



Digital Product Diversification Strategies and Performance of Microfinance Banks in Nairobi City County, Kenya

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Abstract

Microfinance banks in Kenya play a crucial role in promoting financial inclusion and economic growth by providing financial services to low-income individuals and organizations. However, statistical data indicates a decline in performance based on ROA, deposit growth and financial outreach. Therefore, the present study sought to investigate the influence of digital product diversification strategies on performance of microfinance banks in Nairobi County, Kenya. The specific objectives were to examine the influence of mobile banking, agency banking, digital lending products and digital saving products on performance of microfinance banks in Nairobi County, Kenya. The study was guided by Resource-Based View Theory, the Ansoff Matrix, and Diffusion of Innovation Theory. A descriptive design was used, targeting 963 respondents across 14 microfinance banks in Nairobi County, with 282 selected through stratified sampling. Data were collected using semi-structured questionnaires, piloted with 28 respondents from two microfinance banks in Kiambu County. Content validity and Cronbach's alpha were used to assess validity and reliability. Qualitative data were analysed thematically, while quantitative data used descriptive statistics, Pearson correlation, and multiple regression. Findings were presented in tables and figures and showed strong positive relationships between mobile banking, agency banking, digital lending, digital savings, and MFB performance. The study concludes that increased adoption and utilization of mobile banking services are associated with improved performance. The expansion and utilization of agency banking services are associated with improved customer access, transaction activity, and overall bank performance. Greater use of digital lending products was associated with improved performance, possibly by increased access to credit and more efficient loan processing and greater adoption and utilization of digital savings products were linked with improved performance through greater customer participation in digital savings and increased mobilization of deposits. The study recommends that the microfinance bank should constantly invest in and improve its mobile banking platform to inspire greater customer adoption and use. The bank should continue expanding its agency banking network, particularly in areas that remain underserved. The bank should continue developing digital lending products that are convenient, accessible, transparent, and responsive to customer needs and that the bank should enhance the accessibility and attractiveness of its digital savings products.

Keywords: *Mobile banking, agency banking, digital lending products, digital savings products, performance, microfinance banks, Nairobi City County, Kenya.*

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1.0 Background to the Study

Microfinance bank performance supports financial inclusion, poverty reduction, sustainable customer service, and financial stability (Mumi *et al.*, 2020; Mia *et al.*, 2023). Improved organizational performance strengthens sustainability and enables microfinance banks to contribute to socioeconomic growth by expanding financial access for underserved communities (Singh, 2024). Digital product diversification helps these banks address varied customer needs, establish additional revenue streams, and reduce dependence on traditional financial products (Daowd *et al.*, 2021). Such diversification includes mobile banking, digital wallets, online loans, and savings platforms that broaden the services available to customers (Akbar & Siti-Nabiha, 2022). Adapting to technological advancements enables microfinance banks to remain competitive and improve organizational performance within a rapidly developing financial environment (Tambo & Wamwayi, 2024). Diversification also broadens digital offerings to reach new markets, use existing capabilities, and reduce risks (Kochnev, 2025).

Microfinance banks demonstrate varied performance across countries, with differences in outreach, profitability, operational efficiency, and social contribution (Hussain & Ahmed, 2024; Casanueva, 2024; Ghosh & Guha, 2025). In Bangladesh, increased outreach and social influence coexist with difficulties in operational efficiency and sustainable portfolio growth (Hussain & Ahmed, 2024). Mexican microfinance banks have improved profitability and service scalability, although high interest rates complicate the balance between financial returns and social objectives (Casanueva, 2024). In India, performance varies, while self-help group networks and digital finance enhance outreach and efficiency (Ghosh & Guha, 2025). Nigerian banks have benefited from regulatory reforms but continue to experience cost and profitability challenges in remote areas (Dania, Igbinawan, Akrawah, & Tafamel, 2022). Ugandan banks combine group lending, community engagement, and donor partnerships to strengthen capacity and technology while balancing financial and social goals (Agaba & Mugarura, 2023).

Kenya's microfinance sector has evolved over three decades from informal community lending into a regulated financial industry (CBK, 2023). During the 1990s, donors and nongovernmental organizations expanded small loans to low-income groups and micro-enterprises excluded from conventional banking, supporting income generation and poverty reduction (CBK, 2022). The Microfinance Act established a regulatory framework authorizing the Central Bank of Kenya to license and supervise deposit-taking microfinance banks (CBK, 2022). Integration of innovative technologies, including mobile banking platforms, has supported organizational performance through improved customer service (Muithya & Muathe, 2020). Technology integration has also increased accessibility and reduced expenditure within the Kenyan microfinance sector (Auka, 2023). Technology adoption has further strengthened outreach and operational efficiency, while credit assessment mechanisms and technology-led monitoring have contributed to lower loan default rates (Tambo & Wamwayi, 2024).

Organizational performance reflects how effectively an organization achieves objectives, meets stakeholder needs, uses resources, and adapts to environmental changes (Akpa *et al.*, 2021; Yip & Johnson, 2022; Gavrea *et al.*, 2024; Almatrooshi *et al.*, 2024). Zack, McKeen, and Singh (2021) identify financial outcomes, product market achievement, and shareholder earnings as performance dimensions. Carmeli, Gilat, and Waldman (2023) emphasize sales growth and profitability, while Khan, Khan, and Khan (2024) include efficiency, productivity, and quality.

