

Effect of Mobile Banking on Financial Performance of Small Scale and Medium Enterprises in Kakamega County

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Abstract: The use of mobile banking has been necessitated by the rapid change in technology. The banking industry has adopted new strategies of sustaining their growth due to stiff competition. The timely convenience, simplicity, safety and quickness in operation that have been brought into play by the inception of comprehensive m-banking ideology has enhanced the need for small and medium enterprises in Kenya to shift from their classical or common ways of carrying business to incorporate the mobile transactions in their business. Hence this study sought to establish how mobile banking has affected the financial performance of SMEs. Specifically, the study sought to determine the effect of mobile banking services cost on financial performance of SMES in Kakamega County. The research was conducted as an exploratory research. The target population of study for this research comprised of the SMEs that provide financial services within the Kakamega County. This study used random sampling technique. A sample size of 373 SMEs was used. Semi-structured questionnaires were used for collecting information from SMEs entrepreneurs. Trained research assistants were contracted to collect data from the field using the sample codes. A pilot study was done using twenty five questionnaires. Data capturing was done using Excel software. The data from the completed questionnaires were cleaned, coded and entered into the computer using the statistical package for social sciences (SPSS) for Windows analysis. The findings revealed that SMEs used mobile banking services to send and receive money, check account balance, knowing when deposit or withdrawal has been conducted from their bank account. There was negative relationship between cost of mobile banking services and financial performance of SMEs ($R=-0.660^{**}$). The study recommended that mobile banking services should be affordable to SMEs through exemption of various taxes imposed by the government so as to improve the growth of SMEs in Kenya. This would enable SMEs to use various mobile banking services such payment of bills, accessing of credit facilities to boost their businesses.

Keywords: Mobile Banking, Financial Performance, SMEs, Cost.

I. INTRODUCTION

According to Gartner (2012) and ITU (2014), the global volume of mobile transactions was expected to grow from USD 37.4 billion in 2011 to over USD 1.13 trillion in 2014, while the number of users of mobile money services worldwide was to surpass 141million in 2014, and the number of mobile phones was to be 7 billion, greater than the total population in the globe. This represents a mere 2.1 % of all mobile users worldwide. This implies that there is still much room for growth especially in regions where there is lack of alternative payment methods. As at the year 2012, there were 25 mobile money services operated by different Mobile Network Operators (MNOs) across Africa (GSMA, 2012). Among these, 15 are in East Africa (GSMA, 2012). Among the five East African countries, Kenya has the leading number of users of mobile money services with 17,800,000 registered users, which represents 71.3 % of the total number of mobile phone users in the country. Tanzania is the second with 9,200,000 users of mobile money which represents 43.4% of the total number of mobile phone subscribers in the country (GSMA, 2012). Uganda has the third largest number of mobile

money users in the East African region with 2,100,000 users representing 8.1 % of the total number of mobile phone subscribers. Rwanda and Burundi have 309,127 and 29,000 users of mobile money services representing 8.3% and 2.7% of the total number of mobile phone users in those countries respectively (GSMA, 2012).

The global business environment is tremendously changing exhibiting immense dynamisms, which are driven by the increasingly changing innovations in the area of Information and Communication Technologies (ICT). The innovations have continued to permanently alter the rules of the game and expectations of the new digitized highly inter-linked economies operating in a rather global village. As Cassidy (2002) rightly points out, the notions of trans boundary trade as practiced traditionally have undergone dramatic changes to appreciate and embrace, though at times reluctantly, the rising number of trade-related activities and financial transactions, which occur purely and significantly through the Internet and technologically enhanced tools for information and communication. The unprecedented penetration of mobile devices, wireless networks and mobile communication services has allowed the Kenyan SMEs to enjoy efficient communication, payments and marketing systems only available to the huge organizations and government corporations in the past. According to statistics from Communications Commission of Kenya (CCK, 2010) there were more than 19 million mobile telephone users in Kenya by the end of 2009, as compared to under 15,000 in 1999. This increase in the number of users has been supported by the expansion of cellular networks which impact positively on economic growth through emergence of new services and applications for mobile cellular services.

