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Effect of Digital Payments on Financial Performance of Mutual Funds in Kenya

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ABSTRACT

Purpose: Mutual funds in Kenya play an integral role in economic development, especially towards the realization of Vision 2030 on financial stability which is anchored on the economic pillar that emphasizes wealth creation opportunities for all. It provides a platform for professional asset management which offers investors the advantage of wealth creation at affordable levels of asset ownership by utilizing unit trust through portfolio diversification. Digital processing of payments offers a professional way of wealth management.

Design/Methodology/Approach: Technology acceptance model was used. Mixed research design combining descriptive and panel design with both primary and secondary data was utilized. Descriptive statistics, correlation, and multiple regression techniques were used guided by the pragmatic philosophy.

Findings: Major findings indicate a positive effect of digital payments on performance of mutual funds. Fund size has a moderating effect on the relationship between digital payments and fund performance. The study concluded that digital payments is a key enabler of mutual fund performance in Kenya, particularly when adopted strategically and scaled effectively according to fund size.

Implications/Originality/Value: Its concluded that digital payments enhances fund performance. The study contributes to the growing body of knowledge on financial technology adoption in emerging markets.

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Introduction

Mutual funds are a key player in the financial markets acting as financial intermediaries.there main role is resource mobilization through the concept of pooling of resources and capital allocation of the pooled funds for investment purposes. The Kenyan mutual funds are struggling to play this important role. The study sought to determine the effect of integrating financial technology in the payment process of mutual funds.Digital payments is the automation of payment processes using specialized software and algorithms on computers, smartphones and other digital gadgets to improve the payment processes and enhance service delivery (Thakor, 2019).

According to Kumar &Ali (2020), digital payments has revolutionized the financial sector and disrupted the traditional finance system by providing faster, secure, and convenient methods of trade that enhance customer experience through excellent service delivery. The evolution of digital technologies in payment processes has introduced disruptive innovations that are reshaping the delivery of financial services. In Kenya, digital payment technology has gained momentum in most business sectors, supported by high mobile network penetration and proactive regulatory support. Mutual funds, as key vehicles for resource mobilization and capital allocation are increasingly leveraging digital technologies in payment processes to improve efficiency, enhance investor experience, and broaden market access.

Problem Statement

Mutual funds sector in Kenya play the key intermediary role in the financial markets aiding in economic development, the expectation is a significant contribution to the GDP like other sectors. The sector's contribution to GDP remains significantly low at only 4.6% in 2023 while regionally, S.Africa and Namibia have ratios of 61.5% and 43.1% respectively. The global average is 57.6%, where USA, Australia, and the UK boast of ratios well over 100% (Cuthbertson, Nitzsche &Sullivan, 2023)

With the advent of sophisticated technologies, most firms are rolling out innovative products and payment platforms that offer potential solutions to financial challenges. Despite the availability and utilization of fintech tools in payment processes, a significant gap exists in understanding how varying fund sizes of Kenyan mutual funds and their associated performance metrics are influenced by these technological advancements. There is limited empirical evidence on the correlation between integration of digital payment methods and financial performance indicators. The need to study on how the combined effect of digital payments and fund size affects fund performance is valid.

Research Objective

The research objective was to determine the effect of digital payments on the financial performance of Mutual funds in Kenya. The study was guided by null hypothesis as below.

$H_{01:}$ Digital payments have no statistically significant effect on the performance of mutual funds in Kenya.

Design and Methodology

The technology acceptance model guided the study in determining how the respondent's perception on ease of use of digital payment platforms affects mutual fund performance. It helped explain the adoption behavior of mutual fund personnel to payment technologies. The theory was consistent with the findings in explaining the acceptance and utilization of technology in payment processes in mutual funds. According to Boateng (2016), TAM is used in the context of developing economies, to provide a practical model for understanding the limited but growing usage of fintech in the investment sector.

The theory further supported the transition from the traditional methodologies of trade to the modern digital world of business as expressed through the primary data responses. It shows how the acceptance of technology is influenced by usability and performance expectations (Venkatesh &Davis, 2000). The findings confirm TAM's view that perceived benefits drive adoption and influence financial outcomes, even when actual returns are modest. It contributes to the prediction and understanding of the causes of either accepting or rejecting the use of technology in an organization or firm. According to Erdoğan (2024), the TAM perspective has been widely incorporated in previous studies to show how the behavioral intentions of the user depends on his belief and ability to use the technology effectively.