Anwar and Abdullah (2024) associate performance with meeting shareholder needs through quality products and services. The study measures performance using return on assets, deposit growth, and financial outreach. Deposit growth indicates an organization's ability to attract and retain funds, reflecting customer trust, satisfaction, competitiveness, financial stability, and prospects for sustainable growth (Osayande, 2021).

Digital product diversification involves developing and selling products or services that differ from an organization's existing offerings (Aversa & Hueller, 2023). It represents a dynamic capability through which organizations create, explore, and exploit marketplace opportunities (Batsakis, Konara, & Theoharakis, 2023). It also reflects the extent to which product offerings spread across different categories or sectors (Li & Kim, 2024). The study examines mobile and agency banking, digital lending, and digital savings. Mobile banking improves efficiency, reduces operating expenditure, and enhances customer experience (Said & Kaplelach, 2019). Remote transactions reduce branch queues and labour expenditure while improving operational efficiency (Yoewono & Prabowo, 2024). Real-time data and analytics also help banks understand customer behaviour and preferences, enabling targeted marketing and product offerings that support revenue growth and organizational performance (Sijabat, 2024).

Agency banking extends financial services beyond traditional branches, increasing accessibility and customer convenience (Ndyamuhaki, 2020). Outsourcing banking operations to third-party entities expands institutional reach, reduces operational costs, and improves efficiency (Akighir, Margaret, Tyagher, & Kpoghul, 2022). Services such as account opening, deposits, withdrawals, and money transfers strengthen customer satisfaction and loyalty, supporting organizational performance (Mohere, 2023). Digital lending similarly improves service delivery by automating applications, reducing manual processing time, increasing approval rates, and accelerating loan turnaround, thereby enhancing customer satisfaction (Adamek & Solarz, 2023). Digital lending platforms incorporate machine learning algorithms to assess creditworthiness, reduce default risk, and support more competitive interest rates (Akhileshwari & Majumdar, 2023). Effective implementation of digital lending products can improve revenue, lower operational expenses, and strengthen brand reputation, contributing to improved organizational performance (Kivale, Maniagi, & Yugi, 2025).

Digital savings products enhance operational efficiency, expand customer reach, and support financial inclusion within financial institutions (Varlamova, Larionova, & Zulfakarova, 2020). These products streamline transaction processes and reduce costs associated with traditional banking approaches, while enabling real-time data collection to support informed decisions (Paradiesta & Isnawati, 2024). Digital savings solutions attract a broader customer base, including underserved populations, increasing deposits and revenue sources while supporting sustained organizational growth (Gita & Oriavwote, 2025). The capacity to attract and retain deposits also reflects customer trust, satisfaction, and competitiveness, with implications for financial stability, profitability, and long-term sustainability (Osayande, 2021). Within the broader diversification strategy, savings platforms extend the range of services available to customers (Akbar & Siti-Nabiha, 2022). Expanded digital offerings consequently help microfinance banks meet diverse customer needs and reduce reliance on traditional products (Daowd *et al.*, 2021). Hence, the study examined the influence of digital product diversification strategies on performance of microfinance banks in Nairobi County, Kenya.

1.1 Statement of the Problem

Microfinance banks support financial inclusion and economic growth by serving low-income individuals and MSMEs. However, their performance has declined across ROA, deposit growth, and financial outreach. The CBK (2025) reported average ROA below 2%, indicating limited profitability and operational efficiency. The deposit growth had been slow, with growth rates averaging about 3-5% yearly between 2022 and 2024. The financial outreach remained constrained, as majority of microfinance banks struggled to enter underserved populations, with active client outreach being less than 70%. These indicators highlight the necessity for strategic reforms in enhancing performance of microfinance banks in Kenya. The scholars who have examined the influence of digital product diversification strategies on organizational performance have left gaps in different contexts. Omosa, Muya, Omari and Momanyi (2022) found a contextual gap by studying product diversification in Kenyan tea factories. James, Rintari and Muema (2023) identified a methodological gap from using a cross-sectional design to examine diversification and MFB financial performance in Nairobi. Kavale and Limo (2024) showed a contextual gap by focusing on real estate firms in Kenya's Coast Region. Kiarie and Munene (2024) left a conceptual gap by examining digital credit and commercial bank performance. This study examines digital product diversification and MFB performance in Nairobi County, Kenya.

1.2 Objectives of the Study

- i. To evaluate the influence of mobile banking on performance of microfinance banks in Nairobi County, Kenya.
- ii. To assess the influence of agency banking on performance of microfinance banks in Nairobi County, Kenya.
- iii. To establish the influence of digital lending products on performance of microfinance banks in Nairobi County, Kenya.
- iv. To examine the influence of digital savings products on performance of microfinance banks in Nairobi County, Kenya.

2.0 Literature Review

The chapter reviews relevant theories and empirical studies and presents the conceptual framework guiding the study.

2.1 Theoretical Review

This section reviews the theories underpinning the study variables: Resource-Based View, Ansoff Matrix, and Diffusion of Innovation Theory.