Mobile telephones are cheaper and more portable than computers which make their adoption much easier. This has successively reduced social-economic disparities within Kenyan small and medium enterprises (SMES) as well as closing the existing digital divide between the rural and urban small and medium enterprises (SMES). Most SMEs entrepreneurs had to travel or use public transport systems to send and exchange documents, access banking facilities or even transact their payments. This is not the case today, as they can e-mail the documents, pay for goods and services through mobile money transfers, use Mobile money transfer services and if one has a technologically advanced telephone, it is now possible to carry out the required tasks at any time and at any place. It is undeniable that the SMEs play a significant role in the Kenyan economy. Thirteen years ago, an economic survey indicated that the SMEs had contributed at least 50% of the new job opportunities established in the year 2005.

In spite of this evident significance of the SMEs, statistics in the past have also indicated that in every five SMEs, three fail within the beginning few months of their operation. Several reasons have in the previous studies been attributable to such failure as exemplified in Longenecker et al., (2016), with the most prominent reason being poor management of the enterprisers. Generally, poor management of the SMEs affects their operational effectiveness and efficiencies, which creates a setback to achieving their deserved success. In addition, Bokea, Dondo and Mutiso (2017) identified infrastructure as a major constraint in the path towards the development of the SMEs. Specifically, infrastructure in this context includes but not limited to the provision of telecommunication equipment, which is a conspicuous part of the information and communication technologies.

Premised on the fact that SMEs face a myriad of challenges, which to a large extent precipitate into their ultimate failure, adoption and subsequent utilization of Information and Communication Technologies, with specific reference to the mobile phone use, would be a stepping stone towards recording a success story in their operations (Bowen, 2016). To say the least, mobile phone use would significantly enhance the competitive strength of the SMEs and offer access to new profitable and better promising opportunities. Furthermore, improved operational efficiency would also be a positive outcome of the successful adoption of the technologies by the SMEs. The flow and integration of trade and commerce within the area of operation of the SMEs would also be enhanced with the successful adoption of these technologies.

Kenya has had its own experience with mobile banking. Mobile banking has reached levels that were unimaginable just a few decades ago. This has resulted from the increased use of mobile phones in Kenya. Mbiti and Weil (2017) argue that the leading mobile banking model in Kenya, namely M-Pesa, grew at a blistering pace since its inception in 2007. The growth is following the expanded use of mobile phones in communication. The use of mobile banking has expanded to these levels due to the simplicity, security, cheapness and the ease with which financial services are sought and provided. The widespread cellular communication and the ability to transfer money instantly, securely, and inexpensively together provide a strong impetus to enormous changes in the organization of economic activity, family relations, and risk management and mitigation. Morawczynski and Pickens (2009) argue that the ability to remit smaller but more frequent remittances easily, to a wide area and at low cost has popularized mobile banking in Kenya.

A. Statement of the Problem

The timely convenience, simplicity, safety and quickness in operation that have been brought into play by the inception of comprehensive m-banking ideology has enhanced the need for small and medium enterprises in Kenya to shift from their classical or common ways of carrying business to incorporate the mobile transactions in their business (Mbiti, 2011). Mobile phones users can enquire balances, obtain prepaid recharges, mobile loans, virtual, settle bills, utilities, salaries, pay merchants, and send contributions, gifts as well as donations anywhere at any time. Mobile cash transmission services can be utilized to increase proficiency and trade development through low cost, reliable and efficient money service support networks that diminish the risks and needs for cash transactions (Alala, Muisyo & Musiega, 2014). The mobile banking technology innovation is considered easy to use as well as effective and trustworthy with vast capabilities to spread monetary services to the unbanked or those inclining toward less expensive financial packages (Mbogo, 2015). Encouraging the growth, development and financial performance of the local small and medium enterprises is a welcome idea for the varied stakeholders in the sector including the government. A number of studies conducted on Kenyan SMEs mainly focused on the sector's contribution to the economy in terms of employment, income, and gross domestic product (ICEG, 2016) while other studies focused on access to credit (Aketon, 2017) and government policy and strategy frameworks (ACEG, 2005). However, there has been no known research to the knowledge of the researcher that has studied the effect of mobile banking services on small and medium enterprises financial performance in Kenya. This study therefore sought to investigate the effects of mobile banking services on Small and Medium Enterprises' financial performance in Kakamega County.

