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Effect of Mobile Banking System Adoption on the Cost of Transactions at Kenya Commercial Bank Eldoret West Branch, Uasin Gishu County, Kenya

Dominic Abuga Omare
Kaimosi Friends University College (KAFUCO)

Abstract: The purpose of this study was to determine the effect of mobile banking system adoption on the cost of transactions at Kenya commercial bank, Eldoret west branch. A descriptive research design was used and a target population of 250 was selected. Stratified and purposive sampling was used to come up with a sample of 75. Questionnaires were used as instruments of data collection. Data was analyzed quantitatively by use of frequency tables, percentages and charts. From the findings it was evident that 20% of the respondents said that Mobile banking is cheaper, 70% said that mobile banking transaction cost be reduced and 10% said mobile banking cost is reasonable. From the findings it can be deduced that there is need to reduce the cost of mobile banking.

Key Words: Mobile Banking, Cost, Kenya Commercial Bank.

I. Introduction

An appropriate banking environment is considered a key pillar as well as an enabler of economic growth (Koivu 2002). With the continuously emerging wave of information driven economy, the banking industry in Kenya has inevitably found itself unable to resist technological indulgence. The need for convenient ways of accessing financial resources beyond the conventional norms has seen the recurrent expansion and modernization of banking patterns. And given the huge demand for finance oriented services, institutions beside the historical banks have joined the trend in an attempt to grab a piece of the perceived cake of opportunity within the banking industry (Koivu, 2002). The development of Internet Banking Application after 1995 in most developed countries has revolutionized the distribution strategy of commercial banks and transformed the needs and wants of customers. This has led to mobile banking which has enhanced easy banking.

Mobile banking is a simple way where the customer performs banking actions on his or her mobile phone or other mobile device. It is a quite popular method of banking that fits in well with a busy, technologically oriented lifestyle. It might also be referred to as M-banking or SMS banking. The remarkable gains made towards mobile phone access have seen a steady progress in the scope of innovations emanating from exploitation of these fairly new technologies. What has characterized the Kenyan mobile landscape is a rapid uptake of various services key among them the mobile based products. Mobile banking is one innovation which has progressively rendered itself in pervasive ways cutting across numerous sectors of economy and industry.

II. Statement of the problem

Studies have addressed conceptual issues and conducted general consumer surveys however; there is little research available in the literature on customer perceptions of and utilization of mobile banking in Kenya. People's level of experience with technology being higher than a decade ago. The future of Mobile banking looks encouraging and bright, if barriers are overcome. These barriers include security of Mobile Banking, cost of mobile

banking services, user's knowledge on Mobile Banking, availability of mobile phone and other affecting mobile banking which include the cost of the transactions.

III. Literature Review
3.1 Mobile banking systems adoption and the Cost of transaction
According to Mallat (2007), the cost of a payment transaction has a direct effect on consumer adoption if the cost is passed on to customers. Transaction costs should be low to make the total cost of the transaction competitive. The transaction costs of sending money through the mobile payment technology are lower than those of banks and money transfer companies. In their studies in India, Rajanish & Sujoy (2011) found that the cost of availing the mobile financial services was a common matter of concern among the villagers who were interviewed. People wanted to know whether they would need to purchase a new handset for using mobile financial services (MFS) and were also eager to know the cost of transaction for availing this service. People were ready to pay a small amount (in the range of one rupee to two rupees) per transaction for using MFS. They were aware and appreciated the fact that using MFS would save them a lot of time, effort and money that they currently spent for accessing banking and financial services through the existing channels of delivery. Hence, cost of the MFS is an important factor that would determine the adoption of the services among the rural population. Given the fact thatmajority of the rural population falls within the lower income group, the total cost of availing the services need to be minimized for ensuring faster adoption.

According to Nah, Siau, and Sheng (2005), the cost of mobile devices and mobile services was identified as an investment concern. Luarn and Lin (2004) argued that financial cost was one of the greatest concerns in adoption of mobile banking services. Furthermore, Ram and Sheth (1987; 1989) stated that it was not viable for consumers to change their way of performing their banking tasks without offering a strong performance-to-price advantage. The price of banking services may have an opposite effect with respect to the adoption of mobile banking, which may result in consumers preferring the traditional banking services (Laukkanen et al, 2007). Users agree to pay a reasonable fee to use a service. However this would depend on the banking and service provider. Provision of a lower service cost is a major benefit for users using mobile banking and performing banking transaction functions through a mobile device; so the "value for money" barrier may be

user's perceived barriers on Mobile Banking. This study therefore sought to investigate the factors another factor influencing the adoption of mobile banking services (Laukkanen et al, 2007).

IV. Methodology
4.1 Research design
Research design is a basic plan which guides the data collection and analysis phases of the research project. It is the framework, which specifies the type of information to be collected, the sources of the data, and data collection procedure. The researcher used a descriptive design to describe systematically the facts and characteristics of a given population or area of interest, factually and accurately.