2.1.1 Resource-Based View Theory

The Resource-Based View originated with Penrose (1959) and was advanced by Barney (1991), who argued that valuable, rare, and difficult-to-copy resources and capabilities generate sustainable competitive advantage and improve organizational performance. The theory emphasizes developing and protecting unique resources to outperform competitors (Taher, 2011). Organizational processes and routines determine how these resources are coordinated and utilized, thereby influencing performance (Connor, 2022). Maintaining competitiveness also requires

continuous capability development, innovation, and adaptation to changing market conditions (Dasuki, 2021). However, excessive emphasis on existing resources may discourage innovation and responsiveness to environmental changes (Colbert, 2021). The theory informs the study's objective of examining digital product diversification and microfinance bank performance by explaining how technology, human capital, financial systems, and networks support the implementation of mobile banking, agency banking, digital lending, and digital savings.

2.1.2 Ansoff Matrix

Igor Ansoff developed the Ansoff Matrix in 1957 to guide organizational growth through market penetration, market development, product development, and diversification. The framework assists organizations in evaluating growth opportunities and associated risks while guiding strategic decisions and resource allocation across different organizational settings (Gurcaylilar-Yenidogan & Aksoy, 2018). However, its simplified classification of strategic choices may inadequately reflect uncertainty and complexity in actual business environments (Clarissia, 2020). It also gives insufficient attention to competitive dynamics, regulatory restrictions, and market risks that influence strategic decisions (Pereira & Marques, 2024). The matrix informs the study's objective of examining digital product diversification and microfinance bank performance by providing a framework for understanding how expanded product offerings and market reach support growth. Its relevance concerns how mobile banking, agency banking, digital lending, and digital savings facilitate customer expansion, market development, and improved performance.

2.1.3 Diffusion of Innovation Theory

Rogers (1962) developed Diffusion of Innovation Theory to explain how new ideas and technologies spread through social systems over time, identifying innovators, early adopters, early majority, late majority, and laggards. Bass (1969) extended this perspective through a mathematical model distinguishing independent adoption by innovators from adoption influenced by others. However, the theory has been criticized for its pro-innovation bias and insufficient consideration of organizational policies (FakhrHosseini *et al.*, 2020). Its treatment of adoption also inadequately captures technological interdependencies and organizational structures within complex digital environments (Lyytinen & Damsgaard, 2021). The theory informs the study's objective by explaining the acceptance and spread of mobile banking, agency banking, digital lending, and digital savings. It connects adoption of these products with customer acceptance, operational efficiency, outreach, financial inclusion, and microfinance bank performance.

2.2 Empirical Review

Osiolo and Sije (2023) examined mobile banking and commercial bank performance in Kenya using a descriptive design and questionnaires administered to 126 managers from 42 banks. The findings showed a positive and significant effect, although the focus on commercial banks created a conceptual gap. Ndirangu, Kiragu and Ngunyi (2020) studied mobile banking and MFB performance in Kenya using a positivist philosophy, explanatory design and census of 13 CBK-regulated MFBs. The findings confirmed a significant effect, while the methodology presented a methodological gap. Mikae and Mogwambo (2021) assessed mobile banking and SACCO financial performance in Kisii County using a descriptive design and 90 employees from 10 SACCOs. Mobile transaction value significantly improved financial performance, but the focus on financial performance created a conceptual gap.

Ogoti and Omwenga (2023) examined agency banking and commercial bank performance in Kisii County using a descriptive design and a census of 100 respondents. Structured questionnaires and descriptive and inferential statistics were used. The findings showed a significant influence, but the focus on financial performance created a conceptual gap. Mufungo and Ngonyani (2024) assessed agency banking services and rural entrepreneurs' performance in Chamwino District using a cross-sectional design and 108 respondents. Accessibility, privacy and reliability significantly improved performance, but the focus on small businesses presented a contextual gap.

Dotun and Adesugba (2022) studied agency banking and listed Nigerian banks using secondary data from 12 banks covering 2011–2020. Random-effects regression showed that agent account openings and electronic transfers positively affected financial performance. Reliance on secondary data created a methodological gap. Neeka *et al.* (2023) examined digital financing and MSME performance during COVID-19 using questionnaires from 326 MSME owners and managers. Digital financing significantly improved profitability and revenue but had an insignificant effect on market share, creating a contextual gap. Bwire (2025) assessed digital credit access and MSME growth in Uasin Gishu County using an explanatory design and 121 managers and owners. Digital credit significantly supported MSME expansion, while the focus on MSME growth presented a conceptual gap. Kiarie and Munene (2024) investigated digital credit and commercial bank financial performance in Kenya using secondary data from five banks and correlation and regression analysis. MNO-based loans were most prevalent, followed by website- and app-based loans, creating a conceptual gap due to the focus on commercial banks.

Hussain (2024) examined digital banking and commercial bank performance in Pakistan using a quantitative approach, 200 respondents and multiple regression. Digital deposits and transactions contributed to increased profitability, but the focus on commercial banks' financial performance created a conceptual gap. Mansur, WaMmiori and Otieno (2024) studied digital financial services and SACCO performance in Mombasa County using a descriptive survey. Digital payments improved operational efficiency and reduced fraud, but the SACCO focus presented a contextual gap. Jepkomen (2024) examined SACCO services and financial performance among 682 women-owned micro and small enterprises in Nakuru using descriptive research and systematic sampling. Savings contributions significantly improved financial performance, but the focus on women-owned enterprises created a contextual gap.

