Int Journal of Social Sciences Management and Entrepreneurship 8(1): 413-424, 2024

ISSN 2411-7323

www.sagepublishers.com

ONLINE PAYMENT METHODS AND FINANCIAL PERFORMANCE OF AUTHORIZED PAYMENT SERVICE PROVIDERS IN KENYA

[1] Muyumba Lilian Khasandi, [2] Dr. Njogu Lucy

[1] Msc., Finance and Accounting, Jomo Kenyatta University of Agriculture and Technology, Kenya

[2] Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

ABSTRACT

The economy of the world is dependent on payment systems. There is need to adopt a payment system that is secure, convenient and affordable and that is able to be the foundation for the development of any economy. Despite the efforts of developing a better and easier online system, online payment methods in Kenya are faced by various challenges that affect their efficiency and financial performance. The general objective of the study was to determine the influence of use of online payment methods on the financial performance of authorized payment service providers in Kenya. The specific objectives were to examine the influence of internet banking and payment cards on the financial performance of authorized payment service providers in Kenya. The study was guided by the theory of reasoned action, and electronic market theory. Correlational research design was adopted in this study. The study targeted 23 authorized payment service providers in Kenya. The sampling size was 23 finance managers. This study collected primary data using questionnaires. A pilot was collected with 10% of the sample hence two managers were used for sampling. The study used content and construct validity. Questionnaire reliability was measured using Cronchba Alpha coefficient. Findings show that; a strong significant influence of use of internet banking on the financial performance of authorized payment service providers in Kenya ($r = 0.972$, p-value=0.000), and strong significant influence of use of payment cards on the financial performance of authorized payment service providers in Kenya ($r = 0.982$, p-value=0.000). The recommendations are that; the authorized payment service providers should come up with various methods for use by wallet customers. This will enable them to attract more customers and hence increase the number of subscribers leading to higher income. Authorized payment service providers should collaborate with mobile money agents to increase their coverage to different areas countrywide. This will enable them to increase their clientele and commissions from the EFT. The Authorized payment service providers should invest in hiring competent IT professionals who will greatly help in building fire walls that will protect clients' data, and the companies should strive to ensure that the payment cards offered are compatible for use both locally and globally.

Key Words: online payment methods, financial performance, internet banking, payment cards, service providers

Background of the Study

The economy of the world is dependent on payment systems. There is need to adopt a payment system that is secure, convenient and affordable and that is able to be the foundation for the development of any economy (Azam, 2015). Andrieu (2016) acknowledges that bank notes and coins are slowly running out given the various modes of payment for transactions are viable systems perceived as better alternatives across the world. Information technology and the internet have given rise to a new direction of payments as electronic money is slowly substituting paper money as well as coins (Nguyen & Gopalaswamy, 2018). Online payment entails exchange of money and information online without any direct involvement with the recipients. Online payments are received through direct online debit or credit card payments, or electronic bill payments, mediated debit or credit, electronic bill payments and stored-value money (Otusanya & Lauwo, 2019).

Online payment systems provide significant cost savings on paper-based payments (Preetha & Divya, 2016). The common online payment methods used in Kenya areinternet banking and use of payment cards (Nakhumwa, 2018). A mobile wallet is a virtual wallet found on a smartphone where virtual currency is kept as cash. It aims to replace the use of conventional credit/debit cards with mobile phones and has the hardware and software combination on some devices. Subscribers have the option of making payments using websites, text messages, or apps for their smartphones (Faten & Muhammad, 2021). A financial institution can be ordered, instructed, or authorized to debit or credit a customer's account through an electronic terminal, phone, computer, or magnetic tape using an electronic funds transfer (EFT). Point-of-sale (POS) transfers, ATM transfers, direct deposit or withdrawals of cash, transfers started over the phone, and transfers originating from debit card transactions are only a few examples of EFTs (Kavitha & Kumar, 2018). A payment card is a type of prepaid account that houses the financial information of its users. This is through using credit and debit cards (Aditi, 2020).

