could have significant effects on the social and economic structures of economy.

The impacts of these changes are diverse and may even widen the digital divide among nations, alter the composition of trade, disrupt labour markets, and change taxation (Anonymous, 2020). Widespread use of the Internet for m-commerce may have ramifications for intellectual property rights, privacy protection, and data filtering. Therefore, in the digital economy, it is becoming imperative to know how m-commerce affects organizations and society and raises social concerns. Some of these effects of m-commerce are unintentional and create adverse business and personal conditions that

could have societal consequences. The degree to which a person thinks that the technological and organizational infrastructure is in place to facilitate system use is known as the "facilitating conditions." Whether or not there is an enabling environment will have a significant impact on how widely mobile payments are used (Porteous, 2019). An enabling environment, according to Porteous (2019), is a collection of circumstances that support a market's sustainable development trajectory. Particularly noteworthy are the settings where broad access is anticipated.

M-PESA is widely available and needs a supportive atmosphere to help its users succeed. The microbusinesses are dispersed around the nation, with large concentrations in the vicinity of retail malls and market districts. This makes it simple for them to register with and deposit money into their accounts with M-PESA service providers. For assistance with their services, microbusiness owners in Kenya can readily contact and rely on the agents of mobile payment providers. This enabling environment must be created by the regulatory body and the service provider. The transaction costs of using mobile payment technology to send money are less than those of banks and money transfer providers, claims Omwasa (2019). Consumer adoption is directly impacted by payment transaction costs if they are transferred to customers (Mallat, 2017).

To make the overall cost of the transaction competitive, transaction expenses should be minimal. The majority of microbusiness owners should be able to afford mobile payments, which are significantly less expensive than what banks typically charge for bank transactions. For users, M-PESA pricing is clear and consistent. The SMSs that provide the service do not charge customers; instead, fees are imposed on the real consumer who started the transaction. All customer fees are removed from the client‘s account, and shops cannot charge any direct fees. As a result, Safaricom, not customers, is the source of outlets' commissions. As a result, there is less chance of agent abuse.

All outlets have the same customer costs, which are clearly displayed on the poster for everyone to see. Instead of expressing its fees as a percentage of the transaction, MPESA decided to state them in fixed currency terms. This lets clients think of the fee in terms of the transaction's absolute value and makes it easier for them to understand the exact cost of each transaction. They can also use it to compare the transaction cost to other options, including the matatu fare plus trip time. It is important to remember that, in spite of the high rate of inflation during the first three years, M-PESA has kept transaction prices constant. According to Olga Morawczynski's field research, sending KShs 1,000 using M-PESA is 68% less expensive than sending it via a bus company and 27% less expensive than using the post office's Posta Pay. Pickens and Morawczynski (2019).

Although mobile phone balances could appear low, this indicates that there is storage, which may be interpreted as deposit acceptance (Njenga, 2009). This is a noteworthy measure of how highly the convenience of using mobile payment systems is valued. No one can access an M-PESA account without the correct personal identification number (PIN), thus a lost or stolen cell phone does not necessarily equal disaster, claims Omwansa (2019). He goes on to say that M-PESA offers both ease and security in a nation where the vast majority of people lack bank accounts.

People carry around their virtual currency with the knowledge that they can take it out whenever they want for a small price. The enabling environment is what creates the facilitating state of trust and security. Due to the reduced dangers, cautious and riskaverse people of society join the technological bandwagon after trust in mobile money transfer systems is established. This leads to a tornado effect in the actual use of the service. Increased bank revenue is the outcome of expanded market reach and new business prospects brought about by improved client satisfaction. Customers of the bank can

conduct financial transactions without physically being on the bank's property. This could be done via computer, digital television, mobile phones, or telephones. Njogu, 2019.

2.2.3 M pesa-link Adaptability on Performance of Commercial Banks

Adaptability is the extent to which an adapted business model can offer superior benefits which are superior as compared to competitors in time of need and with the changes in the business environment. This is evaluated through exploring the various capabilities that a business model has in line with customer needs. Late in 2017. Airtel launched Sokotele, supposedly a competitor to M-PESA. Aitel partners in the development were Packet Stream, a public data network operator, and KRep Bank, one of Kenya's leading micro-finance institutions. K-Rep Bank provides the banking expertise. Packet Stream supplies the vending software, and Airtel Kenya's cellular network makes the connectivity possible. Over the last couple of years, several banks have also embraced mobile banking technologies, enabling customers to access their bank accounts via their mobile phones.

Leading microfinance institutions in Kenya, including Jamii Bora. K-RepBank and Faulu Kenya, have also introduced services based on SMS (short message service) that let their clients view their balances, request account statements, and transfer money. Michael Joseph. CEO of Safaricom stated: Safaricom and Vodafone's M-PESA mobile money transfer service is an example of Kenya leading the way in the advancement of mobile technology and its uses. Following the very positive response by consumers to the pilot, we believe that there is a great deal to be gained for Kenyan consumers as well as for mobile and financial sector companies. (Joseph. 2018).

Due to current concerns about organizations' better performance levels in the current competitive market conditions, the study of customer loyalty has garnered significant

research interest. When a company is pursuing a value-creating strategy that no other existing or prospective player is pursuing at the same time, it is considered to have a competitive edge (Barry, 2018). According to the explanation above, a company's ability to maintain client loyalty is improved by competitive advantage.

According to Barney (2017), competitive advantage can also be defined as a company's capacity to generate greater economic value than its rivals. This economic value is simply the difference between the perceived benefits that a customer receives from a company's goods and services and the full cost of those goods and services. It goes without saying that businesses must adapt to changes in their surroundings by improving their skills (Kodama, 2020).

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These clients are a company's most precious assets and have a major impact on its longterm success. Therefore, it is crucial for vendors to retain devoted clients who would provide long-term revenue for the companies (Tseng, 2019). One strategy to support a company's financial growth is to try to get current consumers to buy more (Hayes, 2008). According to Aydin and Ozer (2005), there are two main categories of customer loyalty: behavioral and attitudinal. By assessing customer choice, buying intention, supplier prioritizing, and recommendation willingness, attitude loyalty characterizes a customer's attitude toward loyalty; behavioral loyalty, on the other hand, is related to purchase shares and frequency

(Ibid). Perceived quality increases customer loyalty, but if a business wants to thrill clients, it will still need to go above and beyond their expectations.

Researchers discovered that when low expectations for service quality were met, preference increased (Rust, Inman, Jia, & Zahorik, 2021). According to the research, if a typical client is presented with two options that are equally priced, they will select the option that is expected to be of greater quality. They maintained that a business should constantly prioritize its most devoted clients. From a retention perspective, the sector should be strongly protected because less devoted clients are more likely to defect. According to this study, the more a client interacts with a service provider, the more likely it is that their expectations would be met in terms of perceived value and, consequently, retention. Services Quality is thought to be a key factor in retaining customers and creating valuable relationships (Venetis & Ghauri, 2020).

An investigation by Maiyo (2013) revealed that using Mpesa Link led to higher profitability and lower expenses because fewer bank employees were needed. Banks no longer use traditional channels based on corporate management, teller, or human help; instead, they now use self-service (Pourkiael and Ardestani, 2021). Since clients now conduct the majority of their transactions online, electronic payments have lowered the costs associated with processing checks, presenting bank statements online, and distributing print and mail. They have also simplified data entry (Njuguna, 2022).

Digital platforms are encouraging consumers to conduct their banking at home without having to go to the bank branch, claims Isack (2019). These channels include internet banking, credit cards, smart cards, mobile banking, and automated teller machines. Customers of digital banking can access services around-the-clock, save time because they can access them from anywhere at any time, and benefit the environment because they

don't have to physically visit the bank. Increased bank revenue is the outcome of expanded market reach and new market prospects brought forth by improved customer satisfaction (Njogu, 2019).

According to a different study by Mariotti and Sgobbi (2021), M-commerce has already increased business value by radically altering how goods are designed, promoted, delivered, and maintained. Customers, suppliers, strategic partners, agents, and distributors are just a few of the stakeholders whose relationships and interactions have completely transformed. On the plus side, m-commerce has been opening doors for people and companies in the new economy.

M-commerce is assisting businesses in cutting expenses associated with transactions, sales, marketing, and advertising. Additionally, m-commerce is assisting companies in effectively reaching markets around-the-clock. Numerous advantages stem from increased customer convenience, a wider range of options, reduced costs, and the chance to engage more effectively with suppliers, partners, and targeted clients for relationships and service. Through mass customization and one-to-one marketing, m-commerce has also enhanced the promotion of products.