2.3 Conceptual Framework

A conceptual framework illustrates study variables and their expected relationships. In this study, it links mobile banking, agency banking, digital lending and savings products to microfinance bank performance (Bordage, 2021).

Independent Variables

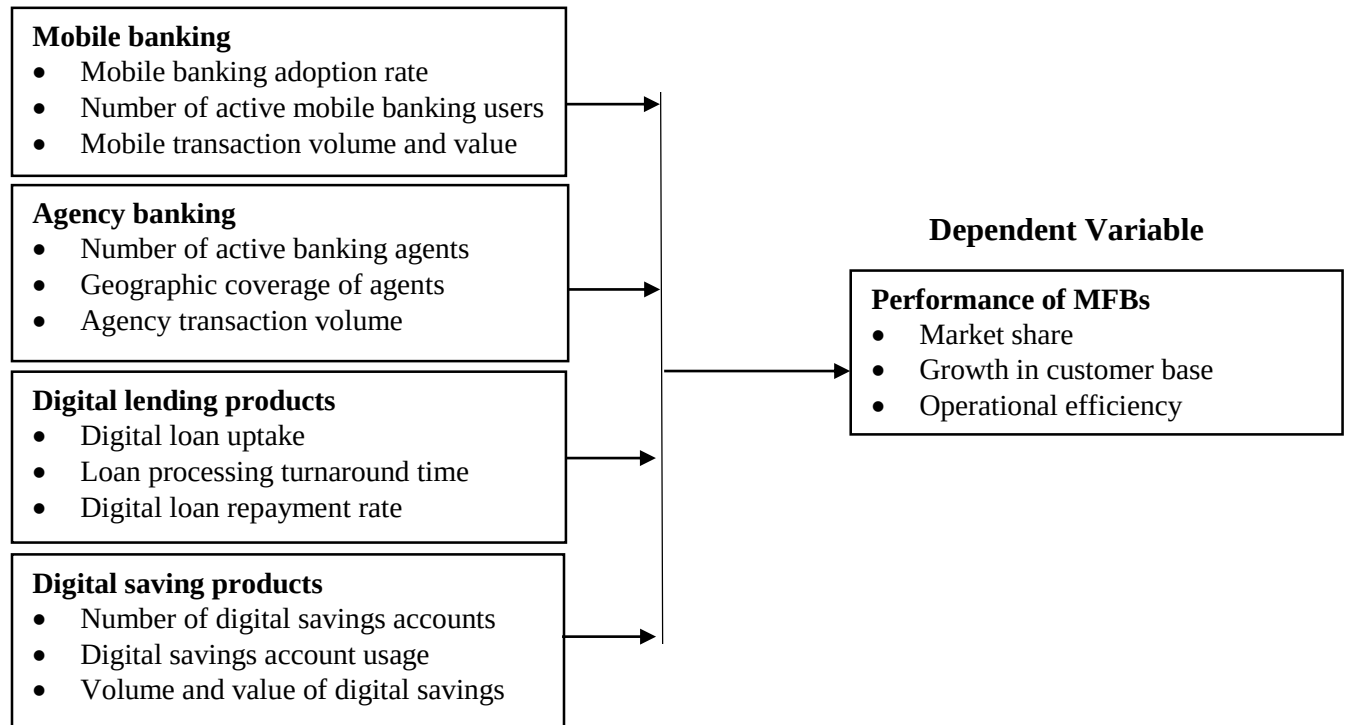


Figure 1: Conceptual Framework

Source: Researcher (2026)

3.0 Research Methodology

The study adopted a descriptive research design to examine digital product diversification and the performance of microfinance banks in Nairobi County, Kenya. The target population comprised 963 employees from 14 microfinance banks, consisting of 321 loan officers, 321 loan managers, and 321 branch managers. Stratified sampling ensured proportional representation of these categories. Using Yamane's (1967) formula at a 5% margin of error, the study selected 282 respondents, representing 29.3% of the population, with 94 respondents from each category. Semi-structured questionnaires collected quantitative and qualitative data through closed-ended and open-ended questions. The instrument covered demographic characteristics, mobile banking, agency banking, digital lending products, digital savings products, and bank performance. Closed-ended items used a five-point Likert scale. A pilot study involved 28 respondents from two microfinance banks in Kiambu County with comparable structures and diversification strategies.

The supervisor reviewed the questionnaire for content validity, while Cronbach's alpha assessed internal consistency. Reliability coefficients ranged from 0.714 to 0.790, with a reported aggregate score of 0.763, exceeding the recommended threshold of 0.70 (Hossan *et al.*, 2025). University approval, a National Commission for Science, Technology and Innovation permit, and permission from participating banks were obtained before administering questionnaires through Google Forms. Quantitative data were analysed using frequencies, percentages, means, and standard deviations. Pearson correlation examined relationships between the study variables, while multiple linear regression assessed the combined effects of the four digital product diversification strategies

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on bank performance. Open-ended responses underwent thematic analysis, and the Statistical Package for the Social Sciences generated tables and figures. Respondents were informed of the study's purpose and assured confidentiality, with information restricted to research use.

