Impact of Mobile Lending on Kenya's Bank Credit Uptake: An Analysis

Henry Bartoo Chepkelyo[1], Samuel Mutua Warui[2]

[1]Department of Commerce and Economic Studies, Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya
Email: *evansbartoo[at]gmail.com*

[2]Department of Commerce and Economic Studies, Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya
Email: *mutuawarui[at]gmail.com*

Abstract: *The latest adoption of mobile banking technology has helped banks to extend their customer base. Internet banking and mobile banking are two alternative channels for banks to deliver their services for customers in order to acquire services. Electronic banking has proved to be the main advancement. Mobile banking is categorized as the latest development in electronic banking services, which enables the bank customers in: Balance inquiry, credit transfer, check account, SMS, payment transaction and other businesses according to banks instruction that send to them through mobile phones. From customers' mobile phones, customers can perform banking transactions anytime, anywhere and is easy way to use. Therefore, Security is ensured, as banking transactions are encrypted and password - protected. Meanwhile the rapid growth of using technology by phones has helped banks to achieve their goals. The study investigates the impact of flexible mobile lending on credit uptake among commercial banks in Kenya, focusing on the role of usage variety. Employing a descriptive research design, data was collected through questionnaires from Diamond Trust Bank customers in Mombasa County. The analysis reveals that mobile lending features, such as ease of navigation and security, significantly influence credit uptake. This paper underscores the importance of enhancing mobile lending services to boost financial inclusion and bank performance.*

Keywords: Mobile banking, internet banking, credit uptake, commercial banks, electronic banking

1. Introduction

The latest adoption of mobile banking technology has helped banks to extend their customer base. Electronic banking has proved to be the main advancement. Mobile banking is categorized as the latest development in electronic banking services, which enables the bank customers in: Balance inquiry, credit transfer, check account, SMS, payment transaction and other businesses according to banks instruction that send to them through mobile phones (Saleem & Rashid, 2011). From customers' mobile phones, customers can perform banking transactions anytime, anywhere and is easy way to use. Therefore, Security is ensured, as banking transactions are encrypted and password - protected. Meanwhile the rapid growth of using technology by phones has helped banks to achieve their goals.

Internet banking and mobile banking are often referred to as electronic banking; internet banking and mobile banking are two alternative channels for banks to deliver their services for customers in order to acquire services. Customers access internet banking through computers connected to Internet, while customers use mobile banking through wireless devices. Using Mobile banking through wireless connections shows the difference between online banking and mobile banking contexts while customers consider mobility as the most valued properties of mobile banking that is also time - critical.

Millions of people access the internet through mobile phones. Moreover, the number of transactions has been increased by new technological services such as: Wireless application protocol (WAP), Bluetooth, 3G standard (Khraim et al., 2011). Mobile banking may help to increase satisfaction by innovation services that have no limitation on time and place in order to add more value to the customer. Customer's satisfaction with the bank is expected to increase their willingness to make more online transactions (Khraim et al., 2011). Therefore, this will increase their confidence with the bank which will directly put positive effect on bank's customer relationship.

2. Objective of the study

The main purpose of the study was to analyze the effects of flexible mobile lending on commercial banks credit uptake in Kenya. The research seeks to evaluate the extent to which flexibility in mobile credit affects credit uptake in commercial banks since it offers banking institutions an insight of the intentions of their customers to use mobile phone credit service. It will in effect implore telecom companies in Kenya such as Safaricom, Airtel and local banks to work together to better the services in credit service for the convenience of the users.

3. Research Methodology

The target population was the credit issuing financial institutions in Kenya, specifically the commercial banks of Kenya while the study population was the customers of Diamond trust bank. The researcher chose the bank because according to KBA journal (2023) it was listed amongst the banks with the highest number of customers using credit services in Kenya. The study identified a population size of 300 customers who frequent Moi Avenue, Jomo Kenyatta Avenue and Shimanzi branches in Mombasa. A total of 100 questionnaires were given out on the first Fridays of the month. The day was chosen because it's the one with the highest turn out in every month.