It is anticipated that implementing new information technologies, especially mcommerce, will enhance business performance by lowering transaction costs and fostering greater cooperation and coordination of economic activity among business partners (e.g. Malone et al., 2019; Mukhopadhyay et al., 2020). It is anticipated that mcommerce, particularly business-to-business, will lead to increased productivity and efficiency as well as reduced coordination or transaction costs because online transactions are automated (Amit and Zott, 2021; Lucking-Reiley and Spulbur, 2021; Wigand and Benjamin, 1995). Additionally, it is anticipated that m-commerce would make it easier to expand into new

markets and expand into existing ones (Garicano and Kaplan, 2021) and to better integrate systems with suppliers and customers (OECD, 2021; Timmers, 2019; Wigand and Benjamin, 2019).

The social and economic structures of the economy may be significantly impacted by mcommerce's continued rapid growth. These developments have a variety of effects, including the potential to increase the digital divide between countries, modify the nature of commerce, upend labor markets, and affect taxation (Anonymous, 2020). Data filtering, privacy protection, and intellectual property rights may all be affected by the widespread use of the Internet for m-commerce. Therefore, understanding how mcommerce impacts businesses and society and generates social issues is growing crucial in the digital economy. Some of these unintended outcomes of m-commerce lead to unfavorable commercial and personal circumstances that may have repercussions for society.

2.2.4 M pesa-link Imitability on Performance of Commercial Banks

Imitability is another determinant in adopting a M pesa. The business model adopted needs to be the only one in the existence with high ability to offer benefits superior to their competitors (Osterwalder et al., 2020). Imitability as a determinant means that the firm needs to ensure continuity in its profits by ensuring that their products are able to offer very unique benefits to the customers in comparison to their competitors. Besides these products or services should not be imitated or substituted by the competitors banks to ensure long term growth, survival and profitability. (Osterwalder& Pigneur, 2019). A number of critical issues and risks that have been reviewed include: liquidity management, settlement risks, the reliability of the system, the registration of users, system audit trail, anti-money laundering measures and consumer protection issues that could compromise the safety, efficiency, integrity and effectiveness of the M-Pesa system. These risks have been mitigated through a number of monetary security measures which the Central Bank

and the Communications Commission of Kenya (CCK) monitors regularly. For example, there is no credit risk because M-Pesa agents pre-pay before offering any sen ices to customers. Also Central Bank of Kenya has placed a maximum limit of per M-Pesa account per day and a transaction limit of KShs 3000000 per day.

Nader (2021) undertook research on the profit efficiency of the Saudi Arabia Commercial banks between years 1998- 2007. The findings of his research showed that availability of mobile banking, number of ATM's and number of branches had a positive co relation on profit efficiency of Saudi banks. The research study thus concluded that financial innovations like M pesa had a positive impact on financial performance. The major limitation of the study was that the study was narrowly focused on the Saudi Arabian commercial banks and hence the results cannot be used to drive a conclusion on the topic of study in other countries.

Kinderstom et al., (2018) carried out a study on service innovation in product-centric firms: a multidimensional business model perspective. The objective of the study was to find out the nature and features of business model elements which are required for service innovation. Data was collected from pre-centric firms where by use of interviews and focus groups. The results indicated that there is need for specific resources and capabilities for specific business model elements. Limitation of the study was the study had a narrow scope on the product centric firms.

Githikwa (2020) studied on the co-relation between financial innovation and profitability of commercial banks in Kenya. The research findings concluded that commercial banks invest in innovation as a tool to positively affect their performance in profit attainment. Further, the researcher concluded that implementation of financial innovation requires more commercial banks to invest additional resources to enable client satisfaction. Product

implementation process enables the commercial banks to enhance flexibility in their operations thereby attracting skilled labor force and subsequent expansion of the bank's operating network. The limitation of the study was a narrow scope of commercial banks in Kenya.

Waweru (2017) carried out a study on the effects of financial innovation on risk management of commercial banks in Kenya. The study concluded that mobile banking had a negative correlation with the risk management framework because financial innovations have exposed commercial banks in Kenya to various risks including credit risks, liquidity risk, interest rate risk, country risk, compliance risk and reputational risks. These inherent risks should therefore guide the overall risk management of commercial banks through realistic risk index factors at any period. The researcher recommended a more robust risk mitigation practices and policies to ensure that all elements of risks are captured in the risk index factors of commercial banks. The study's major limitation was a methodological weakness of focusing on commercial banks alone.

Njeri (2018) carried out a study on effects of financial innovation on the financial performance of deposit taking SACCOs in Nairobi County. The objective of the study was to establish the relationship between financial innovation and financial performance of deposit taking SACCOs in Nairobi County. Data was collected from secondary sources of 44 SACCOs in Nairobi. The results indicated that there is a positive relationship between financial innovation represented by four variables, namely branch network, expenditure in ICT number of customers using mobile banking and the number of ATMs installed and financial performance.

Malak, (2019) studied on the effects of financial innovation on the financial performance of commercial banks in south Sudan. The objective of the study was to establish the

relationship between financial innovation and financial performance of commercial banks in South Sudan. Data was collected from secondary sources from the Central bank of South Sudan (2010-2018).The results indicated that financial innovation leads to improved performance. The major weakness of the study was its narrow focus on the South Sudan and hence its results cannot be applied in other countries.

Money collected by agents using M-Pesa is placed in a trust account at one of Kenya's top commercial banks. The beneficiaries are legally protected by this trust account. Section 2(1) of the Banking Act states that Safaricom has no control over the funds placed in this trust account and that they cannot be used for other purposes, such as lending, investing, or in any other way for the account and at Safaricom's risk. The trustee deed provides for the funds placed in this trust account to be legally protected.

The trustee deed and other legal documents related to this service have also been submitted to the Central Bank for evaluation. According to Section 2(1) of the Banking Act in Kenya, 2009, the Central Bank of Kenya also regulates the money in the trust account that is deposited in the selected commercial bank (Kinyua, 2019). Safaricom promises the Trustee (the bank that maintains trust funds placed by M-Pesa agents) and System Participants that it will only issue new e-Money in exchange for an equivalent amount of conventional currency that is paid to and received by the Trustee itself.

Additionally, Safaricom is not allowed to transfer any e-money from any M-Pesa account in an amount greater than the e-money credit balance in the relevant M-Pesa account. (2019, Omwansa). The safety, efficiency, integrity, and effectiveness of the MPesa system may be jeopardized by a number of important issues and risks that have been examined, including liquidity management, settlement risks, system reliability, user registration, system audit trail, anti-money laundering measures, and consumer protection issues.

The Central Bank and the Communications Commission of Kenya (CCK) periodically monitor the various monetary security measures that have been implemented to reduce these risks. For instance, M-Pesa agents pre-pay before providing any services to clients, thus there is no credit risk. In an effort to reduce settlement risk, the Central Bank of Kenya has also established a daily transaction restriction of KShs 35,000 and a daily maximum limit of KShs 50.000 per M-Pesa account. And more. Safaricom is a member of the Vodafone Group, a globally recognized and reputable multinational corporation that offers mobile phone services. The operational risks have been reduced because the M-Pesa offering benefits from Vodafone's research and development.

In accordance with its Oversight Policy Framework paper on Kenyan payment systems, which can be downloaded from the Bank's official website at www.centralbank.co.ke, the Central Bank of Kenya has persisted in monitoring the service. For instance, in August 2008, the system handled transactions totaling over Kshs. 17 billion. MPesa is still not considered an alternative bank account with large amounts of money remaining in the system, as evidenced by the net deposit/residual value per customer (i.e., deposit less withdrawals) of Kshs.(2019, Omwansa)

2.3 Theoretical Review

2.3.1 Innovation Diffusion Theory

Innovation Diffusion Theory (IDT) by Rogers (2021) has been employed in studying consumer behavior and technology adoption. Innovation is defined as “an idea, practice or object that is perceived as new by an individual or another unit of adoption” whereas diffusion is described as “the process by which an innovation is communicated through certain channels over time among the members of a social system” Rogers, (2018).

According to the theory, there are four elements of diffusion namely time, innovation, social systems and communication channels which affect adoption of innovation.

Roger states that an individual's technology and innovations adoption behavior is influenced by several characteristics. These are relative advantage, complexity, observability, compatibility of the innovation. Relative advantage is the degree to which the innovation is perceived as being better than the practice it supersedes. Complexity is the degree to which an innovation is perceived as relatively difficult to understand and use. Observability is the degree to which the results of an innovation are visible to others. Compatibility is the extent to which adopting the innovation is compatible with what people do.

2.3.2 Transaction Cost Innovation Theory

This theory refers to the aspect of reduction of transaction cost in response to advanced technology (Hicks &Niehans, 2018). There is improved efficiency in service delivery facilitated and stimulated by cost reductions due financial innovation. Transaction costs play an important role with respect to innovation. In this case, theory explains it in relationship to other aspect that the primary reason of financial innovation in financial institutions is profit maximization.