B. Specific Objective and Hypothesis

The objective of the study was to determine the effect of mobile banking services cost on financial performance of SMES in Kakamega County.

The study hypothesis was H_{01} : There is no significant relationship between mobile banking services cost and financial performance of SMEs in Kakamega County.

II. CONCEPTUAL FRAMEWORK

The conceptual framework shows the relationship between independent and dependent variables. The independent variable is cost which was measured using operation and transport cost incurred during mobile banking services. The financial performance which is dependent variable was measured using revenue, net profit, capital base and customer satisfaction, this is as shown in Figure 1.

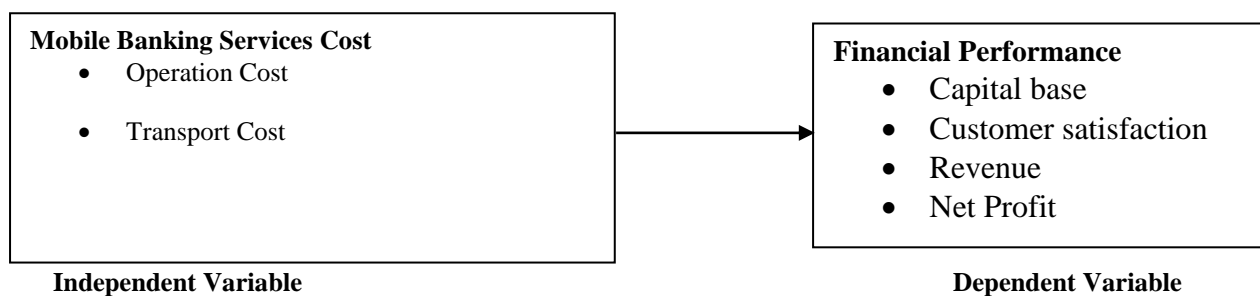


Figure 1: Conceptual Framework showing relationship between mobile banking services cost and financial performance

A. Mobile Banking Service Cost

The transaction costs of sending money through the mobile payment technology are lower than those of banks and money transfer companies (Omwanza, 2009). The cost of a payment transaction has a direct effect on consumer adoption if the cost is passed on to customers (Mallat, 2007). Transaction costs should be low to make the total cost of the transaction competitive. The cost of the mobile payments should be affordable to most of the micro business operators and far below what the banks normally charge for their bank transactions. There are many different mobile handsets which are easy to operate and have the functionalities required for the mobile payment technology. While the impact of technology use on cost reduction has been identified as negative i.e. use of technology reduces the costs of operation, the analysis of the productivity and profitability of ICT use remain ambiguous due to conflicting findings. Some studies find that technology use enhances employee productivity, profitability while others indicate that there is no significant effect of technology use

on profitability (Haq, 2005; Delgado & Nieto, 2004). A third class of scholars argue that technology use has a negative or detrimental effect on profitability due to the need for higher skilled employees, the initial costs of technology installation and the trustworthy concerns by customers as well as increased demands by customers and competitors for better products and innovations and the ever changing innovation arena which forces the firm to continually invest in technology since technology evolves on a daily basis (Aliyu & Tasmin, 2012; Chung & Dutta, 2012).

