

**EFFECT OF DIGITAL FINANCIAL SERVICES ON FINANCIAL
PERFORMANCE OF ROTATING SAVINGS AND CREDIT ASSOCIATION
IN MOMBASA COUNTY**

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University.

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DEDICATION

I commit this work to the All-Powerful Allah for His blessings, to my supervisor for directing and continuously checking on me all through the period of **thesis** and in conclusion to my family for their financial and ethical support.

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LIST OF ABBREVIATIONS

DFS	: Digital Finance Services
DLT	: Distributed ledger technologies
DoI	: Diffusion of Innovations
MFS	: Mobile Financial Services
MSEs	: Micro & Small Enterprises
NGOs	: Non-Governmental Organization
PEOU	: Perceived Ease of Use
PoS	: Point of Sales
PU	: Perceived Usefulness
RoSCAs	: Rotating Savings and Credit Associations
SE	: Services Ecosystem
TAT	: Technology Acceptance Theory
UN	: United Nations
UNDF	: United Nation Digital Financial
USA	: United Sate of America
VSLA	: Village Savings and Loan Association

DEFINITION OF TERMS

Digital Payment	Is, the exchange of funds between accounts by the use of a digital device, (Chen, 2021).
Digital Financial Services	Are the money involved activities with the help of technology provided through digital channel, (Dayadhar, 2018).
Digital Remittance	Investors and individual who are outside the country or region transfers money online (Peterson & Wellman 2019).
Digital Savings	A digital savings account allows the informal finance groups to open, manage, and transact through their accounts, from the comfort and safety of their homes, which is highly paramount for digital savings on financial inclusion, (Chen, Cheng, & Hwang, 2021).
Digital Credit	According to Berg et al. (2018), "digital credit" is a modest, short-term loans obtained instantaneously and remotely and providing borrowers with access to money.
Financial Performance	Evaluates how an organisation is able to use and generate its asset. Its measures the competence of a business to generate value for investors, (Baydas & Elma, 2021).
Informal Sources of Finance	Informal sources of finance are largely those which do not require written and formalised agreements before such funding is acquired, (Balana & Oyeyemi, 2022).

ABSTRACT

The effect of digital financial services on financial performance includes the introduction of new financial instruments and services as well as the introduction of new sources of funding. The research objective was to determine the effect of digital financial services on financial performance of RoSCAs in Mombasa County. The specific objectives were to establish the effect of digital payment, digital savings, digital remittance and digital credit on financial performance of RoSCAs. The study discussed literature review with theories related to the effect of digital financial services on financial performance of RoSCAs. The theories included: Theory of Financial Innovations, Technology Acceptance Model and Diffusion of Innovation Theory. A descriptive survey technique was used to conduct in-depth investigations by the researchers in order to accomplish the study's goals. The study concentrated on RoSCAs that are providing ROSCA digital financial services across various sectors mainly commerce, trading and service among others as follows: Wholesaler Financial Group, Local Farmer Financial Group, Mama Mboga Financial Group, Bodaboda Financial Group and Jua Kali Financial Group. There were 880 groups of RoSCAs in Mombasa County. The study sampled 275 groups of RoSCAs. The results showed that the respondents strongly agreed with a mean of 4.52 and a standard deviation of 0.723 that digital payment has enabled effective and efficient running of the operations and reduced fraud in the RoSCAs. Findings revealed that the coefficient of determination (R-Square) was 0.715 i.e. $R^2 = 0.511$. The study concluded that digital payment has enabled RoSCAs to be flexible and change with the dynamic environment for convenient payment. The research study recommended that the financial firms should implement the technological structures to improve digital finance service to enhance digital payment which enabled the informal financial groups to be flexible, affordable and secure per transition. It was recommended that the management of financial firms should build up cloud-based processing equipment to help in digital savings on financial performance of RoSCAs. In order to build on this research, it was recommended that a related study be conducted over a longer time frame in order to get further data about the impact of digital financial services on RoSCAs' financial success.