According to Hicks and Niehans (2019) the reduction of costs is the dominant factor of financial innovation. Financial innovation and subsequently improvement of financial services is stimulated by reduction in costs. The theory studied the financial innovation from the perspective of microscopic economic structure change. The theory's motive further explained another perspective relative to the radical motive of financial innovation of firms' purpose of earning shareholders' wealth or benefits.

2.3.3 Schumpeter Theory of Innovation

Schumpeter Theory of Innovation was presented by Schumpeter (1928) and argued that by use of innovations, entrepreneurs would create a catalyst or avenue for generation of new profits and revenue channels. In turn, groups of imitators attracted by super normal profits would commence a wave of investment that would erode the profit margin for the innovation. Schumpeter (1934) emphasized the role of entrepreneurship and the seeking out of opportunities for value generating activities which would transform and expand the circular flow of income.

This separation of invention and innovation marked out the typical nineteenth century institutional model of innovation, in which independent inventors typically fed discoveries as potential inputs to entrepreneurial firms. The author further saw innovations as perpetual gales of creative destruction that were essential forces driving growth rates in a capitalist system.

Schumpeter's Theory of Innovation distinguished between the entrepreneurs whose innovations create the conditions for profitable new business ventures and the bankers who provide financing for construction of the new ventures (Schumpeter, 1939).

Schumpeter's brief discussions of historical episodes of innovations in the field of banking might appear to suggest a positive role for financial innovations in financing the entrepreneurial ventures that produce the primary wave of growth. The spread of joint stock banking was cited as one of the most important innovations that occurred in the early 1800s (Schumpeter, 1939). Schumpeter's assertions have been supported by Porter (1992) that innovation is indeed vital for a country's long-run economic growth and creation and sustenance of competitive advantage.

2.3.4 Consumer Internet Banking Model (CIBM)

The significance of perceived privacy and security has already been identified by researchers studying internet banking. Because they lack confidence in the service providers, users of electronic banking are afraid to divulge personal information online (Ezzi, 2014). Consumers' concerns about privacy, trust, and security have previously been identified by researchers. Security has already been highlighted by seasoned internet users as the primary problem limiting the use of electronic banking.

2.4 Conceptual Framework

The conceptual model developed below portrays this expected relationship between the study variables. The independent variable is M pesa link business model . Financial performance is the dependent variable. A bank's financial performance was evaluated using profitability indicators to see whether electronic banking improves efficiency and effectiveness in terms of reducing costs and saving time. Return on assets and other profitability ratios were employed to demonstrate management effectiveness. This ratio illustrates how effectively a company uses its assets by comparing net income to total assets. The degree of profitability is indicated by return on assets (ROA). Return on equity (ROE), which contrasts the amount of profit made with the amount invested by shareholders, is one of the other measures that are employed. The research will aim to examine value creation, resource quality, adaptability, and imitability.

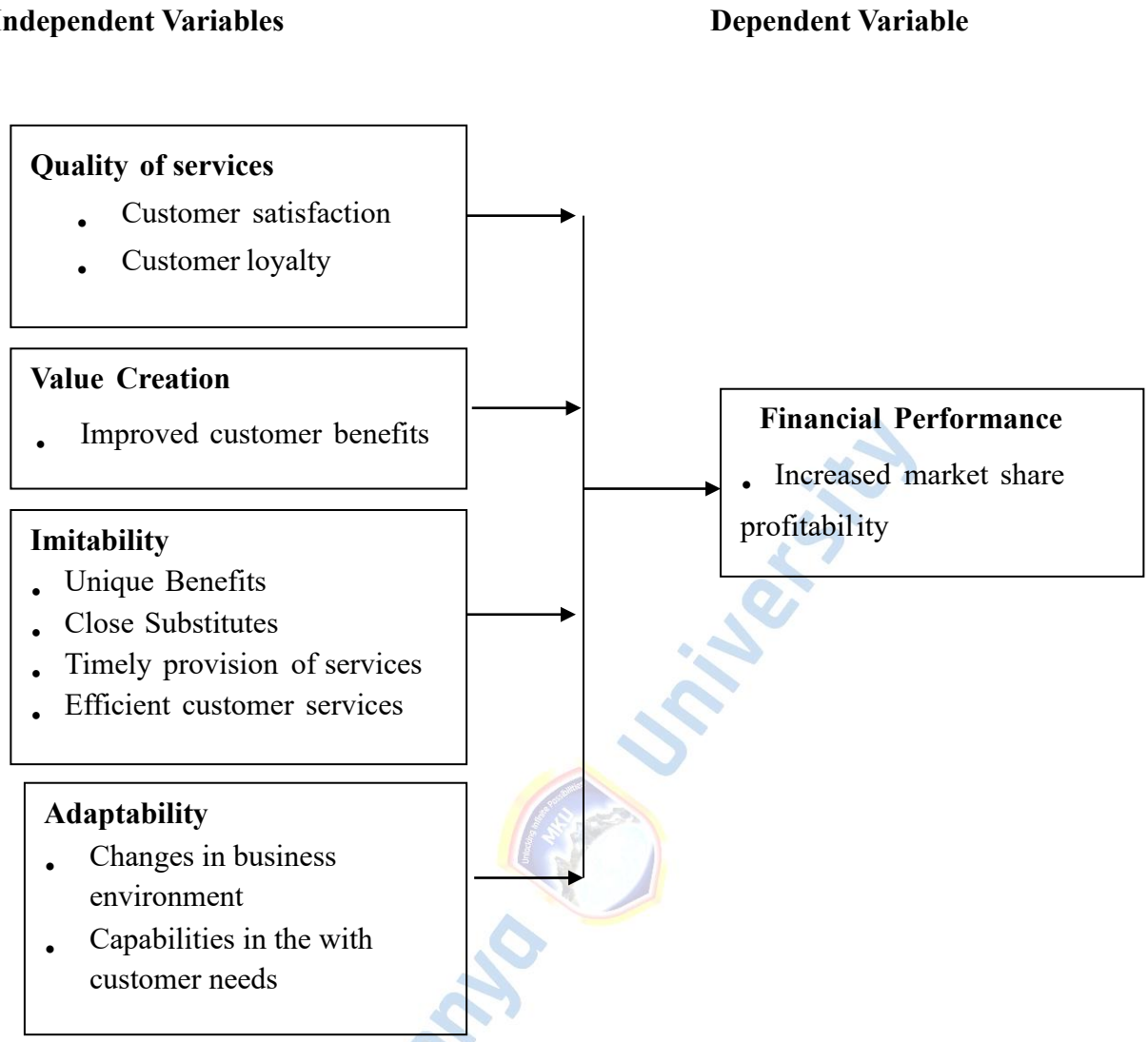

Figure 1: Conceptual Framework

Source: Researcher (2024)

2.5 Recap of Literature Review and Research Gaps

Originally, M-PESA intended just to design and test a platform that would allow customers to receive money and repay small loans using their handsets. The service was also designed to help microfinance institutions streamline their operations, raising efficiency and boosting business growth. After the pilot the executives at Safaricom saw M-PESA as an opportunity first to become a payment service provider and second to increase customer retention. It has certainly achieved these objectives. M-money services have advantages

of ubiquity, convenience and cost-effectiveness over other money transfer or payment intermediaries such as banks and other financial institutions.

A 2020 CGAP study which compared pricing of 16 leading branchless“ banking services against ten formal banks found that branchless banking was 19 percent cheaper than its formal counterparts. Mobile remittance services, in contrast, have the potential to extend remittance services to millions of those with limited access to traditional bank services, while also reducing transaction costs in terms of commission fees and transport. Mobile payments are conducive for micro transactions.

In Africa, Kenya‘s M-PESA service has proved to be the most widely-used mobile remittance service to date. Commercially launched in March 2017 (The Economist, 23 2017), the service is reportedly used by over 50 percent of the country‘s adult population (Graham, 2020). Similar initiatives have been introduced in other African countries, including, Tanzania, Uganda, Ghana, Zambia, Congo and South Africa (Laurent, 2006; Mas and Morawczynski, 2019). Previous empirical studies support the argument that mobile money transfer is positively associated with firm-level growth. Positive effects of mobile money investments and business transaction usage on firms growth have been demonstrated in the health care sector (Devaraj and Kohli, 2020, 2023). Similar results were found in the insurance industry where top performing firms with high premium income growth had higher mobile money transaction expense ratios and lower non-mobile money transaction costs (Harris and Katz, 2021).

In addition, positive effects of mobile money transactions investment on sales growth were found among valve manufacturing firms (Weill, 2022). Koellinger (2017) finds a positive relationship between mobile money transactions and not--related innovation and turnover

growth using data from the 2003 e-Business Watch survey. Various local authors stressed that mobile money transfer may be characterized as a typical general purpose technology that, like earlier technological breakthroughs, has a wide range of applications and a large impact on economic activity, Ondijo (2018). At the aggregate level, Kongelo (2023) and Njia (2016) argue that the resurgence of growth in the developing countries is mainly founded on the development and deployment of semiconductors that continuously exhibit a price decline and increasing performance, following Moore‘s law (Moore 2016).