Statement of the Problem

Online payment methods greatly contribute to economic growth. In Kenya, mobile wallets and phones transactions account for 87% of the country's GDP. Central Bank of Kenya (CBK) data shows that the value of mobile money transactions in 2021 was equivalent to 48% of the Gross Domestic Product (GDP). This is an implication that almost half of the country's GDP was transacted through online payments. Online payments play a significant role in the economy through increasing financial inclusion, reducing transaction costs, and improving the efficiency of the economy. M-PESA which is the most common mode of online payment in Kenya, has enabled more Kenyans particularly in rural areas to access financial services and has also facilitated small and informal businesses to access more customers and expand their operations. Entrepreneurs and individuals have also been able to keep records of their transactions, which can be useful for tax and accounting purposes.

Despite the efforts of developing a better and easier online system, the online payment methods are faced by various challenges that affect their efficiency. There is public outcry on breakdowns and unprecedented delays, bureaucracies with respect to user identification, lack of legal and institutional frameworks in governments on e-payment, integrity issues and lack of trust in electronic payments (Mulinya & Muyobo, 2022). Communications Authority of Kenya (CAK, 2023) noted a rise in complaints by customers about the online services especially the services offered by telecommunication firms. Some of the online payment service providers like Safaricom recorded reduced profits from M-PESA after the removal of charges for mobile money transactions of up to $9 per transaction that lasted for more than one year (Safaricom PLC, 2022). FinAccess survey (2020) found that 47.4% of Kenyans using mobile money have reportedly lost funds a sharp

increase from 8.4% two years ago. Seven out of 10 who lost cash sent it to the wrong recipient who likely withdrew and refused to refund. The survey indicated the jump in cases of mobile money fraud as a result of increased usage of phones. Mobile money account users who reported loss of money was 47.4% in 2021 compared to 8.4% reported in 2019. This has affected financial performance of the payment service providers as users seek for more secure online payment services.

Safaricom PLC, the leading telecommunications company in Kenya, announced a 22.2% decline in profits after tax for the financial year ended March 2023. The company's Profit After Tax closed at KES 52.48 billion, a drop from KES 67.49 billion in the same period last year. For the 2018/2019 period, Communications Authority of Kenya (2019) noted a growth in mobile phone subscribers with a margin of 2.4% between July and September of 2018. This also led to the growth of mobile phone services penetration by a margin of 2.3% for the same period. Safaricom PLCs' market share for mobile subscriptions dropped by 1.2% points during the quarter to stand at 64.2% whereas Airtel Networks Limited gained 0.9% percentage points to post a market share of 22.3% (Communications Authority of Kenya, 2023). There was also reduction in mobile money agents whereby the telecommunication firms lost approximately 20% of their money agents. This was due to fewer transactions that translated to reduced commissions and eventual closure of the agencies. A report by the central bank of Kenya (2023) showed that market share for the point of sales reduced by 72%. This is due to high competition that forces the companies to reduce their agency commissions hence less profits from transactions.

There have been several studies conducted on electronic payments in Kenya; Munyao (2020) on the effects of e-payment system on profitability found positive significant relationship between e-payment and profitability. Mbithi (2021) on the nexus between mobile money services and performance of business enterprises in Kenya revealed that mobile money payment and mobile money transfer significantly affect business performance. There exists no study focusing on payment service providers despite the fact that some have been recording poor financial performance and service delivery. The study hence sought to bridge the research gap by examining the relationship between online payment methods and financial performance of authorized payment service providers in Kenya.

Specific Objectives

i. To establish the influence of use of internet banking on the financial performance of authorized payment service providers in Kenya.
ii. To examine the influence of use of payment cards on the financial performance of authorized payment service providers in Kenya.

LITERATURE REVIEW

Theoretical Literature Review

The Theory of Reasoned Action

Fishbein and Ajzen introduced the Theory of Reasoned Action (TRA) in 1975. In-depth marketing research has made great use of the hypothesis. The four general principles of TRA—behavioral attitudes, subjective norms, intention to use, and actualize—have been used to explain behavior that goes beyond technology acceptance. According to the theory, people formulate intentions to act in a way that is compatible with their assessments of the results of a certain behavior. According to TRA, people may predict their behavior by looking at their intentions, which can be predicted

by looking at their attitudes and subjective norms. By understanding how important other people perceive the behavior to be, one might predict subjective norms.