Muiruri and Ngari (2014) conducted a study on the impact of financial innovations on the Performance of commercial banks in Kenya and found that there was a significant negative correlation between technology use and the overall operational costs of a company. According to the study as the banks adopted the use of technology in service delivery, the overall costs incurred in delivering these services reduced. This is validated by the findings of Rutto (2015) who noted that the use of technology was a key strategic alternative used by commercial banks to drive down the operational costs and enhances the total Performance and efficiency in the banking sector. Ritho and Jagongo (2015) analyzed the impact of mobile banking and financial performance and noted that the use of an innovative product such as M banking enhanced organization efficiency as well as improved cost reduction in commercial banks in Kenya.

In addition, according to the Banking sector regulator in Kenya the Central Bank of Kenya (2015), the use of technology in service delivery through means such as internet banking and mobile banking has reduced the total operational costs of banks by reducing the total number of branches that banks open to attract more customers as well as reduced the total number of employees that banks have to employ in order to serve their customers. This has improved the levels of operational efficiency in the banking sector. Simpson (2002) notes that the use of technology enhances operational costs minimization as well as revenue maximization. Online banking for example acts as a substitute for the establishment of conventional banking branches and delivery of services at anytime and anywhere. In addition, the growth of technology has made it possible for banks to create value creation chains and diversify into other areas such as money transfer and micro credit through the use of technology (Delgado & Nieto, 2004).

B. Financial Performance

Financial performance refers to a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Performance measurement is defined as the process of quantifying efficiency and effectiveness. Effectiveness is compliance with customer requirements, and efficiency is how the organization's resources are used to achieve customers' satisfaction levels. To quantify efficiency and effectiveness performance measures should be chosen, implemented, and monitored. SMEs financial performance refer to sales, business transactional activities that reflect on sales like purchases through mobile money services and accessibility of financial services like savings and micro-credits (loans). These performance measures will be based on Rahmat, Megananda and Maulana (2006) study finding. The inception of mobile banking services relies upon the favorable integration or alliance of two integrally peculiar innovative platforms; banking and mobile telephone. Financial institutions are now partnering with mobile and utility administrative suppliers with the purpose of administering Mobile banking services (Buse & Tiwari, 2007). Mobile banking has exhibited the guarantee to leverage mobile technology to widen financial services to huge sections of unbanked poor people fundamentally because it is rapidly turning into a pervasively deployed technology, even among the poor in the society.

C. Research Gap

Even though the empirical study found only moderate support for the direct links between task and technology characteristics and user perceived task-technology fit, Goodhue and Thompson (1995) found that utilization and task technology fit together predicted performance better than each factor alone. Thus, a clear picture of the relationship between mobile services and firm performance has not emerged clearly from previous studies. Limited and contradictory findings have resulted from inconsistent definitions of ICT, different units of analysis, different-measures of Performance, limited theory base and reliance on cross-sectional methods. The existing body of knowledge is not sufficient enough to explain how Mobile phone services influences firm's financial performance. Despite the exponential growth in the use of mobile telephones in East Africa, the literature review indicates that only one research study (Donner, 2007) on the impact of using mobile telephones in microenterprises in East Africa has been done within the last five years in Kigali, Rwanda. The study found that mobile telephones had an impact on microenterprises since entrepreneurs developed new business contacts and expanded their social and business networks. A number of studies conducted on Kenyan SMEs mainly focused on the sector's contribution to the economy in terms of employment, income, and gross domestic product (ICEG, 1999) while other studies focused on access to credit (Aketon, 2007) and government policy and strategy frameworks

(ACEG, 2005). However, there has been no known research to the knowledge of the researcher that has studied the effect of mobile phone mobile banking on small and medium enterprises financial performance in Kenya. This study therefore seek to fill this void in research on by seeking to find out the effect of mobile banking on small and medium enterprises financial performance in Kenya.