Other authors have also demonstrated an increasingly productive use of mobile money transfer in the user sectors, and not only a productivity growth in the ICT producing sector itself Mokua and Ndeche (2017). However Gordana (2020) raised doubts about this productivity growth acceleration story by taking a case of exchange bureaus in Nairobi and attributed most of the observed changes in international business transactions to price measurement success and cyclical factors. From above studies there exists a research gap on impact of M pesa link business model on performance of commercial banks.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the methods and procedures that was followed in conducting research in pursuit of evaluating the impact of M Pesa link business model on performance of commercial banks in Kenya. Therefore, the chapter discussed the research design, population size, sampling technique, the estimated models and the source of data for this study, and consequently, data collection and data analysis.

3.2 Research Design

Research design is defined as a blue print of those procedures, which are adopted by a researcher for testing the relationship between dependent variables and independent variables (Khan, 2018). According to Mugenda and Mugenda (2018) define a descriptive research as the process of collecting data and analyze in order to describe the specific phenomenon in its present of affair and linkages between different factors at that time.

Descriptive cross sectional design was adopted for the study. A descriptive study involves a description of all the elements of the population. It allows estimates of a part of a population that has these attributes. Identifying relationships among various variables is possible, to establish whether the variables are independent or dependent. Cross-sectional study methods are done once and they represent summary at a given timeframe (Cooper and Schindler, 2018).

3.3 Target Population

Population refers to all observations of interest in an entire collection like people or events as described by a researcher (Burns& Burns, 2020). Populace is categorized by a group comprising of persons/people, facilities, elements as well as occasions, various things in groups or family units undergoing explorations (Mugenda and Mugenda, 2018)

This study's population will comprise of the 41 commercial banks operating in Kenya as at 31/06/2024. Since the population will be finite, a census of the 41 banks will be undertaken for the study.

3.4 Data Collection

Data was collected from a primary source. The primary data was collected by use of structured questionnaires using the Likert scale. The targeted respondents in this study

were online bank managers who interact directly with M PesaLink. The researcher administered the questionnaire to one respondent in each organization.

More structured responses were achieved by the use of the close-ended questions such as the ratings for various attributes which reduced cases of receiving similar responses. The research instrument was personally administered by the researcher in order to reach out to various respondents in this case the manager in charge of Mpesa banking at the commercial bank headquarter. Care and control was e achieved by keeping a register of all the questionnaires sent to the field.

3.5 Reliability of Data Collection Instruments

Cronbach's alpha was utilized to assess the internal consistency and reliability of the study instruments. Cronbach Alpha values greater than 0.7 are considered appropriate and indicate that the scale is dependable, as indicated by Cronbach (2019). Questions with low Cronbach Alpha from the pilot study were modified or eliminated from the questionnaire.

3.6 Validity Test of the Instrument

Validity means that the instrument is testing as intended. Validity was accomplished by include objective items in the questionnaire and pre-testing the questionnaire prior to data collection. Pre-testing the questions will be done by conducting a pilot study with 10% of the respondents and incorporating input into the questionnaire. The respondents for the pilot study would be recruited from four commercial banks headquaters in Nairobi.

3.6.1 Testing for Multicollinearity

Multicollinearity is an unfavorable scenario in which the correlations between independent variables are strong, and it distorts the regression findings (Creswell, 2008). To test

multicollinearity, the variable inflation factor (VIF) and tolerance statistics was applied. Multicollinearity was assumed when the VIF Variance inflation factor (VIF) is less than 10 and the tolerance is more than 0.1 (Talavera, 2018). The problem of multicollinearity was avoided by using a high sample size, as multicollinearity is not known to exist in large samples. Multicollinearity was also eliminated by removing one of the highly linked variables (Martz, 2018).

3.6.2 Normality Test

Regression analysis presupposes that the study data follows a normal distribution. This was determined using skewness and kurtosis statistics. A kurtosis and skewness value of more than +/-2 suggested that the data was not regularly distributed. This was solved by standardizing the variable using the logarithm of ten (Martz, 2018).

3.6.3 Heteroscedasticity

The Breusch-Pagan/Cook-Weisberg test was employed in this investigation to determine heteroscedasticity. The Breusch-Pagan/Cook-Weisberg test is the most commonly used approach for finding heteroscedasticity in linear models. The Breusch-Pagan/CookWeisberg test compares the null hypothesis that all error variances are equal to the alternative hypothesis that the error variances are a multiplicative function of at least one variable. A greater chi-square value than 9.21 (Martz, 2018) indicates the presence of heteroscedasticity.

3.7 Ethical Consideration

The researcher issued informed consent from which provided an explanation to respondents as it regards the purpose as well as nature of the research. Respondents were informed in advance that they were not to receive any financial gain from participation in the study hence this was on a voluntary basis. All information of the respondents was

safeguarded with high level of confidentiality and respondents were not be required to indicate their names on the instruments. The researcher also got clearance for (ERC) Ethical Review Committee.

3.8 Data Analysis

Analysis of the collected data was made using both descriptive and inferential statistics. The Statistical Package for Social Sciences (SPSS) version 21 computer software was used in the analysis. The data was inputted into the SPSS and examined using descriptive, correlation and regression analyses. In descriptive statistics, the study used the mean and standard deviation. In inferential statistics, the study used multivariate regression analysis to determine the relationship between the dependent variable and independent variable. The study adopted a multiple regression analysis model to test the relationship and strength of the variables. The regression model is as shown below.

$$Y= \beta 0 +\beta 1x1+\beta 2x2+\beta 3x3+\beta 4x4 +\varepsilon$$

Where; =Y= financial performance

X_1 = : Quality of services

X_2 = value addition

X_3= adaptability X_4 = Imitability ε is the error term ;

β is the regression beta coefficient

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

Data analysis, conclusions, and interpretation are included in this chapter. Tables and graphs are used to present the results. The themes that emerged from the analysis of the data mirrored the goals of the study.

4.2 The Response Rate

Determining the impact of MPesaLink innovation on Kenyan commercial banks' business model realignment was the aim of the study. Staff members at the Online operational managers at the headquarters in all Kenyan commercial banks were the study's target audience. The researcher conducted follow-up phone calls and self-administered the questions.

Table 4.1: Survey Response Rate

Response	Frequency	Percent
Returned	27	65.9%
Not returned	14	34.1%
Total	41	100%

Source: Research Data (2024)

The study found that the response rate was sufficient and could provide the necessary information regarding the impact of financial innovation on business model realignment in Kenyan commercial banks.

4.3 Descriptive Statistics

Prior to performing regression and correlation analysis, the researcher used descriptive statistics to the data that was gathered. Frequencies, percentages, averages, and standard

deviations were all used in the descriptive analysis. Tables and charts were used to display the statistics

4.3.1 Biographic Information

The goal of the study was to learn the respondents' fundamental background information while they worked for Kenya's several commercial banks. To assess the influence of financial innovation in Kenyan commercial banks' business model realignment, the study collected information on a number of respondents' characteristics from different commercial banks in the country. To determine the connection between the data collected on their experience, management level within the bank, and the desired knowledge, background checks were conducted. The study's conclusions are examined as follows:

4.3.2 Management Level

When asked what degree of management they held at the banks they worked for, the respondents provided their answers. According to the results, medium level management made up 70.4% of the respondents, lower level management made up 14.8%, and senior level management made up 14.8%. This demonstrated that the majority of middle-level managers at commercial banks worked with matters pertaining to financial innovation, in this case MPesaLink. The results are displayed as follows in Table 4.2:

Table 4.2: Management Level of the Respondents

	Frequency	Percent
Senior level management	4	14.8
Middle level management	19	70.4
Lower level management	4	14.8
Total	27	100

Source: Research Data (2024)

Inquiries about work experience were made of the replies.The results showed that 33.3% of respondents had experience of at least five years, 29.6% had experience of five to ten

years, 33.3% had experience of more than ten years, and 3.7% had less than a year's experience. This suggests that the respondents had sufficient knowledge of the data, even though the majority had experience of at least five years. The results are displayed as follows in Table 4.3.

Table 4.3: Experience

	Frequency	Percent
Less than1 year	1	3.7
Between1-5years	9	33.3
5-10years	8	29.6
over 10 years	9	33.3
Total	27	100.0

Source: Research Data (2024)

4.4 MPesaLink Innovation

The purpose of the several PesaLink features as a financial innovation tool in the business model realignment of Kenyan commercial banks was to be indicated by the respondents.