The claim made by TRA that all other factors only indirectly affect conduct by altering attitude and subjective norms is helpful from a technological standpoint. The characteristics of the system architecture, user characteristics (such as cognitive preferences and other personality traits), and task characteristics are a few examples of such variables. As a result, TRA is a good choice for anticipating how people will use multimedia technologies. Tan and Teo's (2000) research demonstrates that people's intentions to use online banking are positively influenced by attitude and perceived behavioural control. This theory therefore explains internet banking usage. Users decide based on their mindset and the benefits they believe internet banking offers.

Electronic Market Theory

Malone, Yates, and Benjamin (1987) developed the theory. The theory's main tenet is that through lowering coordination and transaction costs, IT will cause a general shift toward proportionately greater use of e-markets. Computers, according to Malone et al. (1987), have significantly lowered the cost of processing and communicating information. They found three possible impacts on industrial organization. First, there is the influence of electronic communication, which is an improvement in communication efficiency that can benefit markets and hierarchies alike. Then there is an electronic brokerage effect that enables direct communication between buyers and sellers (Berg et al. 2019).

They also mentioned the impact of electronic integration whereby information technology alters not only the speed of communication but also the procedures used to gather and use data. Information technology reduces communication costs, lowers overall transaction costs, and increases market activity relative to hierarchy, increasing the amount of economic activity coordinated by markets. According to EMH, information technology will transform the course of the corporation from a hierarchical to a market-based form of economic activity. Electronic networks make it easier for customers to compare the various service providers' products immediately. A service that is more effective, secure, dependable, and has reduced transaction costs is more likely to be adopted by customers. Payment cards as opposed to cash payments, are secure and speed up transactions regardless of the amount of money being exchanged (little or large).

Conceptual Framework

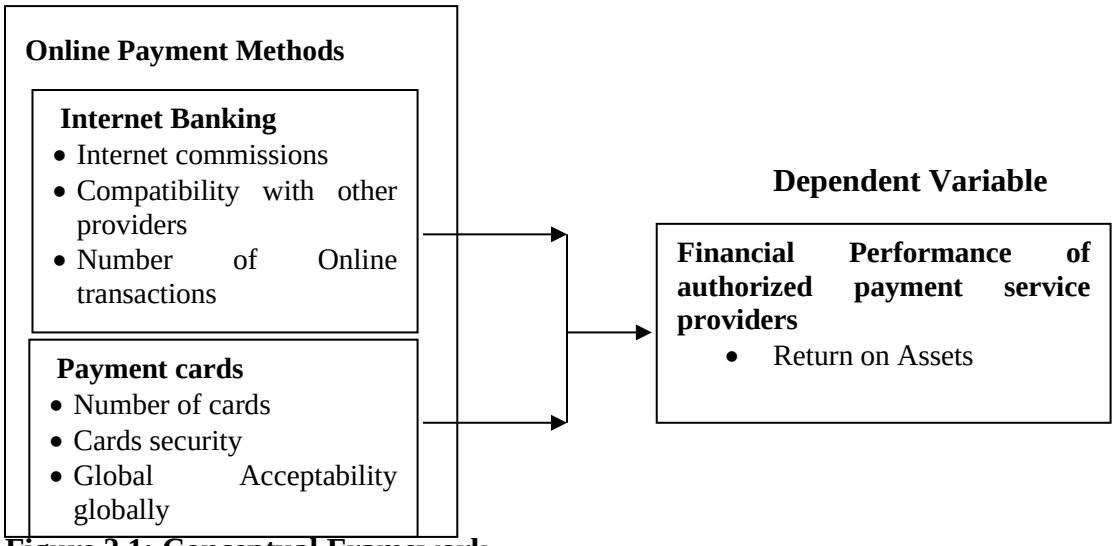

Figure 2.1: Conceptual Framework

Internet Banking

Internet banking is a set of financial services delivered through digital pathways. It is a financial service provided and accessed on the customers' respective mobile phones, computers, Point-of-Sale (POS) and ATMs (Kumarr, 2019). Internet banking (e-banking) is the use of internet and telecommunication networks to deliver a wide range of value-added products and services to customers. Some online banking platforms support account aggregation to allow the customers to monitor all of their accounts in one place whether they are with their main bank or with other institutions. Online banking is not seen as a replacement for physical banking branches, but rather as an additional delivery method for services. The retail banking industry's levels of competitiveness have changed as a result of the internet. Internet/Online-banking was introduced after PC banking. The use of internet banking as a new delivery method for carrying out various banking operations has achieved widespread recognition. It gives users the option to do banking transactions whenever is most convenient for them.

