

**ANALYSIS OF THE EXTENT OF MOBILE BANKING TRANSACTIONS
CONTRIBUTION TO BANKS' COMMISSIONS GROWTH. A CASE OF KCB RETAIL
BANKING**

JAMES NYAMBARIGA OGETO

**A Research Project Report Submitted to the Graduate School in Partial Fulfillment of the
Requirements of the Conferment of Master of Business Administration Degree of Laikipia
University**

NOVEMBER 2015

ABSTRACT

Increased competition in the banking industry has led to banks adopting new and innovative strategies to stem competition and increase their commissions. One of the strategies adopted by banks in Kenya is mobile banking. Despite KCB's heavy investment in mobile banking as a new avenue of commission growth, its effects on the commissions whether positive or negative requires to be ascertained. This study sought to analyze mobile banking transactions contribution to overall banks' commissions growth. The study employed profit maximization theory of economic finance attributed to Marshall A. which was the rational behavior of equilibrium assumption. A descriptive research design was employed for this study. The study used relevant secondary data collected from KCB's financial reports from KCB retail banking head office finance unit where financial performance records are archived. The data was analyzed using both gap and regression analysis techniques to determine the change in commissions in relation to mobile transactions contribution. Through analysis the study established that mobile banking transaction commissions were increasing steadily for the five year period of study. There was positive contribution of mobile banking commissions towards the bank's commission growth. The study also established that mobile banking balance inquiry contributed 31.0% to total mobile banking commissions; mobile banking account to mpesa contributed 56.0% to total mobile banking commissions and; mobile banking bank account to account transfers contributed 8.0% to total mobile banking commissions. Mobile banking balance inquiry, mobile account to M-pesa money transfer and mobile bank account to account money transfer had a significant contribution to the bank's commissions' growth. In particular, account to M-pesa was found to contribute a greater percentage to commissions' growth. Through regression analysis the three independent variables of study had positive coefficient: balance inquiry had a coefficient of 1970.14, bank account to mpesa funds transfer had a coefficient of 1117.15 and bank account to bank account funds transfer had a coefficient of 925.99. The three independent variables were found to be significant. Since the findings indicated mobile banking contributed positively to the bank's commissions, the study recommends that banks should sensitize their customers on benefits of usage of mobile banking services to ensure the daily mobile banking transactions increase gradually.