4.4.1 Value Creation

The respondents were asked to list the ways in which MPesaLink has helped Kenyan commercial banks create value. The participants reported that MPesaLink had significantly aided in the production of value. The positive mean values above four serve as evidence for this, whereby: In terms of customer satisfaction, the mean score was 4.1481; in terms of customer loyalty, it was 4.0370; in terms of market share, it was 4.741; in terms of benefits offered to customers in comparison to competitors' offerings and image, it was 4.0370; and in terms of image and reputation, it was 3.5185.Based on the results of the implementation of MPesaLink as a financial innovation tool, value creation has been achieved. The results listed in Table 4.4 are as follows:

Table 4.4:Value Creation

Descriptive Statistics

	N	Mean	Std. Deviation
PesaLink has led to satisfaction of customer needs	27	4.1481	1.16697
PesaLink has led to increased customer loyalty	27	4.0370	1.12597
PesaLink has led to increased market share	27	4.0741	1.03500
PesaLink has led to increase benefits offered to customers relative to competitors offerings and image	27	4.0370	1.15962
PesaLink has led to improved image and reputation	27	3.5185	1.08735
Valid N (list wise)	27		

Source: Research Data (2024)

4.4.2 Quality of Resources

Respondents were asked to rate the contribution of MPesaLink's financial innovation on the quality of resources in Kenyan commercial banks' business model realignment. Based on the results, it was determined that MPesaLink has significantly raised the caliber of resources available to banks. The responses indicating that MPesaLink has allowed the bank to capitalize on industry value drivers yielded a mean value of 4.0370. With a mean score of 4.2963, MPesaLink has made it possible for customers to enjoy better benefits. mean score of 4.114 suggested that MPesaLink had boosted the bank's resource holdings. The quality that MPesaLink has made the bank more valuable than its customers was found to have a mean of 4.3704. For replies about how MPesaLink has made it possible for services to be provided on time, a mean score of 3.9630 was obtained.

Table 4.5: Quality of resources

Descriptive Statistics			
The bank can now take advantage of PesaLink to benefits of Industry Value Drivers	N	Mean	Std. Deviation
PesaLink has made it possible for customers to benefit more.	27	4.0370	1.19233
PesaLink has raised the amount that the bank owns.	27	4.2963	1.03086
PesaLink has made banks more valuable to their clients.	27	4.1154	.81618
PesaLink has made it possible to provide services on time.	27	4.3704	.79169
PesaLink has made it possible to provide services effectively	27	3.9630	.85402
Valid N (list wise)	27		

Source: Research Data (2024

4.4.3 Adaptability

Respondents were asked to rate their agreement with the statement that PesaLink innovation has helped realign the business model through its adaptability feature. According to the data, a mean score of 3.5926 was obtained for the higher benefits that PesaLink provides in times of need when compared to competitors. With the changes in the business climate, PesaLink's better benefits over competitors were rated with a mean score of 4.3704.

A mean value of 4.1852 was found for the traits that PesaLink possesses a range of capabilities that align with the needs of its customers. The same mean value was found for the fact that PesaLink is distinct and able to provide advantages that are better than those of its rivals. These results showed that PesaLink, a financial innovation tool, has significantly increased the banks' ability to adjust their services to the needs of their clients.

Table 4.6 Adaptability

	N	Mean	Std. Deviation
PesaLink provides more advantages than rivals in times of need	27	3.5926	.79707
The advantages of PesaLink are better than those of its rivals.	27	4.3704	.96668
PesaLink offers a range of features to meet the demands of its clients.	27	4.1852	.92141
PesaLink is distinct and able to provide advantages over its rivals.	27	4.1852	.92141
Valid N (list wise)	27		

Source: Research Data (2024)

4.4.4 Imitability

Based on PesaLink's imitability feature, the respondents were asked to rate their agreement with the influence of the network on the commercial bank's business model shift. The results showed a mean score of 3.7778 according to the tribute that rivals can copy PesaLink. PesaLink's ability to have close substitutes by rivals has a mean value of 3.3704. A mean score of 4.2853 for the quality that PesaLink may provide consumers with very special advantages over their rivals. The attribute that PesaLink guarantees sustained has a mean value of 4.1481, while the attribute that PesaLink guarantees the bank's long-term survival has a mean value of 4.2963.

These results led to the conclusion that PesaLink significantly influences the business model that banks choose to use. The results are shown in table 4.7 as follows: **Table 4.7: Imitability Descriptive Statistics**

	N	Mean	Std. Deviation
PesaLink may be copied by rivals.	27	3.7778	1.12090

There might be competitors that are close substitutes for PesaLink.	27	3.3704	.88353
Customers can take advantage of special advantages that PesaLink provides over its rivals.	27	4.1852	1.00142
PesaLink guarantees the bank's continued profitability.	27	4.1481	.94883
PesaLink makes sure the bank will be there for a long time.	27	4.2963	.82345
Valid N (list wise)	27		

Source: Research Data (2024)

4.5 Summary of descriptive statics (T-test)

To determine the impact of MPesaLink's financial innovation on business model realignment, a t-test was used. To sum up, MPesaLink has given Kenyan commercial banks better performance. The mean score of 4.2963 indicates that it has significantly enhanced the quality of services provided by banks.MA mean score of 4.1852 further suggests that MPesaLink has significantly improved the bank's flexibility. With a mean value of 3.5185, MPesaLink has moderately contributed to value creation for the consumers.MA mean score of 3.3704 suggests that MPesaLink has made it easier for

Kenyan commercial banks to imitate different practices .It was determined that the use of MPesaLink as a financial innovation tool in the business model realignment of all

Nairobi commercial banks has greatly aided in the areas of reproducibility, flexibility, and resource quality. However, a mean score of 3.3704 showed that imitable factors were the least significant.

Additionally, all of the p-test values were 0.000, indicating that financial innovation (MPesaLink) has an impact on business model realignment and is statistically significant at the 95% confidence level. Since imitability is a determinant, the company must make

sure that its products can provide clients with distinct advantages over those of its rivals in order to maintain profitability. Additionally, competitors should refrain from copying or replacing these goods or services (Osterwalder & Pigneur, 2020).Based on this information, the researcher strongly advises that in order to help the banks overcome their immaturity factor, they should implement methods for enhancing their services and introducing additional innovations under MPesaLink.

Table 4.6: One-Sample Test

	Test Value					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
V5	16.814	26	.000	3.51852	3.0884	3.9487
Q2	21.656	26	.000	4.29630	3.8885	4.7041
A3	23.602	26	.000	4.18519	3.8207	4.5497
I2	19.822	26	.000	3.37037	3.0209	3.7199

Source: Research Data (2024)

4.6 Correlation Analysis

There was a favorable link between imitability and business model realignment as measured by performance (r=0.297, p=0.132).A sign that business model realignment is

made easier by PesaLink innovation through mutability by Kenyan commercial banks. Since the p-value of 0.132 is higher than the crucial value of 0.05 at the 95% confidence level, imitability is therefore not statistically significant. The following is the link between MPesaLink's Adaptability innovation feature and business model realignment: r=0.408, p=0.035.An indicator that business model realignment and adaptability are positively correlated. At the 95% confidence level, a p-value of 0.035 means that adaptability is statistically significant because it is less than 0.05.

In addition to a p-value of 0.229, which indicates that quality of resources is not statistically significant at the 95% confidence level because it is above the 0.05 critical value, the correlation and p-value of (r=0.408, p=0.229) for quality of resources as a PesaLink innovation attribute show that there is a positive correlation between quality of resources and business model realignment. A (r=0.235, p=0.238) indicates a favorable relationship between value generation and business model realignment. Given that it is above 0.05, the p-value of 0.238 indicates that it is statistically significant at the 95% confidence level.

According to a 2019 study by Githikwa, there is a favorable association between financial innovation and performance. The study examined the relationship between financial innovation and the profitability of Kenyan commercial banks. Based on the fact that MPesaLink leads to better performance, the researcher strongly advises that it be embraced as a financial innovation tool. A study on the impact of financial innovation on the financial performance of deposit-taking SACCOs in Nairobi County was conducted by Njeri (2018). The study's goal was to determine the connection between Nairobi County's deposit-taking SACCOs' financial success and financial innovation. Information on 44 SACCOs in Nairobi was gathered from secondary sources. The findings showed a favorable correlation between financial performance and financial innovation as measured by four variables: branch network, ICT spending, the number of clients using mobile banking, and the number

of ATMs deployed. MPesaLink is a financial innovation tool as well, and it helps banks perform better by realigning their business models.