Payment Cards

Modern payment cards encompass a bewildering array of consumer technologies, from credit and debit cards to stored-value and loyalty cards. A debit card is defined as a card that enables the holder to have their purchases directly charged to available funds on his or her account at a deposit-taking institution. Credit card is defined as a card indicating that the holder has been granted a line of credit credit card, the holder can make purchases or withdraw cash up to a prearranged ceiling. The balance of the credit card at the statement period can be paid in full or in separate installments (Zuboff, 2019). The use of payment cards has increased substantially in recent years. These cards have become an indispensable and natural payment instrument for many consumers. The coordination of all the parties involved in a payment card system is far more complex than the simplicity of the payment process would lead one to expect (Klein, 2018).

Card network wallets are programs marketed by significant card networks (Visa, MasterCard, etc.) with the goal of improving card management by centralizing information about cards. Apple and Google, two titans of technology, embrace device wallets. These wallets are mobile phone programs that save card information for both online and offline transactions. These mobile wallets may also be used to store additional forms of value, like targeted discounts and coupons. P2P wallets are based on sending money from one account in a social network to another without further connections with banks or other counterparts, and fintech companies like PayPal offer them (Batra & Kalra, 2016). By providing a variety of services to their users and removing geographical restrictions, payment cards are currently expanding their influence. Customers can use payment cards to save and organize coupons, participate in loyalty programs, make card payments, and purchase tickets and other items. Additionally, some payment cards offer additional functionality including location-aware social network connections and bill payment services (Athey et al., 2017).

Empirical Review

Internet Banking and Financial Performance

Rajput (2019) studied impact of online banking attributes on customer fulfilment in banks in Ireland. This study employed a mixed approach. Questionnaires were used to collect data. According to the results, reliability and convenience are the two most important variables, while ease of use, efficiency, and security also had a good impact on consumer satisfaction. Customers in Ireland are still worried about security. Irish retail banks must therefore offer cutting-edge and secure internet services to increase consumer satisfaction. Barasa, Obura, and Anyira (2017) examined effect of internet banking on financial performance of commercial banks in Kisumu

City, Kenya. A descriptive research design was used. Questionnaires and interviews were used to collect data. Secondary data was also collected from financial reports. Findings also established internet banking significantly affect profitability of commercial banks.

Ngungi (2013) investigated effect online banking on profitability of commercial banks in Kenya. A descriptive research design was used. The target was 43 commercial banks in Kenya. Questionnaires were used to collect primary data while financial reports provided secondary data. According to the study's findings, Kenyan commercial banks' financial performance is significantly and weakly positively impacted by online banking. This is due to the fact that online banks lower expenses for banks, boost commission income, cut back on manpower, and improve client convenience when using the banking system. Kombe and Wafula (2015) sought to determine effect of internet-banking on profitability of banks in Kenya. A descriptive survey design was used. The target was 31 staff of KCB. Data was collected using questionnaires. It was discovered that rather than cost savings, the influence of ICT adoption on the performance of the banking sector primarily refers to time savings and quality enhancements.

Payment Cards and Financial Performance

Nuryasman and Warningsih. (2022) examined effect of perceptions of the utility, risk, and trust on college students' intentions to use payment cards. The sample was 138 business students. Data was collected using survey monkeys. Findings revealed that apparent helpfulness and trust had a significant influence on intention to use. Perceived risk did not affect usage intention. Rathore (2016) investigated risks and hurdles of using payment cards. Questionnaire was used to collect data from 150 users. The findings indicated that payment cards are rapidly gaining popularity as a form of online payment. Use of payment cards adoption by consumers is happening remarkably quickly, partly because they are convenient and simple to use. Tech-savvy consumers are looking for solutions that can meet their growing demands for seamless, omni-channel shopping experiences.