Empirical Review

Yasir, et al., (2020) researched on the Analysis of Pakistan's Mutual Fund Performance Evidence from Traditional & Modern Methods. Performance was measured by both traditional measures (Ratios) and modern asset pricing models. The Fama French 3-3factor model, CAPM and Carhart 4-factor model were used. CAPM model showed most of the coefficients were significant. Limna et al., (2022) did a systematic review of the growing trend of digital economy, using the methodology of narrative synthesis to obtain data. Results indicated a growing trend in digital economy where digital platforms are employed in business processes.

Imerman and Fabozzi (2020) studied the FinTech Ecosystem and developed a conceptual framework for FinTech innovation. The conclusion was that practitioners need to understand and adopt financial technology in their operations as it's becoming an integral part of the mainstream financial system and therefore the implications of this paradigm shift for the financial services industry ought to be understood. Jing, (2023) studied on digital finance and consumption of renewable energy in China, using quantitative methodology to show how growth in digital money impacts on the efforts to enhance green energy consumption in China, focusing on energy management and optimization. Empirical methodology revealed the benefits of utilizing digital money in enhancing the consumption of renewable energy.

Ndichu, Kariuki, and Kariuki, (2021) studied on Fintech Predictive Modeling and performance of Investment Firms in Kenya, employing mixed method research design by incorporating descriptive-explanatory designs. Results showed Coefficient of FinTech predictive modeling has a significantly positive impact on firm performance. Kariuki, (2021), studied on the influence of fintech investment financing mechanisms on the performance of Kenyan investment firms. Explanatory-descriptive designs were used, Content analysis was used for Qualitative data while structural equation modeling was utilized for the quantitative data. The results revealed that FinTech peer-to-peer lending, equity crowdfunding, crowd lending, and factor-scoring FinTech services have a significant positive relationship with the performance of investment firms.
Aicha, (2023), studied on FinTech services and financial inclusion in Kenya to determine the effect of various FinTech services. Using the descriptive design and panel secondary data, regression analysis was used. The findings revealed a positive relationship between financial inclusion and FinTech services. Mutinda, Jagongo, and Kenyanya, (2017) did a study on Financial Inclusion Innovations and Performance of Commercial Banking institutions in Kenya. The study looked at the use of technology in banks and its impact on the financial performance on Kenyan banks. Correlation analysis revealed a strong positive relationship between financial inclusion strategies and financial performance.

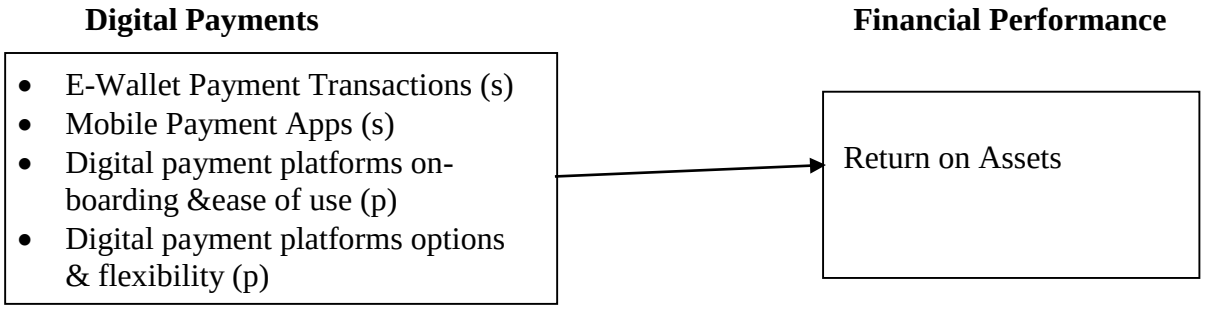
Conceptual Background

Digital payments are one of the key areas where FinTech has made significant advancements, offering new and innovative solutions for transferring money and conducting transactions (Hasan & Mohammed, 2023). These advancements have not only transformed the transacting process but also impacted the fund performance (Haruthai, and Samanchuen, 2023). Research has shown that

the integration of digital platforms in mutual fund industry has the potential of enhancing funds' financial performance (Yogeshi, 2021). According to Yu, Zongdu, and Wenqiao, digital payment structures have reshaped the structure of the financial service industry. Modern information technologies aid in the implementation of new solutions for businesses while financial tools support planning personal finances through digital payments (Waliszewski, 2020). These digital payments are done through mobile devices, smart-apps, and the internet. This trend is leading many to believe that digital payments could replace the traditional cash method.