4.0 Research Findings

This chapter presents the findings on response rates, respondent characteristics, descriptive and inferential statistics using tables and figures.

4.1 Response Rate

Questionnaires were administered to 282 loan officers, loan managers, and branch managers. The response rate is shown in Table 1.

Table 1: Response Rate

Category	Frequency	Percentage
Returned	257	91.1
Not returned	25	8.9
	282	100

Source: Survey Data (2026)

The results indicate that out the 282 questionnaires administered, 257 of them forming a response rate of 91.1% were returned, while 25 resulting to a non-response rate of 8.9% were not. Therefore, the higher return rate suggested that majority of the questionnaires were successfully received back and could be reflective of the sample since Mugenda and Mugenda (2003) indicate that a response rate of 70% or more is representative of the sample.

4.2 Respondents' Demographic Information

Respondents' demographics were assessed by gender, age, education, and work experience.

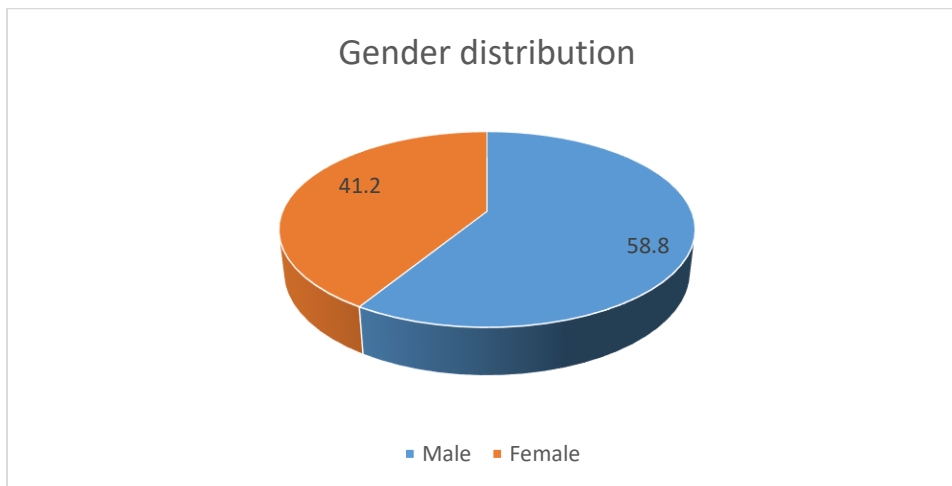


Figure 2: Gender

Source: Survey Data (2026)

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The results indicate that male respondents accounted majority at 58.8%, while female respondents were represented by 41.2%, signifying a moderately male-dominated sample. However, there was significant share of female respondents. Therefore, the findings could be reflective on both gender's perspectives.

Table 2: Age Group

Years	Frequency	Percentage
Under 30 years	23	8.9
30 – 39 Years	87	33.9
40 – 49 Years	99	38.5
50 years and older	48	18.7
	257	100

Source: Survey Data (2026)

Most respondents (38.5%) were aged 40–49, followed by 30–39 (33.9%), 50+ (18.7%), and below 30 (8.9%). Overall, 72.4% were aged 30–49, reflecting mainly respondents in their prime working years.

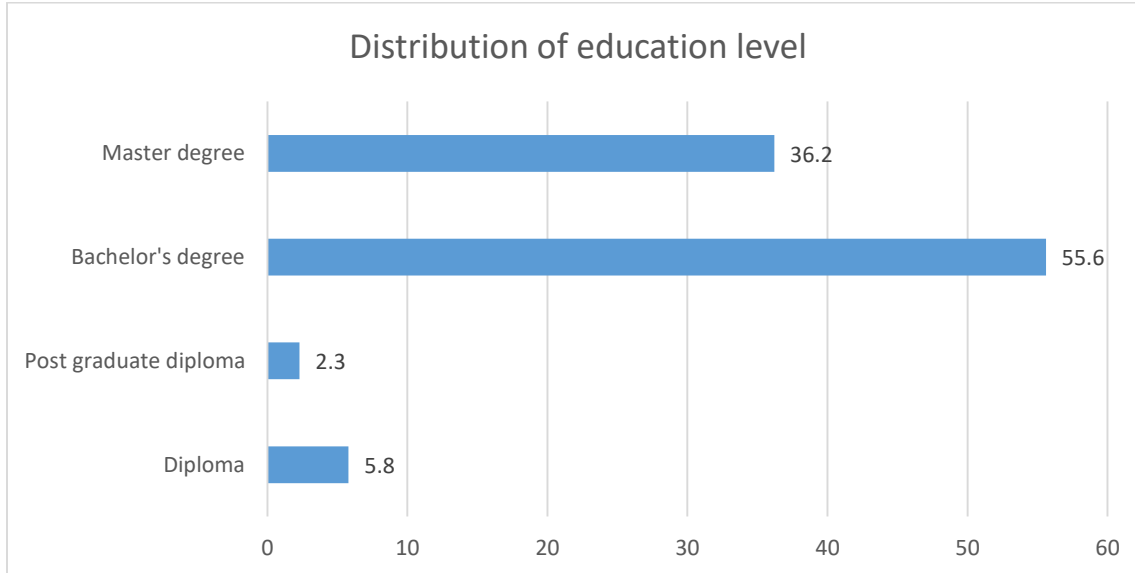


Figure 3: Highest level of education

Source: Survey Data (2026)