III. METHODOLOGY

The research was conducted as an exploratory research. The population of study for this research comprised of the 5521 SMEs that provide financial services within the Kakamega County. There are a total of 1857 medium sized and 3664 small sized enterprises offering financial services in the Kakamega County. The sample size was arrived at using Taro Yamane's Formula used by Mugenda and Mugenda (2003) to get sample of 373 SMEs then stratified random sampling technique was adopted to select 248 small and 125 medium enterprises in the county. Semi-structured questionnaires were used to collect data from SMEs entrepreneurs. A pilot study was done using twenty five questionnaires which will be sent for testing randomly to SMEs within Kakamega town. The instrument were found valid and reliable as construct validity yielded a value of 0.530 (>0.5) and Cronbach alpha for financial performance was 0.759 while for mobile banking service cost was 0.799 (>0.7). Data was analyzed using descriptive and inferential statistics. Descriptive statistics include mean, standard deviation, range, percentage and frequencies while inferential statistics included Pearson correlation and simple linear regression. The study analytical model was in the form of

The regression model used was; $Y = \alpha + \beta_1 X_1 + \epsilon$

Where Y is the dependent variable (SMEs financial performance)

β_0 Regression constant. It is the value of Y when $X_1 = 0$

β_1 is the regression coefficients of mobile banking service cost

X_1 is cost of mobile banking service

ϵ is error

IV. FINDINGS AND DISCUSSIONS

A. Descriptive Statistics

Mobile banking service cost in this study was used as independent variable. To assess extent of mobile banking services cost, a set of six statements were prepared. The sampled SMEs respondents were required to indicate the extent of agreement with each of the mobile banking services cost statements from strongly disagrees, disagree, undecided, agree to strongly agree. The pertinent results are presented in Table 1.

Table 1: Descriptive Statistics Mobile Banking Services Cost

No	Cost	SD	D	U	A	SA	Range	Mean	Std Dev
1	Affordable cost of SIM Card	0.0%	6.3% (20)	1.3% (4)	50.9% (162)	41.5% (132)	4	4.2	.98
2	Easy replacement of SIM card	3.8% (12)	11% (35)	5% (16)	57.5% (183)	22.6% (72)	4	3.8	1.0
3	Affordable cost of sending or receiving money	1.3% (4)	4.7% (15)	2.5% (8)	64.8% (206)	26.7% (85)	4	4.1	.76
4	The transaction cost are affordable	7.5% (24)	8.8% (28)	5% (16)	36.2% (115)	42.5% (135)	4	3.9	1.2
5	The operation cost are affordable	11% (35)	9.1% (29)	19.8% (63)	21.4% (68)	38.7% (123)	4	3.6	1.3
6	Affordable cost of accessing bank accounts	3.8% (12)	3.8% (12)	18.9% (60)	19.8% (63)	53.8% (171)	4	4.1	1.1

From Table 1, 50.9%(162) and 41.5%(132) of the respondents agreed and strongly agree respectively that SIM card are offered at affordable cost with a mean of 4.2 and standard deviation of 0.98 implying that there is significant deviation from mean. Majority of the respondents confirmed that it is ease to replace SIM Card as indicated by 57.5 % (183) of the respondents who agreed and 22.6 % (72) who strongly agree with a mean of 3.8 and standard deviation of 1.1. In regard to

Affordable cost of sending or receiving money, 64.8 % (206) and 26.7 % (85) of the respondents agreed and strongly agree respectively that it is affordable to send and receive money via mobile bank. A mean of 4.1 and standard deviation of 0.76 implies that there is some deviation from the mean. It was also revealed that 19.8 % (63) of the sampled respondents agreed it is affordable to access bank accounts and 53.8 % (171) agreed with a mean of 4.1 and standard deviation of 1.1 implying there is some deviation from the mean. However, there was mixed view on transaction cost and operation cost. The study results revealed that 21.4 % (68) and 38.7 % (123) of the respondents agreed and strongly agreed that operation cost are affordable even though 19.8 % (63) of the respondents were undecided. A standard deviation of 1.3 implied there is great deviation from the mean of 3.6. Similarly, 36.2 % (115) and 42.5 % (135) of the respondents agreed and strongly agreed that the transaction cost are affordable with a mean of 3.9 and standard deviation of 1.2.