According to the report by Statista Market Insights (2023), the FinTech market is rapidly evolving, with digital payments emerging as one of the most significant trends, with consumers increasingly relying on mobile payment solutions for their day-to-day transactions. Digital investment platforms are also gaining traction, with individuals seeking low-cost and easy-to-use investment options. Digital payments are likely to remain a dominant trend, as consumers increasingly prefer the convenience and speed of mobile payment solutions (Emara &Zhang 2021). Digital investment platforms are also expected to grow in popularity, as more individuals seek to manage their finances digitally. According to Varlamova et al (2023), the financial sector has not been immune to the impacts of digitization, with rapid developments from use of a variety of digital services. Digital payments have transformed consumption of goods and services. Security, speed, and convenience are the advantages afforded by the digital world, leading to its popularity, making them the preferred mode of payment for many especially sending money from the diaspora (Ahmed,et al, 2021).

The rise of digital payment platforms, which are closely linked to e-commerce and new consumer habits points to a cashless society (Ali and Panda, 2018). Its either partially, primarily or fully digital taking the form of bank transfers, mobile money, QR codes, or payment instruments such as credit, debit, and prepaid cards. Generally, they are considered to be secure, convenient, easy, fast, and proven. According to Oney's survey of payment habits in Europe, respondents in Spain use more alternative payment methods while the majority prefer using bank cards. According to Statista (2023), 47% of Asian Internet users in 2018 paid using mobiles. The preference for digital payments won't stop increasing, according to forecasts from Statista (2023), in 2017 there were 2,454 billion users globally and 4, 160b users in 2022. Such growth is partly due its benefits. According to Yu &Zhang (2022), the COVID-19 pandemic accelerated the adoption of technology globally.



Source: Authors Compilation.
Key: P-Primary data, S- Secondary data

Mixed-methods approach, with data triangulation technique for dual data source was used to give a comprehensive and robust outcome, Panel design for analysis of secondary data and descriptive design for primary data. Mutual funds are in four classes as Equity funds, Bond funds, Hybrid funds and money market funds. The target population was licensed Mutual Funds actively operating in Kenya from 2014 to 2023. Purposive sampling was used to target expert responses for reliable data.

Descriptive statistics summarized fund characteristics as mean, minimum, maximum and standard deviation and Simple liner regression to determine the predictive power of digital payments. Diagnostic tests and Model Specification tests include normality test, linearity, multicollinearity test, the autocorrelation test, the unit root test, and the heteroscedasticity test.

Findings and Discussion

Primary Data Findings

The level of digital uptake in payment processes is shown as percentage in the table below. A weighted average was computed using mid points of ranges and corresponding proportions of responses.70.86% of processes are done digitally meaning investors access payments mostly through digital means.

Proportion of payment transactions done Digitally

Range	Midpoint	Score	As Decimal	Weighted Average %
1-25%	13	0	0	0
26-50%	38	18.80%	0.1880	7.1%
51-75%	63	31.30%	0.3130	19.7%
76-100%	88	50%	0.5000	44%
				70.86%

Sourc: Authors Compilation.

Most of the respondents, 50%, opine that approximately 44% of the mutual funds' payments are done digitally signifying positive perception towards digital payments.

Furthermore, on a 5-Point Liker-scale, digital payments were measured using six items as strongly Agree (5), Agree (4), Neutral (3). Disagree (2) and Strongly Disagree (1).

Findings on Digital Payments with primary data on Likert scale

	Digital Payments	Min	Max	Mean	S.D
1	The mutual fund has set up a digital platform used to make automated payments to clients	1	5	4.07	1.189
2	Most clients are conveniently using the digital platform to request and receive payments	1	5	3.55	1.150
3	The use of digital platforms to make payment to clients leads to remarkable improvement and efficiency in business process	1	5	3.82	1.206
4	The use of digital platform in making payment encourages client's participation in investment activities	1	5	4.00	1.100
5	The use of digital payment platform simplifies investment process to be more accessible and affordable to the investors	1	5	3.80	1.286
6	There is remarkable increase in number of payment transactions done using digital platform	1	5	3.82	1.225
	Overall Mean Score			**3.84**	