The results on distribution of education levels revealed a significant majority (55.6%) of having a Bachelor's degree, 36.2% held Master's degree, the respondents with a Diploma and a Post Graduate Diploma were relatively less represented by 5.8% and 2.3%, respectively. The

distribution of academic qualifications of the respondents highlighted a clear trend toward higher academic attainment, with an outstanding preference of those with Bachelor's and Master's degrees, signifying a progressively competitive job market that treasures in-depth knowledge and skills.

Table 3: Work Experience

Years	Frequency	Percentage
Less than 5 years	11	4.3
5-9 years	67	26.1
10-15 years	99	38.5
More than 15 Years	80	31.1
	257	100

Source: Survey Data (2026)

The results on distribution of work experience of the respondents revealed that 38.5% of the respondents had worked for a period ranging from 10 to 15 years, followed closely by 31.1% of respondents with more than 15 years of experience, Meanwhile, the ones with 5 to 9-year bracket encompassed 26.1%, and those with below 5 years accounted for only 4.3%. Generally, this distribution suggested an experienced combined, with a larger share holding substantial tenure within their respective fields.

4.3 Descriptive Statistics Results

The study used descriptive statistics such as Mean (M) and Standard Deviation (SD) in measuring the level of respondents' agreement or disagreement on each statement assessing the influence of the influence of mobile banking, agency banking, digital lending products and digital savings products on performance of microfinance banks in Nairobi County, Kenya.

Table 4: Mobile Banking and Performance

Statements	M	SD
Our microfinance bank has achieved a high level of mobile banking adoption among customers	4.19	0.81
The number of customers registering for mobile banking has increased over the past three years	3.58	1.42
The number of customers actively using mobile banking services has increased significantly	4.27	0.73
Most registered mobile banking customers regularly perform transactions through the platform.	4.41	0.59
The volume of transactions conducted through mobile banking has increased significantly	3.92	1.08
The value of transactions processed through mobile banking has grown steadily	4.56	0.44
Aggregate Score	4.16	0.85

Source: Survey Data (2026)

Table 4 shows an aggregate mean of 4.16, indicating positive perceptions of mobile banking's influence on microfinance bank performance, as all ratings exceeded 4 on the Likert scale. This also suggested that the respondents largely perceived that mobile banking had contributed to increased customers satisfied level. The aggregated standard deviation (0.85) was relatively, indicating that while the most of the respondents agreed on the positive trend, there were some variability within responses. Some respondents reported mixed experiences. This finding agrees with Osiolo and Sije (2023), who found that mobile banking significantly and positively affects commercial bank performance in Kenya.

Table 5: Agency Banking and Performance

Statements	M	SD
The number of active banking agents has increased over the past three years.	4.58	0.42
Our bank has sufficient active agents to meet customer demand	3.81	1.19
Agency banking services are accessible in most areas served by the bank	4.28	0.72
The bank has expanded its agency network into previously underserved areas	4.01	0.89
Transactions conducted through banking agents have increased significantly	4.37	0.63
Agency banking handles a substantial proportion of customer transactions	4.44	0.56
Aggregate Score	4.25	0.74

Source: Survey Data (2026)

Table 5 shows a high perception of agency banking use, with an aggregate mean of 4.25, indicating general agreement that these services influence microfinance bank performance. In addition, the aggregate standard deviation score (0.74) indicated a relatively lower level of variation within respondents' opinions around the aggregate mean. This suggested that the respondents had fairly reliable perceptions concerning the improvement and use of agency banking services. Also, demonstrating a moderately strong agreement among respondents that agency banking has extended and is being aggressively used, resulting to improved bank performance. The finding agrees with Ogoti and Omwenga (2023), who found that digital banking significantly influenced commercial bank financial performance in Kisii County, Kenya.

Table 6: Digital Lending and Performance

Statements	M	SD
The number of customers applying for digital loans has increased	4.52	0.48
Digital lending products have attracted more borrowers than traditional loan products	4.48	0.52
Digital lending has significantly reduced loan processing time.	3.99	1.01
Customers receive loan decisions promptly through digital lending platforms	4.26	0.74
Digital lending has improved loan repayment performance.	4.18	0.82
Digital loan repayment rates have remained consistently high.	4.27	0.73
Aggregate Score	4.28	0.72

Source: Survey Data (2026)

The findings presented in Table 6 show that the statements on influence of digital lending products on performance of microfinance banks in Nairobi County, Kenya were generally agreed as indicated by aggregate mean score of 4.28. This demonstrated that banks' digital lending had been extensively adopted and positively perceived by the respondents. The aggregate standard deviation of score of 0.72 also indicated relatively low variation within respondents' responses. This suggested that respondents had relative consistent perceptions concerning the contribution of digital lending towards improving the bank's performance since the most of the responses were clustered around the high aggregate mean, demonstrating broader agreement among respondents on the significant role of digital lending on banks' performance improvements. The finding concurs with Neeka, Sira, Ikechukwu and Sunday (2023) who assessed the effect of digital financing on organizational performance: the covid-19 lockdown experience. Digital financing significantly improved profitability and revenue, but its positive effect on market share was insignificant.