Muhtasim (2022) sought to assess safety and user contentment for payment cards in Malaysia. Questionnaire was used to collect data from 300 respondents. Results showed that many users concurred that safety factors influenced their contentment when using payment cards. Chiemo (2020) examined influence of mobile money services on business performance in Tanzania. The study employed cross-sectional design. The sample was 150 business owners. Questionnaires was used as the data collection method. The study found that the use of mobile money services for direct money transfers, cash withdrawals, and direct payments had a considerable negative impact on the performance of Tanzanian SMEs.

RESEARCH METHODOLOGY

Correlational research design will be used. Correlational study aims at assessing the relationship between the independent(s) and dependent variable. According to Directory of Authorized Payment Service Providers (DAPSP, 2023), there are 23 authorized online payment service providers in Kenya. The unit of analysis was the 23 authorized online payment service providers in Kenya. The unit of observation was technical focal persons in the finance department. The finance department staff oversee all the financial transactions of the authorized payment service providers. The study used census. This method is recommended for target that is less than 200. The study hence considered the entire target of 23 PSPs using the focal persons as the study sample.

This study used primary data. Primary data was collected using questionnaires. A pilot study was conducted before the actual study. Piloting helps to ascertain the reliability and validity of the research instruments. A pilot was carried out with 10% of the focal persons used for piloting. Quantitative data was coded then analyzed using Statistical Package for Social Sciences (SPSS)

computer software version 28. Descriptive and inferential statistics was used for analysis. Descriptive statistics included; frequency, percentage, and mean while inferential statistics included regression and correlation. Regression analysis is a statistical method for determining how well independent factors predict the dependent variable.

RESEARCH FINDINGS AND DISCUSSIONS

The study participants were the focal persons with the technical know how on the research subject. A census was carried out hence 21 questionnaires were administered to respondents since two used in the pilot were not involved in the actual study.

Internet Banking

The third objective sought to determine the relationship between the use of internet banking and financial performance of authorized payment service providers in Kenya. The staff were asked to tick on degree to which you agree/disagree with listed statements on internet Banking. Findings are presented in Table 1.

Table 1: Internet Banking

Key: *Strongly disagree (1), Disagree (2), Not Sure (3), Agree (4), Strongly agree (5), Mean (M), Standard Deviation (Std.)*

Statements	SD		D		NS		A		SA		M	Std.
	F	%	F	%	F	%	F	%	F	%		
Our internet banking services are compatible with other online payments service providers	2	9.1	2	9.1	1	4.5	3	13.6	13	63.6	4.14	1.390
Our company ensures security of data and information that is operated on the internet banking platform	3	13.6	1	4.5	1	4.5	4	18.2	12	59.1	4.05	1.463
Customers fear internet banking due to fear of hacking of their accounts by web hackers	2	9.1	2	9.1	1	4.5	4	18.2	12	59.1	4.09	1.377
Customers are provided with encrypted passwords in order to protect their information and transactions	3	13.6	1	4.5	1	4.5	7	36.4	9	40.9	3.86	1.390
Internet service is operated in a restricted and controlled environment in order to safe guard customer information	2	9.1	3	13.6	1	4.5	3	13.6	12	59.1	4.00	1.447
Internet transactions commissions limit our profits	1	4.5	2	9.1	1	4.5	2	9.1	15	72.7	4.36	1.217

N=21

Findings show that the staff strongly agreed that internet transactions commissions limit profits (M=4.36, Std. =1.217). The staff further agreed that; internet banking services are compatible

with other online payments service providers (M=4.14, Std. =1.390), customers fear internet banking due to fear of hacking of their accounts by web hackers (M=4.09, Std. =1.377), the company ensures security of data and information that is operated on the internet banking platform (M=4.05, Std. =1.463), internet service is operated in a restricted and controlled environment in order to safe guard customer information (M=4.00, Std. =1.447), and customers are provided with encrypted passwords in order to protect their information and transactions (M=3.86, Std. =1.390). Findings imply that the internet banking transactions limit the authorized PSPs profits. The authorized PSPs ensure that the banking services are compatible with other online payment service providers which ensures that several companies can be served by a few agents in a local town. The clients' data is safeguarded to minimize risks of fraud. Customers still fear internet banking due to cases of fraud. Results agree with Rajput (2019) that reliability, convenience, ease of use, efficiency, and security determines customer adoption of internet banking.