Source: Authors Compilation

Respondents agreed (mean = 4.07, SD = 1.189) that mutual funds have established digital platforms for automated payments to clients. This high mean score, accompanied by moderate variation, suggests a widespread adoption of technology, though experiences may differ based on infrastructure or fund size. There was also a level of agreement (mean = 4.00, SD = 1.100) that the use of digital platforms encourages client participation in investment activities. The relatively low standard deviation reflects a consistent belief that technology not only streamlines processes but also actively fosters investor involvement, potentially improving fund performance through greater client engagement. Respondents further agreed (mean = 3.82, SD = 1.206) that digital payment platforms lead to notable improvements in efficiency, and likewise agreed (mean = 3.82, SD = 1.225) that there has been an increase in the number of payment transactions executed via digital

platforms. The similar mean values and slightly higher standard deviations imply general approval with some differences in user experience, perhaps due to system integration levels or client demographics. There was also moderate agreement (mean = 3.80, SD = 1.286) that digital payment platforms simplify the investment process, making it more accessible and affordable to investors. While the standard deviation indicates varied perceptions, the consensus points toward the democratizing effect of fintech on investment access.

The lowest-rated item (mean = 3.55, SD = 1.150) was the extent to which clients conveniently use the digital platform to request and receive payments. This suggests that while systems are in place, user adoption or ease of use may still present a challenge for some clients, highlighting the need for ongoing user training or system refinement. Overall, the results (overall mean = 3.84) suggest that digital payments significantly contribute to the efficiency and inclusivity of mutual fund operations. However, the moderate to high standard deviations across statements highlight the importance of tailoring digital solutions to client capabilities and ensuring consistent user experiences across platforms.

Secondary Data

For the secondary data two indicators were used; E-Wallet Transactions and Mobile App Transactions, as in the Table below.

Descriptive Statistics for Digital payments with secondary data.

	Balanced Funds				
	N	**Min**	**Max**	**Mean**	**S.D**
E-Wallet Transactions	130	0.011577	573.45	14.52	53.18
Mobile App Transactions	130	0.016409	641.67	18.87	63.23
Combined Digital Payments	130	0.027986	1,215.12	33.39	115.97
	Bond Fixed				
E-Wallet Transactions	130	0.179755	765.02	99.43	188.44
Mobile App Transactions	130	0.345744	1,077.81	131.38	247.15
Combined Digital Payments	130	0.525499	1,791.96	230.81	433.47
	Equity Funds				
E-Wallet Transactions	130	0.00192	987.49	71.78	172.01
Mobile App Transactions	130	0.001979	1,380.90	100.30	242.59
Combined Digital Payments	130	0.003899	2,194.47	172.08	411.43
	Money Market Funds				
E-Wallet Transactions	130	1.936873	57,316.49	3,963.17	9,190.04
Mobile App Transactions	130	2.741014	71,870.50	5,605.70	13,067.60
Combined Digital Payments	130	4.677887	129,187.00	9,568.87	22,187.81
	Overall				
E-Wallet Transactions	520	0.00192	57,316.49	1,037.23	4,885.61
Mobile App Transactions	520	0.001979	71,870.50	1,464.06	6,942.99
Combined Digital Payments	520	0.003899	129,187.00	2,501.29	11,795.88

SD=Standard Deviation, N=Sample Size, Min=Minimum, Max=Maximum
Source: Authors Compilation

The money Market Funds exhibited the highest average digital payment activity across both channels, with combined transactions averaging Ksh. 9,568.87 million. In contrast, for Balanced Funds, the mean E-Wallet transaction value is Ksh. 14.52 million, with a maximum of Ksh. 573.45 million and a standard deviation of Ksh. 53.18 million. Mobile App transactions average Ksh. 18.87 million, peaking at Ksh. 641.67M, and showing a standard deviation of Ksh. 63.23 million. The mean for the Combined Digital Payments across both channels stands at Ksh. 33.39 million. In Bond Fixed Funds, E-Wallet transactions average Ksh. 99.43M with a maximum of Ksh. 765.02

million and a S.D of Ksh. 188.44 million. Mobile App transactions report a mean of Ksh. 131.38 million, with the highest at Ksh. 1,077.81 million and a standard deviation of Ksh. 247.15 million.

