

**EFFECTS OF M-BANKING ON FINANCIAL PERFORMANCE OF COMMERCIAL
BANKS IN KENYA**

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ABSTRACT

The banking sector in Kenya has experienced turbulent times following the collapse of many banks in the 1990s. In order to minimize their operational costs, commercial banks have adopted internet banking including ATMs, mobile banking and internet banking where customer can access their accounts on their personal computers. Mobile banking offers millions of people a potential solution in emerging markets that have access to a cell phone, yet remain excluded from the financial mainstream. It can make basic financial services more accessible by minimizing time and distance to the nearest retail bank branches as well as reducing the bank's own overheads and transaction- related costs. The objective of this study was to determine the effect of mobile banking on the financial performance of commercial banks in Kenya. The study applied descriptive research design. The target population included all the commercial banks operating in Kenya as at December 2014. During the study period, the amount of money transacted through the mobile money transfers increased steadily from 0.06 billion in 2007 on its launch to 225.549 billion by the last month of the analysis. The growth was motivated by the convenience offered by the service. The study however found that there exist a weak positive relationship between mobile banking and the financial performance of commercial banks in Kenya. The study recommends that the policy makers take mobile banking awareness creation into consideration when drafting policies on the operations of banks in Kenya. This was because of the indirect relationship of mobile banking and financial performance especially as the industry moves into a technologically competitive environment. The study also recommends that policy makers keep a keen eye on the developments of mobile banking as it is a new platform for competition among commercial banks as the world moves into a digital age to ensure it does not lose its regulatory role.