Payment Cards

The third objective aimed at examining the relationship between the use of payment cards and financial performance of authorized payment service providers in Kenya. The staff were asked to tick on degree to which they agree/disagree with listed statements on payment cards. Findings are presented in Table 2.

Table 2: Payment Cards

Key: Strongly disagree (1), Disagree (2), Not Sure (3), Agree (4), Strongly agree (5), *Mean (M), Standard Deviation (Std.)*

Statements	**SD**		**D**		**NS**		**A**		**SA**		**M**	**Std.**
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**		
Payment cards have become a mainstream mode of online payment	2	9.1	3	13.6	1	4.5	4	18.2	11	54.5	3.95	1.430
Our payment services cards are easy to apply and replace incase of loss	3	13.6	1	4.5	2	9.1	3	13.6	12	59.1	4.00	1.480
Our cards are secure from hackers and cyber criminals	3	13.6	1	4.5	11	54.5	4	18.2	2	9.1	3.05	1.090
Our cards are compatible with various points of sales globally	3	13.6	1	4.5	2	9.1	4	18.2	11	54.5	3.95	1.463
Our systems support global Visa cards	1	4.5	4	18.2	1	4.5	3	13.6	12	59.1	4.05	1.362
Commissions from the payment cards transactions are increasing	4	18.2	2	9.1	1	4.5	1	4.5	13	63.6	3.86	1.670

N=21

Findings show that majority of the staff agreed that;), the systems support global Visa cards (M=4.05, Std. =1.362), the cards are compatible with various points of sales globally (M=4.00, Std. =1.480), the payment services cards are easy to apply and replace incase of loss (M=3.95, Std. =1.463), payment cards have become a mainstream mode of online payment (M=3.95, Std. =1.463), and commissions from the payment cards transactions are increasing (M=3.86, Std. =1.670). The staff are however not sure whether the cards are secure from hackers and cyber

criminals (M=3.05, Std. =1.090). Findings imply that the payment cards have been embraced by many shoppers as a main mode o payment. Payment cards support global cards which enable users to shop from different parts of the globe. The authorized PSPs make profits from the commissions charged on the transactions through payment cards. It is also easy to apply or replace lost cards hence its more convenient for customers. Findings support Rathore (2016) who indicated that payment cards are rapidly gaining popularity as a form of online payment. Use of payment cards adoption by consumers is happening remarkably quickly, partly because they are convenient and simple to use.

Financial Performance

The study further sought to find out the financial performance of the authorized PSPs. The staff were asked to tick on degree to which they agree/disagree with listed statements on company performance. Findings are presented in Table 3.

Table 3: Financial Performance

Key: Strongly disagree (1), Disagree (2), Not Sure (3), Agree (4), Strongly agree (5), *Mean (M), Standard Deviation (Std.)*

Statements	**SD**		**D**		**NS**		**A**		**SA**		**M**	**Std.**
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**		
The company has acquired more assets in the last five years	3	13.6	1	4.5	1	4.5	3	13.6	13	63.6	4.09	1.477
The liabilities have increased in last five years	2	9.1	3	13.6	2	9.1	1	4.5	13	63.6	4.00	1.480
There is better ROA than the industry average	8	36.4	5	27.3	3	13.6	2	9.1	3	13.6	2.36	1.432
Company subscribers have been increasing	3	13.6	2	9.1	10	50.0	3	13.6	3	13.6	3.05	1.174

N=21

Findings show that the companies have acquired more assets in the last five years (M=4.09, Std. =1.477), and the liabilities have increased in last five years (M=4.00, Std. =1.480). Respondents disagreed that there is better ROA than the industry average (M=2.36, Std. =1.432) and company subscribers have fluctuated irregularly (M=3.05, Std. =1.174). Findings imply that the companies are investing more on assets to improve on service delivery and the liabilities are also increasing. The profitability of majority of the providers is lower than the industry average and the number of subscribers has been fluctuating meaning that it could be higher in a certain period of time and lower in others. This depends on the financial transactions conducted in a company for a certain period of time.

Correlation

The study employed Pearson correlation to assess the influence of the independent variables on the dependent variable. The relationship was considered significant at a p value of <0.05. A Pearson correlation (r) value of ± 0.5 shows a strong correlation, ± 0.30 to ± 0.49 moderate correlation while ± 0.29 is a small correlation. Pearson correlation results are presented in Table 4.