Table 7: Digital Savings Products and Performance

Statements	M	SD
The number of digital savings accounts has increased significantly	4.15	0.85
More customers are opening digital savings accounts each year	4.37	0.63
Customers actively use their digital savings accounts for regular transactions.	4.03	0.97
Digital savings accounts are frequently used for deposits and withdrawals	3.84	1.16
The volume of savings through digital platforms has increased.	4.55	0.45
The value of deposits made through digital savings products has grown significantly	4.41	0.59
Aggregate Score	4.23	0.77

Source: Survey Data (2026)

Table 7 shows an aggregate mean of 4.23, indicating general agreement that digital savings products influence microfinance bank performance in Nairobi County, Kenya. This was an indicator that digital savings services were highly developed and widely applied by the banks' customers which had contributed to improved performance of these banks. The aggregate standard deviation score of 0.77 indicated a relatively low variation within the respondents' views, suggesting that the respondents' responses were most concentrated around the aggregate mean score and also, indicated a wider agreement level among respondents. The finding aligns with Hussain (2024), who reported a rising ratio of digital banking transactions to total assets among commercial banks.

Table 8: Performance of MFBs

Statements	M	SD
The bank's market share has increased over the past three years.	3.67	1.33
Digital financial services have strengthened the bank's competitive position	4.05	0.95
The bank has experienced significant growth in its customer base	4.12	0.88
Digital financial services have contributed to customer acquisition	3.81	1.19
Digital financial services have improved the efficiency of bank operations.	4.11	0.89
The bank delivers services more quickly because of digital technologies	3.84	1.16
Aggregate Score	3.93	1.07

Source: Survey Data (2026)

The results in Table 8 show an aggregate mean score of 3.93 which indicates that respondents generally perceived that the performance of these had improved. The aggregate mean score also, show that the respondents generally agreed that digital financial services had contributed significantly towards improvement of banks' performance. Moreover, the aggregate standard deviation was 1.07 which represented a moderate level of variation within respondents' perceptions. This suggested that, though respondents had generally agreed with these statements, there were noticeable variances within their perceptions of the level to which digital financial services had contributed towards banks' performance improvements. The finding is consistent with Akpa, Asikhia and Nneji (2021) research observation that organizational performance is a reflection of how better the organization is effectively achieving and fulfilling its objectives and mission.

4.4 Inferential Statistics Results

The inferential statistics were conducted using Pearson r correlation and multiple linear regression analysis.

Correlation Analysis

Table 9: Correlation Analysis

		Mobile banking	Agency banking	Digital lending products	Digital savings products	Performance
Performance	Pearson correlation	0.785	0.812	0.799	0.705	1.000
	Sig(2-tailed)	0.003	0.001	0.002	0.004	
	N	257	257	257	257	257

Source: Survey Data (2026)

Table 9 shows strong positive relationships between all four digital strategies and MFB performance. Mobile banking had a significant positive correlation with performance ($r = 0.785$, $p = 0.003$), indicating that greater adoption was associated with improved performance. This agrees with Ndirangu, Kiragu and Ngunyi (2020), who also found a significant effect of mobile banking on MFB performance. Agency banking showed a stronger positive correlation with MFB performance ($r = 0.812$, $p = 0.001$), indicating that greater use was associated with improved performance. This agrees with Mufungo and Ngonyani (2024), who found that agency banking accessibility, privacy and reliability significantly improved rural entrepreneurs' performance. Similarly, digital lending products showed a strong positive correlation with MFB performance ($r = 0.799$, $p = 0.002$), indicating that increased use was associated with improved performance. This finding agrees with Neeka, Sira, Ikechukwu and Sunday (2023), who found that digital financing significantly improved firms' profitability and revenue, although its effect on market share was positive but insignificant. Finally, digital savings products had a significant positive correlation with MFB performance ($r = 0.705$, $p = 0.004$), indicating that greater adoption was associated with improved performance. This finding agrees with Mansur, WaMmiori and Otieno (2024), who found that digital financial services improved operational efficiency and reduced fraud among savings and credit associations in Mombasa County.

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Multiple Linear Regression Analysis

This section presents findings based on regression model summary, Analysis of Variance (ANOVA) and coefficients tables.

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error Estimate
1	0.818	0.669	0.664	0.397

Source: Survey Data (2026)

The model explained 66.4% of the variation in MFB performance (adjusted $R^2 = 0.664$), with $R^2 = 0.669$ indicating a strong relationship. The remaining 33.6% may be attributable to factors outside the model.

Table 11: Analysis of Variance

Model		Sum of Square	df	Mean square	F.	Sg.
1	Regressions	362.587	4	90.64675	283.1517	0.003
	Residuals	80.674	252	0.320135		
	Total	443.261	256			

Source: Survey Data (2026)

The ANOVA results as presented in Table 11 indicate that the regression model was statistically significant since the significance value ($p = 0.003$) was less than the conventional (0.05) significance level. In addition, the resulting F-statistic of 283.152 indicated that the difference described by the regression model was substantially better than the unexplained variation.

