

ABSTRACT

Despite the widespread availability and adoption of mobile banking technology, research on its specific impact on the financial performance of Small and Medium Enterprises (SMEs) is lacking. The effective utilization of mobile banking by SMEs to enhance financial performance and the factors influencing its effectiveness remain unclear. This study aimed to examine the relationship between mobile banking adoption and the financial performance of SMEs. Objectives included determining the effects of mobile banking service costs and accessibility on financial performance, as well as assessing the extent of mobile banking adoption among SMEs in Kajiado County. A descriptive research design targeted a population of fifty-eight (58) licensed SMEs in Kajiado County. Primary data from questionnaires and interviews were coded for analysis. Normality tests confirmed a normal distribution of the data. Statistical analyses, including regression analysis and ANOVA, were conducted. The findings indicated a strong negative correlation (-0.974 , $p = 0.000$) between mobile banking service costs and SME financial performance, demonstrating a significant relationship. The rejection of three hypotheses ($r=0.351$, $p<0.05$), ($r=0.321$, $p<0.05$), and ($r=0.246$, $p<0.05$) suggested a positive association between mobile banking service adoption and improved financial performance, including revenue growth and profitability. Specifically, mobile banking service costs had a positive and significant association with financial performance ($r=0.665$, $p<0.05$), while mobile banking service accessibility showed a positive and significant correlation ($r=0.751$, $p<0.05$). The study recommends collaboration between financial institutions and mobile network operators to reduce service costs and expand coverage, thereby encouraging greater adoption by SMEs in Kajiado County and enhancing their financial performance.