Table 4: Correlation Coefficient

Variables		Financial Performance	Internet banking	Payment cards
Financial Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
Internet banking	Pearson Correlation	.972**	1	
	Sig. (2-tailed)	.000		
Payment cards	Pearson Correlation	.982*	.952	1
	Sig. (2-tailed)	.000	.002	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

There is a strong significant influence of use of internet banking on the financial performance of authorized payment service providers in Kenya (r = 0.972, p-value=0.000). The study rejects the null hypothesis since there is statistical evidence to claim that there is a significant influence of use of internet banking on the financial performance of authorized payment service providers in Kenya. Findings agree with Barasa, Obura, and Anyira (2017) that internet banking significantly affect profitability of commercial banks.

There is a strong significant influence of use of payment cards on the financial performance of authorized payment service providers in Kenya (r = 0.982, p-value=0.000). The study hence rejects the null hypothesis since there is statistical evidence to claim that there is a significant influence of use of payment cards on the financial performance of authorized payment service providers in Kenya. Findings differ with Chiemo (2020) that the use of payment cards had a negative impact on the performance of SMEs

Regression

A linear regression analysis was conducted to further explain the influence of independent variable (internet banking, and payment cards) on the dependent variable (financial performance). The coefficient of determination shows how a statistical model is expected to predict future results. Table 5 presents the Model Summary.

Table 5: Model Summary

Model	**R**	**r^2**	**Adjusted r^2**	**Std. Error of the Estimate**
1	0.992	0.985	0.981	.203

Predicators: (constant) internet banking, and payment cards

Findings in Table 5 show R-square value of 0.985. This shows that 98.5% of changes in financial performance of authorized payment service providers in Kenya may be explained by use of mobile wallet, electronic funds transfer, internet banking, and payment cards. This means that other online payment services that this study did not focus on contribute to 1.5% of financial performance of authorized payment service providers in Kenya.

An analysis of variance was performed on the influence of the independent variables on the dependent variable. ANOVA results are presented in Table 6.

Table 6: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.301	4	11.325	275.528	.000[b]
	Residual	.699	17	.041		
	Total	46.000	21			

Predicators: (constant) internet banking, and payment cards
Dependent variable: Financial Performance

The ANOVA shows that the F value of 62.844 is significant at the 0.05 significance level. In general, the regression model with the four independent variables of mobile wallet, electronic funds transfer, internet banking, and payment cards was fit in explaining the changes in financial performance of authorized payment service providers in Kenya

Multiple regression shows how a change in the independent variable would predict a unit change in the dependent variable. Table 7 presents the regression coefficients.

Table 7: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant/Y Intercept	2.150	.670		3.208	.005
Internet banking	.925	.255	.869	6.269	.002
Payment cards	.585	.093	.661	3.625	.000

As per the SPSS generated in Table 7,

The following regression equation was established from the regression analysis:

Financial performance (2.150) = 0.925 (Internet banking) +0.585(payment cards)

It was established that a change in use of internet banking may cause changes in firm performance by a factor of 0.925, and a change in use of payment cards may cause changes in financial performance by a factor of 0.585. The t statistics show that internet banking had the greatest influence on financial performance (6.269), followed by payment cards (3.625).

Conclusion

Internet banking affects financial performance of the online payment service providers. The commission charged by banks limits profitability of the firms. The authorized PSPs have ensured that the banking services are compatible with other online payment service providers which enable companies to make transactions from different service providers. The authorized PSPs make efforts to safeguard the clients' information. To achieve this, the clients are provided with passwords to safeguard their online financial transactions. The customers however still fear internet banking due to risks involved.

Payment cards affect financial performance of payment services companies. Payment cards have proved to be an efficient, safe and easy to use payment method. The payment cards can be used globally hence reliable means of payment from any location globally. It is also convenient or shoppers who prefer online shopping as it makes it easier to pay for orders locally and internationally. The authorized PSPs have also ensured that the payment cards are easy to apply and also replace incase they get lost. The cards are safer than other online payment services.