B. Inferential Statistics

The objective of the study was to assess the effect of mobile banking cost on financial performance of SMES in Kakamega County. This objective meant to test the study hypothesis, H_{01} : There is no significant relationship between mobile banking cost and financial performance of SMEs in Kakamega County. After successful computation of the financial performance and mobile banking services cost means, the overall means of mobile banking services cost was correlated with the financial performance using Pearson correlation analysis to determine the Correlation coefficient (R) and the significance level (P). Further, simple linear regression analysis was conducted to determine the coefficient of determination (r^2) which is variation in the financial performance that is been accounted for by mobile banking services cost. The hypothesis was rejected basing on $t \neq 0$, $\beta \neq 0$ & $P < 0.05$.

Correlation between Mobile Banking Cost and the financial performance

The Pearson Correlation analysis was conducted to determine the relationship between mobile banking cost and financial performance of SMEs in Kakamega County. The results are as shown in **Table 2**:

Table 2: Correlation between Mobile Costs and the financial Performance

N=69		Mobile Banking Costs	Financial Performance
Mobile Banking Cost	Pearson Correlation	1	
	Sig. (2-tailed)		
Financial Performance	Pearson Correlation	-.660**	1
	Sig. (2-tailed)	.000	

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

From Table 2, the correlation coefficient between cost of mobile banking services and financial performance of SMEs is - 0.660**. This correlation was negative and significant implying that that a negative significant relationship exists between the financial performance and the cost of mobile banking services. This inverse relationship suggests that when the cost of mobile banking services increases, financial performance of SMEs in Kakamega County would decrease significantly. Similarly, a reduction in mobile banking services cost would result to increase in financial performance. Therefore, the study hypothesis of the study was rejected as the relationship between mobile banking services cost and financial performance is significant ($p=0.000$).

Regression Results of Mobile Banking Services Cost and Financial Performance

Simple linear regression was further conducted to test the research hypothesis due to inherent weakness in correlation results especially the third variable problem and difficulty in determination of causality (Field, 2005), there is therefore need to exercise caution when interpreting correlation results. The correlation results could not reveal other unmeasured or measured variables influencing the results. The coefficient of determination, R^2 was relied on to overcome the problem of determining causality as it indicates the amount of variability in one variable that is explained by the others. Therefore, regression results are considered handy in testing null hypothesis. The results of simple linear regression analysis was presented in Table 4.2 which contained ANOVA (goodness of fit; F Ratio, Sig Value), model summary (R, r^2 , Adjusted r^2) and regression coefficient (Unstandardized & standardized), t-value and Sig. value.

Table 3: Simple Regression Analysis Results

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.660 ^a	.435	.433	.55374		
a. Predictors: (Constant), Mobile Banking Service Cost						
b. Dependent Variable: Financial Performance						
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	74.640	1	74.640	243.422	.000 ^b
	Residual	96.895	316	.307		
	Total	171.535	317			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), Mobile banking Services Cost						
Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
(Constant)	5.710	.088		64.703	.000	
Mobile Banking Costs	-.676	.043	-.660	-15.602	.000	
a. Dependent Variable: Financial Performance						

From the Table 3, the value of R square is 0.435 shows that mobile banking services cost accounts up to 43.5% of variance in financial performance of SMEs in Kakamega County. From the findings, also adjusted R square value is obtained, which is a corrected R square value to provide a useful estimate of true study population. The difference between R^2 and adjusted R^2 is obtained by subtracting the later from the former (.435-.433=0.002) a value when multiplied by 100% results in 0.2 percent. This reduction implies that should the model originated from the entire population instead of a sample, it would explain about 0.2% less variation in the study outcome.