100 questionnaires out of the possible 300 was made to cater for the requirement of 10% - 30% sample size range according to Mugenda & Mugenda (1999).

Table 1: Study population

Branch	No. Customers	Percentage (%)
Moi avenue	140	46.7
Jomo Kenyatta Avenue	100	33.3
Shimanzi	60	20
Total	300	100

Source: Author 2024

To constitute a sample, the researcher used systematic random sampling; questionnaires were given out at an interval of after every two other customers. Using systematic random sampling method ensured simplicity of the exercise while adding a degree of system or process in to the random selection of the subjects and assuring that the population was evenly sampled. A sample in research study refers to any group on which information would be obtained. According to Mugenda and Mugenda (1999) a range of 10% to 30% of the target population should be included in the sample when dealing with heterogeneous sample. To get the sample size the study calculated 30% of the 300 of the population under the study to arrive at 100 respondents. The sample sizes were evenly distributed to avoid bias of research feedback. This was important for the study as it gave a balanced perception of the study variables that were investigated.

4. Findings

The findings of the study revealed several significant insights into the relationship between mobile lending features and credit uptake among commercial bank customers in Kenya. Firstly, ease of navigation was found to have a strong positive association with credit uptake, indicating that customers tend to utilize mobile lending platforms more frequently since they are user - friendly and easy to navigate. Secondly, security emerged as another crucial factor influencing credit uptake, with customers showing a preference for platforms that offer robust security measures to protect their personal and financial information.
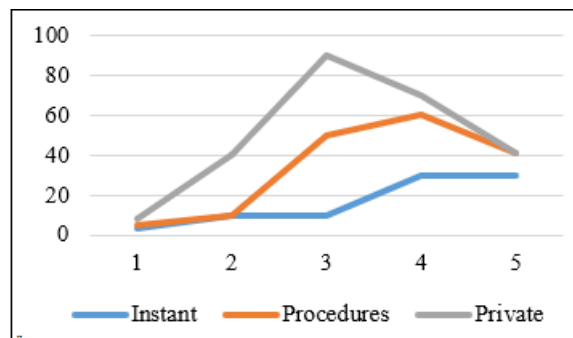

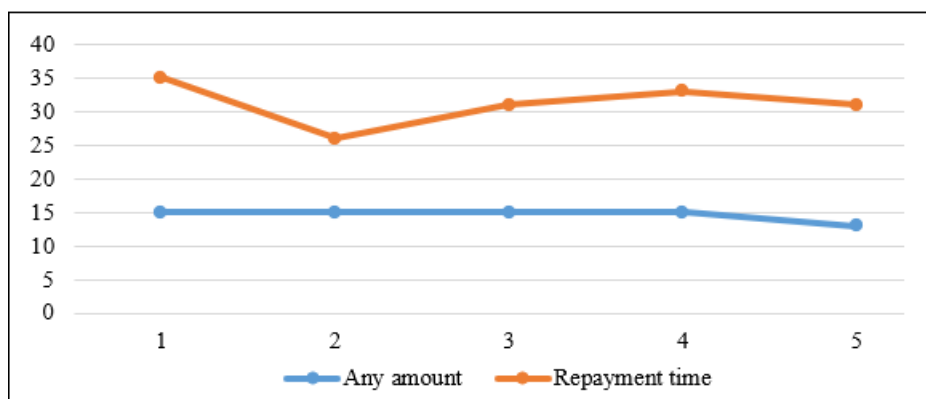**Figure 1:** Trend analysis for security of mobile lending

Figure 2: Trend analysis for flexibility of mobile lending

Pearson's correlation was checked to ascertain whether or not there is a statistical relationship between accessibility of mobile lending and credit uptake. Table 1 shows Pearson's correlation coefficient between accessibility of mobile lending and credit uptake being.727, $p<0.05$, two - tailed, tested at 5% level. The results showed that there is a positive and significant relationship between accessibility of mobile lending and credit uptake. This indicates that accessibility of mobile lending positively affects credit uptake.