The mean for combined Digital Payments amount is Ksh. 230.81M.
Equity Funds recorded mean E-Wallet transactions of Ksh. 71.78 million, with the highest at Ksh. 987.49 million and a standard deviation of Ksh. 172.01 million. Mobile App transactions average Ksh. 100.30 million and reach a maximum of Ksh. 1,380.90 million, with a standard deviation of Ksh. 242.59 million. The average digital payment is Ksh. 172.08 million. Money Market Funds show the highest digital engagement. E-Wallet transactions average Ksh. 3,963.17 million, reaching up to Ksh. 57,316.49 million, and exhibit high variability with a standard deviation of Ksh. 9,190.04 million. Mobile App transactions average Ksh. 5,605.70 million, maximum at Ksh. 71,870.50 million, with a standard deviation of Ksh. 13,067.60 million. The combined digital payments average is Ksh. 9,568.87 million, reflecting the highest digital transaction activity among all fund categories.

Across all funds combined, E-Wallet transactions range from Ksh. 0.00192 million to Ksh. 57,316.49 million, with an overall mean of Ksh. 1,037.23 million and a standard deviation of Ksh. 4,885.61 million. Mobile App transactions range from Ksh. 0.001979 million to Ksh. 71,870.50 million, with a slightly higher mean of sh. 1,464.06 million than E-wallet transactions (1,037.23M.) and showing a standard deviation of Ksh. 6,942.99 million. The mean for the total Combined Digital Payments across funds amounts to Ksh. 2,501.29 million, with a wide standard deviation of Ksh. 11,795.88 million. This confirms a highly skewed distribution driven primarily by the Money Market Funds category.

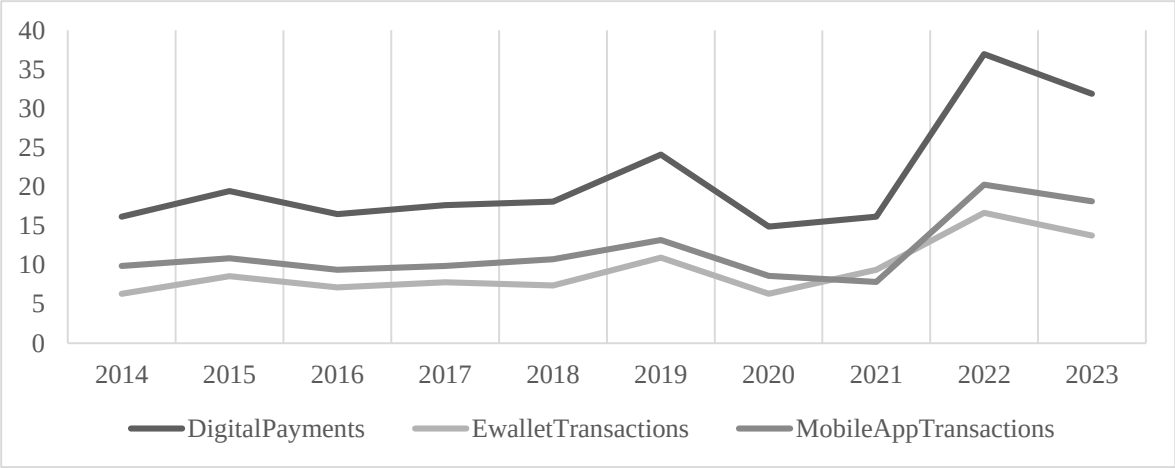


Figure Trend for Digital payments
Source: Authors' compilation

The figure above illustrates the trend in digital payments, which reflects a modest upward adoption over time, highlighting the growing reliance on technology for fund transactions.

Convergence of Primary and Secondary Data Findings

The findings show strong convergence; respondents' perception demonstrates a high level of agreement to use of digital payment systems as demonstrated by a global mean of 3.84 denoting positive perception while the general uptake percentage of 70.86% shows active use of technology. This supports secondary data which shows high transaction volumes, with combined digital payments for the four categories averaging Ksh.2,501.29M, denoting increasing transaction volumes of actual performance reflecting enhanced fund performance.