Table 4.9: Correlation Matrix

Table		Performance	I2	A3	Q2	V5
Performance	Pearson Correlation	1	.297	.408*	.239	-.235
	Sig. (2-tailed)		.132	.035	.229	.238
	N	27	27	27	27	27
Imitability	Pearson Correlation	.297	1	-.229	.382*	.233
	Sig. (2-tailed)	.132		.250	.050	.243
	N	27	27	27	27	27
Adaptability	Pearson Correlation	.408*	-.229	1	.385*	.169
	Sig. (2-tailed)	.035	.250		.047	.399
	N	27	27	27	27	27
Quality of resources	Pearson Correlation	.239	.382*	.385*	1	.407*
	Sig. (2-tailed)	.229	.050	.047		.035
	N	27	27	27	27	27
Value addition	Pearson Correlation	-.235	.233	.169	.407*	1
	Sig. (2-tailed)	.238	.243	.399	.035	
	N	27	27	27	27	27

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

Source: Research Data (2024

4.6.1 Regression Analysis

The findings in table 4.11 demonstrate how well the regression model explained the occurrences under investigation. When it came to business model realignment, adaptability, value creation, resource quality, and imitable nature were determined to be desirable variables. The coefficient of determination, or R square, of 52.2% lends credence to this. This indicates that 52.2% of the variances in the dependent variable, which is the

success of business model realignment, can be explained by the PesaLink attributes of adaptability, value creation, resource quality, and imitable nature. These findings also suggest that the model used to connect the variables' relationships was adequate.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.722[a]	.522	.435	.47313

Predictors: (Constant), adaptability, Value creation, quality of resources, imitability.

The degree of correlation between the independent and dependent variables is indicated by the p-value in statistical significance testing. It would be concluded that the model is significant in explaining the association if the significance number is smaller than the critical value, commonly referred to as the probability value (p), which is statistically fixed at 0.05; if not, the model would be considered non-significant.

4.6.2 Analysis of Variance

The analysis of variance (ANOVA) results are shown in Table 4.12. According to the findings, the model as a whole was statistically significant. Furthermore, the results suggest that business model realignment can be well predicted by the independent variables. An F statistic of 5.999 and a reported p value of 0.002, which was below the traditional probability of 0.05 significance level, supported this.

Table 4.12 Analysis of Variance

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	5.372	4	1.343	5.999	.002[b]
Residual	4.925	22	.224		
Total	10.296		26		

a. Dependent Variable: Business model realignment Performance

b. Predictors: (Constant), adaptability, Value creation, quality of resources and Imitability

4.6.3 Coefficients

The results of the regression of the coefficients in Table 4.13 below demonstrate a positive and substantial relationship between value generation and business model realignment (r=0.226, p=0.002). The performance of the business model realignment would rise by 0.226 units for every unit increase in value creation. Additionally, the results show a favorable and substantial relationship between PesaLink's resource quality and business model realignment performance (r=0.016, p=0.010).

According to these findings, PesaLink's business model realignment performance would rise by 0.267 units for every unit change in the quality of resources feature itself. The results also showed a positive and substantial relationship between adaptability and business model realignment performance (r=0.426, p=0.002). Consequently, a unit change in promotion would result in a business model realignment performance of 0.426 units. Additionally, there was a strong and significant correlation between imitability and business model realignment performance (r=0.397, p=0.005). Therefore, an increase of one unit change in imitability variables would result in a 0.397 rise in business model realignment performance.

Table 4.13: Regression of Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.256	.642		3.514	.002
Value creation	.266	.094	-.460	-2.830	.010

1	Quality of resources	.016	.119	-.027	-.137	.892
	imitability	.397	.127	.557	3.117	.005
	Adaptability	.426	.122	.624	3.496	.002

a. Dependent Variable: Business model realignment Performance

Based on the results of these study indicated in the table above, $Y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4$ becomes;

$Y = 2.256 + 0.226X1 + 0.016X2 + 0.397X3 + 0.426X4$

X1=value creation

X2 =quality of resources

X3=imitability

X4=adaptability

Y= Business model realignment

4.7 Discussion of Research Findings

The goal of this study was to ascertain how financial innovation, specifically PesaLink, contributed to Kenyan commercial banks' realignment of their business models. The aim of the investigation was singular. The study aimed to evaluate the contribution of PesaLink innovation to the realignment of Kenyan commercial banks' business models.

In order to facilitate analysis, the study employed a descriptive research design using primary data, which was gathered by questionnaires. According to the biographical data, 14.8% of the respondents were in senior management, 70.4% were in middle management, and 14.8% were in lower management. Of those surveyed, 33.3% had over 10 years of experience, 29.6% were between 5 and 10 years old, and 33.3% had 1 to 5 years of experience. This demonstrated that the majority of responders knew enough about the information this study was looking for.

To fulfill the study's research goal, the researcher used regression analysis and descriptive correlation. There was a favorable link between imitability and business model realignment as measured by performance (r=0.297, p=0.132).The relationship between PesaLink's Adaptability innovation feature and business model realignment was found to be (r=0.408, p=0.035). The correlation and p-value for quality of resources as a PesaLink innovation attribute are (r=0.408, p=0.229).Value generation and business model realignment have a positive relationship, as shown by a (r=0.235, p=0.238).

The results also showed that, among the different attributes of PesaLink innovations, the quality of resources role in business model realignment had the biggest impact, with a mean value of 4.2965. Adaptability, a feature of PesaLink innovation as an example of financial innovation, had the second-largest impact, with a mean value of 4.1852, followed by value creation, which had a mean value of 3.5825, and imitability, a feature of MPesaLink innovation, had the least impact, with a mean value of 3.364.Based on this, it was determined that MPesaLink's influence on business model realignment was most pronounced in the quality of resources feature and least pronounced in the imitability feature.

In addition, a regression analysis was performed between the performance of business model realignment and the different MPesaLink innovation aspects. MPesaLink has an impact on 52% of Kenyan commercial banks' performance, according to the regression research. These factors include value creation, resource quality, adaptability, and imitability. This demonstrated how procurement management procedures significantly affected output. The model that was employed was significant because the value was less than 0.005, as demonstrated by the Anova analysis's 0.000 significance threshold.

The results of this study are consistent with a 2009 study by Githikwa on the relationship between Kenyan commercial banks' profitability and financial innovation. The purpose of the study was to determine how financial innovation affected Kenyan commercial banks' performance. According to the study's findings, commercial banks use innovation as a technique to improve their performance in terms of achieving profits. The researcher also came to the conclusion that more commercial banks must invest more money in order to execute financial innovation and ensure customer happiness.

Commercial banks can increase operational flexibility through the product implementation process, which draws in competent workers and leads to the growth of the bank's operating network. The study's methodology comprised a cross-sectional survey of Kenya's commercial banks. A drop and pick later method was used to give a questionnaire that was used to collect data. Regression analysis and correlation were used to examine the relationship between financial innovation and performance, while descriptive statistics were employed to examine data on the rate of MPesaLink adoption in commercial banks based on different statements outlining the different MPesaLink features.

The findings were presented in tables. It was also evident that there was a very significant relationship between financial innovation and performance.

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discussed the findings summary, conclusions, and suggestions. In accordance with the study's goals, this was carried out. The several limitations of the study are covered in further detail in this chapter. Finding out how MPesaLink innovation contributed to Kenyan commercial banks' business model realignment was the aim of the study.

5.2 Summary of Findings

The findings summary, conclusions, and recommendations were covered in this chapter. This was done in line with the objectives of the study. This chapter goes into greater information about the study's various shortcomings. The study's goal was to determine how MPesaLink innovation influenced the realignment of business models in Kenyan commercial banks.

5.2.1 MPesaLink Innovations

The study aimed to determine how MPesaLink innovations affected Kenyan commercial banks' business model realignment. The first question questioned the respondents how much value creation as a MPesaLink innovation has helped the bank realign its business model. Based on the many qualities of value creation as a MPesaLink innovation, the question was if it had improved market share, image, customer satisfaction, or customer loyalty. High mean values of the replies, above 3.585, showed that the majority of respondents believed that Kenyan commercial banks had experienced and achieved value creation. Based on these responses, the study came to the conclusion that the majority of Kenyan commercial banks had realigned their business models by using MPesaLink's value creation feature to realign their processes. As a result, they had improved their market share and customer satisfaction levels.

As the second characteristic of MPesaLink Innovation, the quality of resources was found to have had a significant impact on business model realignment. This was demonstrated by a mean value of 4.29, which showed that the adoption of MPesaLink innovations had significantly improved the quality of resources provided by Kenyan commercial banks. The business mode realignment of Kenyan commercial banks was significantly impacted by MPesaLink's third feature, adaptability, as the mean value of 4.18 shows.

Kenyan commercial banks have reoriented their business models as a result of MPesaLink's adoption, which has enhanced consumer benefits, timely service delivery, and efficient service delivery. MPesaLink's fourth feature was imitability. According to the responses, commercial banks in Kenya have been able to realign their business models to a moderate degree because they can provide highly distinctive products that their rivals cannot copy, they can endure over the long term, and they can also achieve consistent profitability.