With these results, it implies that there is a positive and significant relationship between accessibility of mobile lending and credit uptake. Therefore, an improvement in accessibility of mobile lending will affect credit uptake positively. The finding of this study agreed with previous studies (Ahmed, Ahmad & Joarder, 2016; Jani & Balyan, 2016); however, the findings of this study failed to support the findings of Shah and Beh (2016).

Table 1: Overall Pearson Correlation Matrix

		CU	EN	SM	AM	FM
CU	Pearson Correlation	1	.213	.563**	.727**	.334**
	Sig. (2 - tailed)		.004	.000	.000	.002
	N	83	82	83	83	83
EN	Pearson Correlation	.213	1	.311**	.301**	.139
	Sig. (2 - tailed)	.054		.004	.006	.014
	N	82	82	82	82	82
SM	Pearson Correlation	.563**	.311**	1	.743**	.308**
	Sig. (2 - tailed)	.000	.004		.000	.005
	N	83	82	83	83	83
AM	Pearson Correlation	.727**	.301**	.743**	1	.270*
	Sig. (2 - tailed)	.000	.006	.000		.013
	N	83	82	83	83	83
FM	Pearson Correlation	.334**	.139	.308**	.270*	1
	Sig. (2 - tailed)	.002	.014	.005	.013	
	N	83	83	83	83	83

Regression analysis was conducted to empirically determine whether or not ease of navigation affects credit uptake. The results showed a relationship R =.213, which indicated a positive association between ease of navigation and credit uptake. The relationship was significant, as supported by a probability value of 0.004 ($p<0.05$). This implies that the model applied could statistically and significantly predict the outcome variable.

Regression analysis was conducted to empirically determine whether or not security of mobile lending significantly determines the credit uptake. The results in the table showed a relationship R =.563, which indicated a positive association between security of mobile lending and credit uptake. The relationship was significant, as supported by a probability value of 0.000 ($p<0.05$). This implies that the model applied could statistically and significantly predict the outcome variable. The study, therefore, rejected the null hypothesis, H_{o2} at a 5% level and concluded that security of mobile lending positively impacts credit uptake.

On the influence of accessibility of mobile lending on credit uptake, correlation analysis was conducted to determine if accessibility of mobile lending significantly determines credit uptake empirically. The results in the table showed a relationship R =.727, which indicated a positive association between accessibility of mobile lending and credit uptake.

5. Conclusions

Based on the findings, it can be concluded that mobile lending features play a significant role in driving credit uptake among commercial bank customers in Kenya. The study highlights the importance of integrating ease of navigation, security, accessibility, and flexibility features into mobile lending platforms to enhance customer engagement and promote financial inclusion. Moreover, the findings underscore the need for financial institutions to prioritize the development of user - friendly and secure mobile lending services that cater to the diverse needs of their customers. By leveraging these features effectively, banks can attract more customers to their mobile lending platforms and increase credit uptake in the country.

6. Recommendations

Building on the conclusions drawn from the study, several recommendations can be made to enhance the effectiveness of mobile lending services and promote greater credit uptake among commercial bank customers in Kenya. Firstly, financial institutions should invest in the development of intuitive and user - friendly mobile lending platforms that simplify the borrowing process for customers. This may involve conducting user experience research and incorporating customer feedback into the design and functionality of mobile lending apps. Secondly, banks should prioritize the implementation of robust security measures to safeguard customer data and instill trust in their mobile lending services. This may include adopting advanced encryption technologies, biometric authentication, and multi - factor authentication methods to protect against cyber threats and fraud. Thirdly, efforts should be made to improve the accessibility of mobile lending services by expanding network coverage, enhancing digital literacy programs, and reducing barriers to entry for underserved populations. Lastly, financial institutions should offer flexible borrowing options and customizable loan products to meet the diverse needs and preferences of their customers. By addressing these recommendations, banks can effectively leverage mobile lending features to drive credit uptake and promote financial inclusion in Kenya.

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