Recommendations

The authorized PSPs should invest in hiring competent IT professionals who will greatly help in building fire walls that will protect clients' data. This may help to reduce cases of fraud through internet banking and build trust and faith among the clients. They should also liaise with the banks to agree on the charges imposed on internet banking which will ensure that there are less charges on the internet banking transaction and more profits to the authorized PSPs.

The authorized PSPs should strive to ensure that the payment cards offered are compatible for use both locally and globally. The cards should also be designed in a way that they are easier to use also easier to carry since the bigger cards may be burdensome to some customers. The authorized PSPs should also liaise with the Visa and master card providers to enhance efficiency and reliability of the payment cards.

REFERENCES

Aditi. T. (2020). A Study of Electronic Payment Systems with perspective of Customers Adoption in India."

Andrieu, M. (2016). The future of e-money: main trends and driving forces. *Foresight,* 3(5), 79-111

Azam, S. (2015). Diffusion of ICT and SME Performance. *London*: SAGE Publications .

Barasa, C., Obura, W. & Anyira, A. (2017). Effect of Internet Banking on Financial Performance of Commercial Banks in Kisumu City- Kenya. *Saudi Journal of Business and Management Studies,* 2(10)904-912

Batra, R. & Kalra, N. (2016). Are Digital Wallets The New Currency? Apeejay Journal of Management and Technology, 11(1)

Chen, L. (2016). From fintech to finlife: The case of fintech development in China. *China Economic Journal*, 9(3), 225-239.

Chiemo, P. (2020). *The Influence of Mobile Money Services on Business Performance Among Small And Medium Enterprises (Smes) In Tanzaniathe Case of Micro And Small Entrepreneurs In Dar Es Salaam City*. Unpublished Masters Thesis, Mzumbe University

Faten, H. & Muhammad, H. (2021). Mobile payment and e-wallet adoption in emerging economies: A systematic literature review. *Journal of Emerging Economies and Islamic Research*. 9(2) 10.

Kavitha, M., & Kumar K. (2018). "A Study on Digital Payments System with Perspective of Customer's Adoption. *Eurasian Journal of Analytical Chemistry* 13. 189-200.

Kombe, K. & Wafula, K. (2015). Effects of Internet Banking on the Financial Performance of Commercial Banks in Kenya a Case of Kenya Commercial Bank. *International Journal of Scientific and Research Publications,* 5(5)

Mbithi, M. (2021). Mobile Payment and Mobile Money Transfer on Performance of Micro, Small And Medium Enterprises in Kenya. *International Journal of Research Publications*. 84. 23-46**.**

Mulinya, S, & Muyobo, K. (2022). Challenges Facing Digital Payment System In Kenya. *Journal of Research in Business and Management,* 10(4) 01-08

Munyao, K. (2020). *The general objective of this study was to establish the effects of e-payment system on revenue performance.* Unpublished Masters Thesis, United States International University- Africa

Ngungi, M.(2013). *Effect of Online Banking on Financial Performance of Commercial Banks In Kenya*. Unpublished Masters Thesis, University of Nairobi.

Nguyen, D., & Gopalaswamy, K. (2018). The interface between electronic banking and accounting modules. *Journal of Advances in Management Research, 15(3), 7-21.*

Nuryasman MN, & Sukis Warningsih. (2022). Determining Factors Of Digital Wallet Usage. *Jurnal Manajemen*, *25*(2), 271–289

Otusanya, O. J., & Lauwo, S. (2019). Corruption and socio-political economic structures: a case of Nigeria. *Journal of Financial Crime,* 26(1), 34-68.

Preetha, S. & Divya, V. (2016). Customers Trust on the Security of Online Payment System Using Credit/ Debit Cards with Reference to Banking Customers in Chennai (American). *International Journal of Research in Humanities Arts and Social Sciences*

Rathore, S. (2016). Adoption Of Digital Wallet By Consumers. *Journal of Management Research,* 8(1)

Urumsah, D. (2015). Factors Influencing Consumers to Use e-services in Indonesian Airline Companies. New York : Mc Graw-Hill

Wangui, M. & Nzuki, D. (2021). The Effect of Electronic Money Transfer Systems on the Financial Performance of Financial Institutions in Kenya (Case Study of Sumac Deposit Taking Microfinance Ltd). *International Research Journal of Business and Strategic Management*, 2(1), 50-61