5.2.2 Establishing the Role of MPesaLink innovation on business model realignment of commercial banks in Kenya

The value generating features, resource quality, adaptability, and imitability of MPesaLink innovations were found to positively affect business model realignment, which leads to better performance. The coefficient of determination, sometimes referred to as the R square, of 52.2% supports this. The characteristics of aloe generation, resource quality, imitability, and adaptability thus account for 52.2% of the variances in the dependent variable, business model realignment. These outcomes also suggest that the model used to connect the variables was adequate.

According to the findings, the model as a whole was statistically significant. Furthermore, the results suggest that business model realignment can be well predicted by the independent variables. The stated p value (0.001), which was below the traditional probability of 0.05 significance limit, supported this.

5.3 Conclusions

Based on these findings it was concluded that to great extent the role of MPesaLink in commercial banks in Kenya has led to business model realignment whereby firms have been able to realign their activities .This has resulted in the long term profitability and better performance of the banks. This is based on improved customer satisfaction, good reputation,

increased revenues, improved quality of resources, lowered levels of imitation, which has been facilitated by the adoption of MPesaLink.

5.4 Recommendations

Based on the aforementioned results, the study came to the conclusion that commercial banks' business and model realignment has improved as a result of the adoption of MPesaLink innovation, an example of financial innovation, which has a long-term impact on the banks' increased performance. According to the findings, Kenyan commercial banks had a significant amount of familiarity with MPesaLink's features. The implementation of MPesaLink innovations as a financial tool has allowed commercial banks to increase their market share, boost customer loyalty, improve the quality of resources they provide to their customers, increase operational effectiveness, and decrease instances of product and brand imitation.

According to the study, commercial banks should educate their clients about MPesaLink so that they can reap the benefits of using it as a financial tool. Senior managers and supervisors of different supermarkets should also designate people to lead these trainings. In order to accomplish business model realignment, the study suggested that senior management assume accountability and make sure their banks have fully integrated MPesaLink and that it is widely accepted and conveyed. The report also suggests that in order to achieve business model realignment and, eventually, improve profitability and performance, management, policymakers, and investors—whether they are already in the business of providing financial services like banking or plan to do so—should be aware of MPesaLink and have the guts to make sure it is integrated into their system. based on the fact that MPesaLink significantly influences the realignment of business models, which is a prerequisite for enhanced performance.

5.4 Suggestions for Further Research

The goal of the study was to ascertain how MPesaLink functions as a financial innovation tool in Kenyan commercial banks' redesign of their business models. Therefore, since this study only looked at Kenyan commercial banks, more research on other financial institutions outside of commercial banks is needed. Future research should also take into account additional financial breakthroughs and their impact on business model realignment and comparison with this study.

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APPENDICES

Appendix I: Informed Consent Form Dear

sir/madam,

Re: Request For Your Consent To Participate In A Research

I kindly write to request for you to participation in a research project. The study title is: **INFLUENCE OF M PESALINK BUSINESS MODEL ON PERFORMANCE OF COMMERCIAL BANKS IN KENYA**

The potential risks and discomforts of the study are minimal. This is because you will only be expected to participate in the questionnaire. Before filling the questionnaire, all respondents will be reminded and requested to keep what is discussed to be confidential. There are no potential benefits for you as a person for participating in this study. I am requesting you to volunteer and share your opinions. No payments will be made for the information that you give or for the time that you will spend with us. Confidentiality of any information that you provide will be maintained. Data collected will only be used for the purpose of this study and will be destroyed when the findings are published.

PARTICIPATION IN THIS STUDY IS ENTIRELY VOLUNTARY.YOU MAY REFUSE TO FILL THE QUESTIONNAIRE AND YOU MAY WITHDRAW AT ANY STAGE IF YOU SO WISH.

I f you accept to participate in this study, please append your signature below: Signature of participant…… Date: ……

If you have any query, please contact the following: Mobile phone: +254 727253609 or by email @gmail.com

Sincerely,

RESEARCHER

CONSENT

I have carefully reviewed the provided details, comprehended the information, and had the chance to seek clarification. I acknowledge that my involvement in this study is entirely voluntary, and I retain the freedom to withdraw at any point, without the need to provide a justification and without incurring any expenses. I am aware that I will receive a copy of this consent form. With full understanding, I willingly consent to participate in this study.

Participant's signature _Date _____

Investigator's signature Date _____

Appendix II: Questionnaire

This questionnaire has been designed to collect information on the impact of Mpesa link business models on financial performance of commercial banks in Kenya. Please read carefully and answer the questions as honestly as possible. The information gathered will be used purely for the purpose of academic research and will be treated with utmost confidence.

Instructions: Tick appropriately in the box or fill in the space provided.

Section A: Biographic Information

1. Name of the Bank……

2. Tick management level in the bank Senior Level Management ☐ Middle Level Management ☐ Lower Level Management ☐

3. How long have you worked in the Banking Sector (tick as appropriate)

No	Period	Tick as appropriate
i.	Less than 1 yr	
ii.	Btw 1-5 yrs	
iii.	Btw 5-10 yrs	
iv.	Over 10 yrs	

Part Influence Of Mpesalink Business Models on Financial Performance of Commercial Banks In Kenya Mpesalink on Value Creation

To what extent do you agree with the following attributes Mpesa PesaLink has contributed to value creation on financial performance of commercial bank in Kenya? Use 1 - Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

Statement	**1**	**2**	**3**	**4**	**5**
MPesaLink has led to satisfaction of customer needs					
MPesaLink has led to increased customer loyalty					

MPesaLink has led to increased market share					
MPesaLink has led to increased benefits offered to customers relative to competitor's offerings and image or reputation					
MPesaLink has led to improved image and reputation					

Mpesa on Quality of Services

To what extent has MPesaLink has impacted on the quality of services offered by the commercial bank? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

Statement	**1**	**2**	**3**	**4**	**5**
MPesaLink has enabled the bank to take advantage of industry value drivers					
MPesaLink has enabled improved customer benefits					
MPesaLink has led to increased quantity of resources owned by the bank					
MPesaLink has enabled the bank to be more valuable before the customers					
PesaLink has enabled timely provision of services					
MPesaLink has enabled efficient provision of services					

MPesalink Adaptability

To what extent do you agree with the following attributes MPesaLink has impacted on adaptability in the bank? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

Statement	**1**	**2**	**3**	**4**	**5**

MPesaLink offers superior benefits as compared to competitors in time of need					
MPesaLink offers superior benefits as compared to competitors with the changes in the business environment					
MPesaLink has various capabilities in line with customer needs					
MPesaLink is unique and has ability to offer benefits superior to their competitors					

Mpesa link on Imitability

To what extent do you agree with the following attributes which MPesaLink impacts on imitability on performance of commercial the bank? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

Statement	**1**	**2**	**3**	**4**	**5**
MPesaLink can be imitated by competitors					
MPesaLink can have close substitutes by competitors					
MPesaLink is able to offer very unique benefits to the customers in					
comparison to their competitors.					
MPesaLink ensures sustained profitability by the bank					
MPesaLink ensures long term survival of the bank in the longterm					

Thank you for your co-operation

Appendix III: Financial Performance of Commercial Banks

No of Customers Registered. Mobile Banking	**2019**	**2020**	**2021**	**2022**	**2023**
Absa Bank					
ABC Bank					
Access Bank (K)					
Bank of Africa K)					
Bank of India(K)					
Bank of Baroda K)					
Citibank N.A					
Consolidated Bank					
Co-operative Bank					
CIB Kenya Limited					
Credit Bank					
Diamond Trust Bank (K)					
DIB Kenya Bank					
Ecobank (K)					
Spire Bank					
Equity Bank(K)					
Family Bank					
Faulu Micro-Finance Bank					
First Community Bank					
Guaranty Trust Bank (K)					
Guardian Bank					
Gulf African Bank					
Habib Bank A.G. Zurich					
I & M Bank (K)					
KCB Bank Kenya (K)					
Stanbic Bank					
Kingdom Bank					
Standard Chartered Bank (K)					
M Oriental Bank (K)					

National Bank of Kenya					
NCBA Bank (K)					
Paramount Universal Bank					
Prime Bank					
Postbank					
Sidian Bank					
SBM Bank (K)					
UBA Kenya Bank					
Victoria Commercial bank					
Housing Finance Group					
Development bank					
Middle East bank					

Source: CBK, 2024

Appendix IV : Annual Amount of Money moved through M pesa Banking

Annual amount moved through Mpesa banking	2019	2020	2021	2022	2023
Absa Bank					
ABC Bank					
Access Bank (K)					
Bank of Africa K)					
Bank of India(K)					
Bank of Baroda K)					
Citibank N.A					
Consolidated Bank					
Co-operative Bank					
CIB Kenya Limited					
Credit Bank					
Diamond Trust Bank (K)					
DIB Kenya Bank					
Ecobank (K)					
Spire Bank					
Equity Bank(K)					
Family Bank					
Faulu Micro-Finance Bank					
First Community Bank					
Guaranty Trust Bank (K)					
Guardian Bank					
Gulf African Bank					
Habib Bank A.G. Zurich					
I & M Bank (K)					
KCB Bank Kenya (K)					
Stanbic Bank					
Kingdom Bank					
Standard Chartered Bank (K)					
M Oriental Bank (K)					