The findings align with Ndichu, Kariuki, and Kariuki (2021), in their study found a significantly

positive effect of fintech predictive modelling on the performance of investment firms in Kenya. Similarly, Kariuki (2021) affirmed that fintech investment financing mechanisms with digital tools are significantly associated with improved financial outcomes in Kenyan investment firms. Aicha, (2023) also lends empirical support, noting a positive relationship between fintech services and financial inclusion, which ultimately translates into enhanced performance for financial institutions. Limna et al. (2022), through a narrative synthesis of digital economy literature, reinforced the growing role of digital platforms in economic development. Their findings broadly support this study's conclusions, especially the positive perceptions recorded in the primary data.. Conversely, Yasir et al. (2020) focused on mutual fund performance in Pakistan and emphasized traditional valuation models (CAPM, Fama-French, Carhart) without directly attributing performance variations to fintech tools. While their study found significance in model-based evaluations, it did not explore digital payments, indicating a limitation in generalizability to digital finance. This divergence does not directly contradict current findings, but it shows the gap in traditional analyses that did not integrate fintech as a variable. The findings align with Technology Acceptance Theory (TAM), which postulates that the perceived ease of use and usefulness of a technology significantly influence its acceptance and, by extension, its impact on performance.

In conclusion, using descriptive statistics both data sources show that digital payments significantly transform fund performance through accessibility and efficiency. The consistency between perceptions and practice supports validity and robustness of the findings and highlights the central role of digital payments in the modernization of mutual funds operations. The convergence underscores the growing reliance on mobile platforms and digital structures and systems in the financial operations and management of mutual funds in Kenya.

Simple Linear Regression Analysis

Simple linear regression analysis was used to determine the predictive relationship between a digital payments and fund performance (Field, 2018).

Effect of Digital Payments on the Financial Performance of Mutual fund

Firstly, using primary data, the study sought to examine the effect of digital payments on the financial performance of mutual funds in Kenya using a random effect model.

Regression Effect of Digital payments on fund Performance- primary Data

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.459[a]	.210	.192	.6975

a. Predictors: (Constant), Digital Payment
b. Dependent Variable: Financial Performance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.447	1	5.447	11.194	.002[b]
	Residual	20.435	42	.487		
	Total	25.881	43			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Digital Payment

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		β	Std. Error	Beta	t	Sig.
1	(Constant)	2.524	.397		6.355	.000
	Digital Payment	.334	.100	.459	3.346	.002

a. Dependent Variable: Financial Performance

Source: Authors compilation

The R-squared value of 0.210 implied that digital payment explained approximately 21.0% of the variance in financial performance, while the adjusted R-squared value of 0.192 suggested minimal loss of explanatory power after adjusting for the number of predictors in the model. The low R^2 of 0.21, though quite modest still is acceptable especially within the context of behavioral research which involves many other external factors, especially when dealing with studies on real world data in a highly volatile markets like mutual funds. According to Wooldridge (2019), a low R-square doesn't undermine the validity of the model as long as the beta coefficients are statistically significant (β=0.459). Furthermore Frost (2020) emphasizes that in social sciences and finance, a small R-square can still yield meaningful insights especially when used as an explanatory power on studies dealing with real-world data from dynamic markets.

The ANOVA results showed that the regression model was statistically significant, with an F-value of 11.194 and a significance level of 0.002, which is below the 0.05 threshold. This indicates that digital payment has a statistically significant effect on financial performance. Digital payment had an unstandardized coefficient of 0.334 meaning that a one-unit increase in digital payment was associated with a 0.334 increase in financial performance which is significant at the 5% level.

Financial performance= 2.524+0.334 X1 (Digital payments)

Regression effect of digital payments on fund performance using Secondary data
The findings for secondary data are shown in the table below.

Regression Fixed Effect of Digital Payments on Fund Performance-secondary data

Fixed-effects (within) regression		Number of obs	=	520	
Group variable: Fund		Number of groups	=	52	
R-sq:		Obs per group:			
within = 0.3263		min	=	10	
between = 0.3252		Avg	=	10	
overall = 0.3204		max	=	10	
		F(1,467)	=	226.2	
corr(u_i, Xb) = -0.3985		Prob > F	=	0.000	
Performance	**Coef.**	**Std. Err.**	**P>t**	**[95% Conf. Interval]**	
Digital Payments	0.097158	0.00646	0.000	0.084463	0.109852
_cons	-4.59416	0.109551	0.000	-4.80944	-4.37889