4.2 Target population
Target population is any group of person's objectives or items possessing common characteristics and identified for study. The target population for this study was 250 respondents which were comprise of 50 employees drawn from different departments in the bank and 200 customers visiting the bank in two days. As shown in table 4.1.

Table 4.1 Target population

Strata	Target population
Employee	50
Customer	200
Total	250

Source; human resource department, Kenya commercial bank Eldoret west branch and researcher, (2014)

4.3 Sampling design and Sample Size
A sample of 75 was selected which is 30% of the total population as in table 3.2 below. According to Mugenda and Mugenda (1999), when the target population is between 50 and 1000, 30% is representative. Both stratified and purposive sampling technique was used to select the sample size. Stratified was used to categorize groups into homogenous while purposive was used to select respondents from each strata. This procedure was summarized in the table 4.2 below;

Table 4.2 Sample Size

Strata	Target population	Sample Size
Employees	50*0.3	15
Customers	200*0.3	60
Grand total	**250**	**75**

Source; researcher (2014)

4.4 Data collection tools

Questionnaire were used as the main data collection tool to collect primary data for this study. The questionnaires that contained both open ended and

4.5 Validity

Orodho (2009) defines validity as a test of measure of how well a test measures what it is supposed to measure while reliability is a measure of how consistent the results from a test are. Validity is the degree to which results obtained from analysis of the data actually represent the phenomenon under investigation and reliability as the consistency in producing a reliable result. The content validity was assured through expert judgments. This was where the copies of questionnaires were given to the supervisors and other experts to determine the content validity of the questionnaires.

4.6 Reliability

Reliability refers to the consistency that an instrument demonstrates when applied repeatedly under similar conditions (Kerlinger, 1978). To test reliability of the research instrument, test retest technique was used. In this technique, the researcher administed questionnaires to a group of customers and employees of Kenya commercial bank Eldoret west branch. After one week the researcher then re-administer the same questionnaire to the same group. This assisted the researcher to know the consistency of the instrument.

4.7 Data collection procedures

Data collection was done using questionnaires as the main data collection tool. The researcher collected data from the selected respondents after obtaining permission from the national council of science and technology to carry out research in the identified area of study. As a procedure of collecting the relevant data, the researcher wrote to Kenya commercial bank Eldoret west branch of the intended mission and followed up with a call to book an appointment with the manager, on when he can be available to be seen by the researcher. During the appointment the researcher sought permission from the manager to be given the appropriate time on when the researcher will be allowed to serve the other staff with the questionnaires.

After familiarization data was collected from the respondents using questionnaires. Questionnaires were administered personally by the researcher to the employees and the customers visiting the bank. The completed instruments were verified and collected from the respondents within a period of seven days from the day of distribution. A follow up was made to ensure that all questionnaires were returned.

4.8 Data analysis and presentation

closed ended questions. The open ended questions enabled the respondents to utilize and express their views.

Data analysis is a process of inspecting, transforming, and modeling data with a goal of highlighting useful information, suggesting conclusions and supporting decision making. The researcher will first establish if adequate data will have been collected through the administration of the described instruments. Once ascertained, data duly collected will be analyzed using inferential statistics.

The data to be collected for the purpose of the study will be edited by ensuring that there is no unfilled questionnaire or to check completeness and accuracy of information. The researcher will summarize patterns in the response from the sample by use of frequency, percentages and charts. The observation from the closed ended questions will be tabulated and analyzed while frequency and percentage will be used for open-ended questions so as to convey meanings to the data.

V. Results and Discussions

5.1 Mobile banking systems on cost of the transaction

The study saw it important to establish the cost of services facing the bank in the implementation of mobile banking. This is because the management duties related to information and communication systems are complex and constitute a challenge for most organizations, implementing policies to determine which information system projects should be founded and which ones should be abandoned, determining appropriate development methodologies establishing responsibilities for ongoing information system operations, security and maintenance This challenge is particularly acute on knowledge intensive industries where professionals can change jobs quite easily and often.

5.1 Mobile banking systems on cost of services

Satisfaction	Frequency	Percentage
Mobile banking is cheaper	13	20
Mobile banking transaction cost be reduced	45	70
Mobile banking cost is reasonable	5	10
Totals	63	100

From the findings above on mobile banking systems on cost of services it was evident that 20% of the respondents said that Mobile banking is cheaper, and 70% said that mobile banking transaction cost be should be reduced and 10% said mobile banking cost

is reasonable. From the findings it can be deduced that mobile banking transaction cost should be reduced to the customers.

VI. Conclusion and Recommendations

The study saw it important to establish the cost of services facing the bank in the implementation of mobile banking. This is because the management duties related to information and communication systems are complex and constitute a challenge for most organizations, implementing policies to determine which information system projects should be founded and which ones should be abandoned, determining appropriate development methodologies establishing responsibilities for ongoing information system operations, security and maintenance. From the findings it can be deduced that mobile banking transaction cost should be reduced to the customers.

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