In order to assess the model significance, simply whether the model fits well the given data, the study resorted to F ration. The F-ratio from the findings indicates the ratio of the improvement in the prediction that results from fitting the model relative to the inaccuracy that still exists in the model. F ratio greater than 1 implies that the model is significant. From the ANOVA table significance of the model has a value $F(1,317) = 243.422, P=0.000$ this implies that it is significant at 99% confidence level hence the model is significant predictor of financial performance. The regression coefficient results show that cost is significant at 99% confidence level (p value < 0.01). There is a negative relationship between mobile banking cost and financial performance as indicated by $t=-15.602$. The regression equation for mobile banking services cost becomes

$$Y \text{ Per} = 5.710 - 0.676 \text{ Mobile banking Cost}$$

From the regression equation, mobile banking cost with beta value of -0.676; $t=-15.602$; $p=0.000$ implies that when mobile banking services cost changes by one unit, financial performance will change by 0.676 in the opposite direction. The result confirms with the one for correlation where mobile banking cost has a negative relationship with financial performance. The following verdict was arrive at using six step as shown below

H₀₁: There is no significant relationship between mobile banking services cost and financial performance of SMEs in Kakamega County.

H_{A1}: There is significant relationship between mobile banking services cost and financial performance of SMEs in Kakamega County.

T-Test Statistics results: ($t=-15.602$; $P=0.000 < 0.05$)

Beta Standardized Coefficient results: $\beta_1 \neq 0$ ($\beta_1=-0.676$) and $P=0.000 < 0.05$

Verdict: Null hypothesis is rejected

Interpretation: There exists significant effect of cost on financial performance of SMES in Kakamega County

These findings are similar to Mbogo (2010) who found that Cost of mobile banking services has inverse relationship with performance of SMEs in Kenya. Majority of the micro business operators who completed the survey questionnaire strongly agree that the cost of mobile banking services should be affordable for them to realize profits. Donner and Tellez (2008) did a study on mobile banking and cost where they sought to link adoption, impact, and use. The study established that through offering a way to lower the costs of moving money from place to place and offering a way to bring more users into contact with formal financial systems. Nganga and Mwachofi (2013) found out that using of mobile device in transacting business offers numerous benefits to mobile user despite the fact mobile companies surcharge fees which affects their performance negatively. The charging of small fee enhanced the user to use services such as sending money, confirming bank balance as well as buying airtime from their device. A study by Gitau and Nzuki (2014) aimed at identifying the factors that influence adoption of mobile banking by online consumers in Kenya. Using the existing literature, the study shown that cost variables influence the adoption of mobile banking by online users negatively.

V. CONCLUSION AND RECOMMENDATION

The study concluded that mobile banking service cost has negative significant effect on financial performance of SMEs in Kakamega County. To arrive to this conclusion, Pearson correlation analysis produced a significant negative relationship between mobile banking services cost and financial performance of SMEs ($P=0.000$). This implies that increase in mobile banking services cost would result to decrease in financial performance of SMEs. Mobile banking services accessibility significantly accounted up to 43.5% variance in financial performance of SMEs ($P=.000$). Simple regression analysis yielded a t-statistic value of and Beta value which are not equal to zero. Therefore, the null hypothesis was rejected as there is significant relationship between cost of mobile banking services and financial performance of SMEs in Kakamega County. The study recommended that the government should come up with regulations which will make the cost of accessing internet and other mobile services affordable to most customers. This will make sure that most SMEs are not locked out from using mobile banking applications and services as a result of taxations and other levies which government imposes so as to raise revenue. The bank management should also have pricing policy of their services and products which would ensure that both SMEs and their customers are able to afford them regardless of government taxation. This includes cost of sim card, sim card replacement and transaction cost.

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