Source:Aouthors Compilation

The within R-squared is 0.3263, indicating that 32.63% of the variation in financial performance within the same mutual fund over time is explained by changes in digital payments. This value reflects the explanatory power of the model based on deviations from each entity's average.The between R-squared is 0.3252, meaning that 32.52% of the variation in average financial performance between different mutual funds is explained by differences in their average levels of digital payments. The overall R-squared is 0.3204, indicating that digital payments explains 32.04% of the total variation in financial performance across all observations both within and between mutual funds. This provides a general measure of the model's explanatory power, but it combines both types of variation and thus may under-represent the model's strength in panel data. The significant F-statistic ($F(1,467) = 226.2$, $p = 0.000$) confirms the model's overall validity. The relatively low R-squared values indicate that while digital payments have a measurable impact, the majority of performance variation (over 90%) is driven by other factors not captured in this model. The coefficient for digital payments is 0.0972 with a standard error of 0.00646. The corresponding t-statistic is 15.04 and the p-value is 0.000, indicating that the effect is statistically significant at the 5 percent level. This suggests that a unit increase in digital payment adoption leads to a 0.0972-unit increase in the performance of mutual funds, holding other factors constant.

Y (Performance) = -4.59416+0.097158X_1 (Digital payments)

In conclusion, the regression analysis from both primary and secondary data demonstrates a consistent, positive relationship between digital payments and financial performance of mutual funds in Kenya. The primary data model, expressed as **Y= 2.524+0.334 X_1**, indicates that a one-unit increase in use of digital payments is associated with a 0.334-unit increase in financial performance, this shows a moderate and meaningful effect implying that digital payments have a practical and visible impact on performance according to the respondents. The model also exhibits a strong explanatory power, with an R-squared value of 0.210, suggesting that a substantial proportion of the variation in performance is explained by digital payments as perceived by mutual fund personnel. The secondary data model expressed as **Y= -4.59416+0.097158X_1**, confirms a positive relationship, though the magnitude of the effect is more modest. The slope coefficient of 0.097158 suggests that actual increases in digital payments contribute incrementally to improved financial outcomes. This indicates a positive but modest effect in reality meaning that digital payments play a role but other factors also contribute to performance. Its explanatory power, reflected in an R-squared of R^2= 0.3204, indicates that while the relationship is statistically significant, other external or operational variables may also be influencing fund performance.

Convergence Matrix for Simple Linear Regression results for primary and secondary data.

Source: Authors Compilation

The two models demonstrate a difference in coefficient strength and baseline values, reinforcing the conclusion that adoption of digital technology in payment processes positively influences mutual fund performance.

The study findings support several empirical studies, Ndichu, Kariuki, and Kariuki (2021) found a significantly positive effect of fintech predictive modelling on the performance of investment firms in Kenya. Similarly, Kariuki (2021) affirmed that fintech investment financing mechanisms are significantly associated with improved financial outcomes, in support of study's' conclusion. Aicha (2023) similarly found a positive relationship between fintech services and financial inclusion, which ultimately translates into enhanced performance for financial institutions. Similarly, the findings are in convergence with the FSD, Kenya report (2023) that digitization and digital finance for business transactions has grown exponentially. Alongside this, businesses are becoming more formalized, increasing their visibility to financiers and other market actors. However, the Kenya Small Firm Diaries reveals that majority of transactions by value are still cash-based, indicating that there is still far to go if digitization is to be a game changer for the majority of MSE's.

Predictor	Data source	Coefficient β	Std error	R^2	p-value	Effect/ Direction	Convergence
Digital payments	Primary	0.334	0.100	0.210	0.002	Positive	Yes
	Secondary	0.097158	0.00646	0.3204	0.000	Positive	

The findings are well anchored on the Technology Acceptance Theory (TAM), which postulates that the perceived ease of use and usefulness of a technology significantly influence its acceptance and, by extension, its impact on performance. However, the lower coefficient in the secondary data reveals that actual financial impact, though significant, is more modest, which is consistent with TAM: while perception drives adoption, actual benefits may depend on contextual factors such as infrastructure, integration efficiency, and user behaviour. There is theoretical support from the Financial Intermediary theory. Digital payments reduce transaction costs and improve information flow, thereby enhancing the inter-mediation function of mutual funds for more efficient capital allocation and investor interaction.

Conclusions

Digital payments have a positive effect on the financial performance of mutual funds in Kenya, as

demonstrated by both empirical data and stakeholder perceptions. The null hypothesis is therefore dropped and the alternative hypothesis adopted: H_1: Digital payments positively affect mutual fund performance. The findings address the research objective and makes enormous contributions both to theory and practice by encouraging fund managers to invest in secure and user-friendly digital payment platforms to improve investor experience and operational efficiency.

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