National Bank of Kenya					
NCBA Bank (K)					
Paramount Universal Bank					
Prime Bank					
Postbank					
Sidian Bank					
SBM Bank (K)					
UBA Kenya Bank					
Victoria Commercial bank					
Housing Finance Group					
Development bank					
Middle East bank					

Source: CBK, 2023

Appendix V: List of Commercial Banks in Kenya as at 31st December 2023

1	Absa Bank
2	ABC Bank
3	Access Bank (K)
4	Bank of Africa K)
5	Bank of India(K)
6	Bank of Baroda K)
7	Citibank N.A
8	Consolidated Bank
9	Co-operative Bank
10	CIB Kenya Limited
11	Credit Bank
12	Diamond Trust Bank (K)
13	DIB Kenya Bank
14	Ecobank (K)
15	Spire Bank
16	Equity Bank(K)
17	Family Bank
18	Faulu Micro-Finance Bank
19	First Community Bank
20	Guaranty Trust Bank (K)
21	Guardian Bank
22	Gulf African Bank
23	Habib Bank A.G. Zurich
24	I & M Bank (K)
25	KCB Bank Kenya (K)
26	Stanbic Bank
27	Kingdom Bank
28	Standard Chartered Bank (K)
29	M Oriental Bank (K)
30	National Bank of Kenya
31	NCBA Bank (K)

32	Paramount Universal Bank
33	Prime Bank
34	Postbank
35	Sidian Bank
36	SBM Bank (K)
37	UBA Kenya Bank
38	Victoria Commercial bank
39	Housing Finance Group
40	Development bank
41	Middle East bank

Source: CBK website, (2023)

Appendix VI: KUREC Approval Letter

Mount Kenya University

REF: MKU/ISERC/4526
TO: ISSA GODANA DAE

Date: 28 October 2024

REG: MBA/2023/36883

Dear Sir/Madam,

RE: INFLUENCE OF M PESALINK BUSINESS MODEL ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3248.** The approval period is **28/10/2024 - 27/10/2025.**

This approval is subject to compliance with the following requirements;

i. Only approved documents including informed consents, study instruments, MTA will be used
ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
v. Clearance for export of biological specimens must be obtained from relevant institutions
vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) https://research.portal.nacosti.go.ke and also obtain other clearances needed.

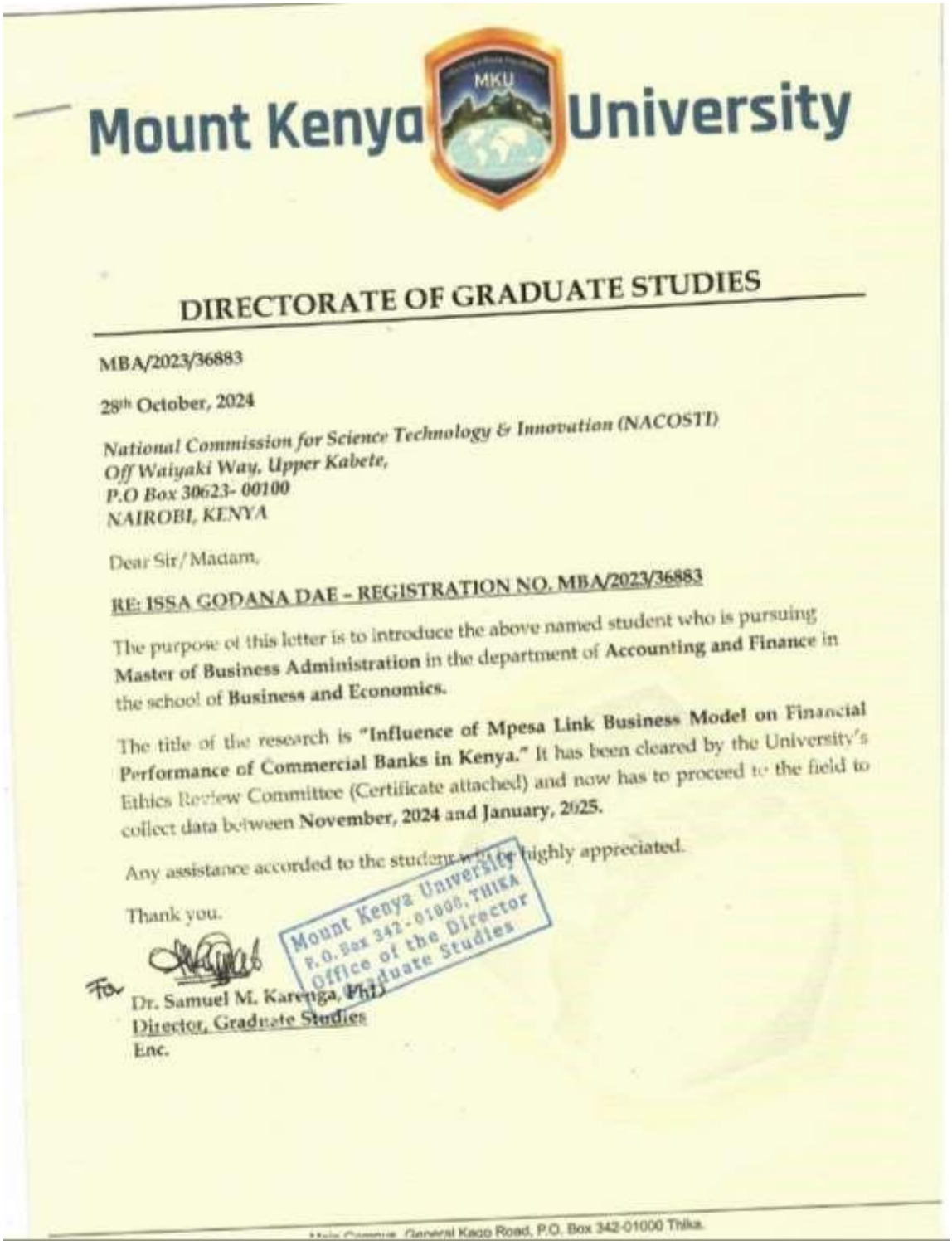
Yours sincerely,

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC

MOUNT KENYA UNIVERSITY
ETHICS REVIEW COMMITTEE
P. O. Box 342 - 01000,
THIKA

Main Campus, General Kago Road, P.O. Box 342-01000 Thika,
Cell: +254 709 153 000 / +254 709 153 200
Email: info@mku.ac.ke, Web: www.mku.ac.ke

Appendix VIII: MKU Research Permit



Mount Kenya University

DIRECTORATE OF GRADUATE STUDIES

MBA/2023/36883

28th October, 2024

National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA

Dear Sir/Madam,

RE: ISSA GODANA DAE – REGISTRATION NO. MBA/2023/36883

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics.**

The title of the research is **"Influence of Mpesa Link Business Model on Financial Performance of Commercial Banks in Kenya."** It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **November, 2024 and January, 2025.**

Any assistance accorded to the student will be highly appreciated.

Thank you.

Mount Kenya University
P. O. Box 342 - 01000, THIKA
Office of the Director
Graduate Studies

For Dr. Samuel M. Karenga, PhD
Director, Graduate Studies
Enc.

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.

Appendix IX: NACOSTI Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **144340**

Date of Issue: **07/November/2024**

RESEARCH LICENSE

This is to Certify that Mr.. ISSA issa godana dae GODANA of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: influence of mpesalink bussess model on financial performance of commercial bank in kenya for the period ending : 07/November/2025.

License No: **NACOSTI/P/24/41899**

144340

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013 (Rev. 2014)
Legal Notice No. 108: The Science, Technology and Innovation (Research Licensing) Regulations, 2014

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was the established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way;
    i. Endanger national security
    ii. Adversely affect the lives of Kenyans
    iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
    iv. Result in exploitation of intellectual property rights of communities in Kenya
    v. Adversely affect the environment
    vi. Adversely affect the rights of communities
    vii. Endanger public safety and national cohesion
    viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. The license any rights thereunder are non-transferable
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
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11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

National Commission for Science, Technology and
Innovation(NACOSTI),
Off Waiyaki Way, Upper Kabete,
P. O. Box 30623 - 00100 Nairobi, KENYA
Telephone: 020 4007000, 0713788787, 0735404245
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PLAGIARISM REPORT

ISSA GODANA

INFLUENCE OF M PESALINK BUSINESS MODEL ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KEN...

Assignment title

postgraduate

Mount Kenya University

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