Table 12: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.625	0.184		3.397	0.003
	Mobile banking	0.781	0.119	0.694	6.563	0.001
	Agency banking	0.773	0.287	0.705	2.693	0.002
	Digital lending products	0.793	0.331	0.667	2.396	0.001
	Digital savings products	0.708	0.296	0.716	2.392	0.003

Source: Survey Data (2026)

The coefficient table results show that the constant value ($B = 0.625$), representing the expected degree of performance of MFBs when all the 4 independent variables (mobile banking, agency banking, digital lending and digital savings) were assumed to have zero value. Therefore, the resultant regression equation model would be expressed as;

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Performance of MFBs = $0.625 + 0.781(\text{mobile banking}) + 0.773(\text{agency banking}) + 0.793(\text{digital lending products}) + 0.708(\text{digital savings products})$

Mobile banking had a significant positive effect on MFB performance ($B = 0.781, \beta = 0.694, p = 0.001$), with each unit increase associated with a 0.781-unit performance gain, holding other factors constant. This agrees with Mikae and Mogwambo (2021), who found that mobile banking transaction value significantly improved SACCO financial performance in Kisii County. Agency banking also showed a significant positive effect ($B = 0.773, \beta = 0.705, p = 0.002$), with a 0.773-unit performance increase for each unit improvement, *ceteris paribus*. Dotun and Adesugba (2022) similarly found that agent account openings and electronic transfers positively affected Nigerian banks' financial performance. Digital lending products significantly and positively affected MFB performance ($B = 0.793, \beta = 0.667, p = 0.001$), with a 0.793-unit increase associated with each unit improvement, holding other variables constant. Kiarie and Munene (2024) likewise found digital credit to be widely adopted, particularly MNO-based loans, followed by website- and app-based loans. Digital savings products had a significant positive effect on MFB performance ($B = 0.708, \beta = 0.716, p = 0.003$). A unit increase was associated with a 0.708-unit improvement, *ceteris paribus*. This is consistent with Jepkomen (2024), who reported a significant positive relationship between savings contributions and financial performance among women-owned enterprises in Nakuru.

5.0 Conclusion

The study concludes that increased adoption and use of mobile banking services are associated with improved microfinance bank performance. Mobile banking enhances customer access and convenience, enabling banks to reach wider markets, increase transaction volumes, and strengthen customer engagement. In addition, mobile-based services reduce operational costs, support efficient resource allocation, and improve profitability. Greater accessibility also enables underserved populations to obtain banking services, supporting financial inclusion and institutional growth. Likewise, the study concludes that the expansion and use of agency banking services are associated with improved customer access, transaction activity, and overall performance. Expanded agent networks make agency banking an important channel for accessing services and conducting transactions.

Moreover, the use of agents reduces the need to maintain multiple physical branches, thereby lowering operating costs and supporting improved profit margins. Moreover, the study concludes that greater use of digital lending products is associated with improved performance through increased credit access and more efficient loan processing. Digital lending provides an important credit channel, attracting borrowers and offering convenient alternatives to traditional loan products. In addition, mobile-based lending facilitates loan access, enhances customer satisfaction, and supports timely repayments. Similarly, the study concludes that greater adoption and use of digital savings products are linked to improved performance through increased customer participation and deposit mobilization. Digital platforms enable banks to analyse customer data and tailor financial products to customer needs. Moreover, these platforms support the introduction of savings instruments suited to different risk profiles and investment preferences. Digital savings products also facilitate regulatory compliance through automated reporting and traceable transactions, supporting the management of savings services.

6.0 Recommendations

The study recommends that microfinance banks continually invest in and improve their mobile banking platforms to encourage customer adoption and sustained use. Priority should be given to service reliability, accessibility, security, and ease of use. In addition, banks should conduct regular customer education and awareness programmes to promote mobile banking for payments, transfers, savings, and other financial transactions. These programmes should support greater customer understanding and use of available services. Likewise, the study recommends expanding agency banking networks into underserved areas and maintaining sufficient active agents to meet customer demand. Agents should receive adequate training, technological support, liquidity, and monitoring to facilitate effective service delivery. Moreover, banks should maintain reliable service availability and ensure that agents can handle customer transaction volumes efficiently, thereby strengthening the contribution of agency banking to performance.

Besides, the study recommends that microfinance banks provide accessible, transparent, and customer-focused digital lending products. Loan application procedures should be streamlined to improve processing speed and customer convenience, while sound risk controls should support responsible lending. In addition, customer education should strengthen understanding of borrowing obligations and encourage timely repayment. Similarly, the study recommends improving the accessibility and attractiveness of digital savings products, given their positive and statistically significant relationship with performance. Simple and convenient savings solutions should be developed to encourage regular deposits and continued participation. Moreover, banks should use awareness campaigns to improve customer understanding of available digital savings options. User-friendly interfaces and appropriate savings incentives should complement these efforts by encouraging adoption and sustained use, thereby supporting deposit mobilization and the contribution of digital savings to bank performance.

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