



M-Pesa Adoption and SME Growth and Sustainability in Bungoma County, Kenya

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ABSTRACT.

This study examined whether the growing use of M-Pesa among small and medium enterprises (SMEs) is associated with better prospects for business growth and sustainability in Bungoma County, Kenya. An explanatory sequential mixed-methods design was used. Of the 378 SMEs sampled, 349 provided usable questionnaires, while 47 key informants from government and financial institutions participated in interviews. Growth and sustainability were examined through changes in revenue, business expansion, resilience to financial shocks, and customer satisfaction and retention. Respondents generally believed that M-Pesa had contributed positively to their businesses ($M = 3.81$, $SD = 0.79$). M-Pesa adoption was moderately and positively related to growth and sustainability ($r = 0.451$, $p < 0.001$). The regression model was significant, $F(1,347) = 88.740$, $p < 0.001$, and M-Pesa adoption explained 20.4% of the variation in growth and sustainability. Interview findings helped explain this relationship: businesses were able to receive payments remotely, reach customers beyond their immediate location, circulate money more quickly and settle suppliers with greater convenience. However, participants did not view M-Pesa as a substitute for sound management, access to capital or a supportive business environment. The study concludes that M-Pesa is an important enabling tool for SME growth, but its contribution is strongest when it is combined with other business capabilities and reliable digital infrastructure.

Keywords: M-Pesa, mobile money, SMEs, business growth, sustainability, Bungoma County, Kenya

1. Introduction

Running a small business often depends on how quickly money can move. A delayed customer payment may mean delayed stock replenishment, while the ability to pay a supplier immediately can keep a business operating without interruption. In Kenya, M-Pesa has changed this everyday movement of money by allowing businesses to receive and make payments through a mobile phone. For many SMEs, it has become part of normal business practice rather than an occasional payment option.

Yet widespread use does not necessarily mean that M-Pesa makes a business grow. Business growth is shaped by many factors, including customer demand, access to capital, competition, management practices and the wider economic environment. M-Pesa may make transactions easier, but a payment platform cannot by itself create customers, guarantee profitability or protect a business from every financial shock. This distinction is important when assessing its contribution to the longer-term performance of SMEs.

Studies conducted in Kenya have linked mobile money to improved liquidity, financial inclusion, transaction efficiency and SME performance (Mbiti & Weil, 2016; Mutuku et al., 2019). Gitonga (2025) associated M-Pesa adoption with improved market reach and business continuity, while Kimathi et al. (2025) reported positive relationships between mobile-payment use, sales growth and working-capital performance. Much of this evidence, however, comes from national studies or settings outside Bungoma County. Local evidence is needed because the value businesses obtain from digital finance can vary with infrastructure, markets and enterprise characteristics.

This paper focuses on one question from a wider study of M-Pesa and SME performance: how does M-Pesa adoption influence the growth and sustainability of SMEs in Bungoma County? Growth and sustainability were considered in terms of revenue growth, business expansion, resilience to financial shocks, and customer satisfaction and retention.

2. Literature and Theoretical Perspective

M-Pesa can contribute to business growth in several practical ways. When customers pay remotely, an enterprise is no longer limited to transactions with people who can physically visit the business. Money received electronically can also be used quickly to pay suppliers or replenish stock. In this way, the value of mobile money may lie less in the payment itself and more in what the faster movement of money allows the business to do.

Existing research generally supports this argument. Mutuku et al. (2019) found that mobile-money services were associated with better profitability, liquidity and cash-flow management among SMEs. Gitonga (2025) reported that M-Pesa supported market reach, growth and business continuity, while Kimathi et al. (2025) linked mobile payments with sales growth and working-capital outcomes. Mbiti and Weil (2016) showed more broadly that M-

Pesa expanded financial access and changed financial behaviour in Kenya. Taken together, these studies suggest that mobile money can create conditions that support enterprise performance, although it is unlikely to be the only factor involved.

The study drew on Technological Innovation Systems (TIS), Diffusion of Innovation (DOI) and Technology-Organization-Environment (TOE) perspectives. For the growth and sustainability objective, the TIS perspective is particularly relevant. It views an innovation as part of a wider system rather than as a stand-alone technology. In the case of M-Pesa, that system includes mobile networks, agents, customers, suppliers, financial institutions and public institutions (Kingiri & Fu, 2020). This perspective helps explain why the same technology may generate different outcomes across businesses: its value depends on how effectively the enterprise uses it and on the environment within which it operates.

3. Methodology

The study used an explanatory sequential mixed-methods design within a cross-sectional survey. Quantitative data were collected first to establish the relationship between M-Pesa adoption and SME growth and sustainability. Interviews were then used to provide a fuller explanation of the patterns observed in the survey.

The study targeted a sample of 378 SMEs from an estimated population of 7,000 SMEs in Bungoma County. After data screening, 349 questionnaires were complete and usable. The qualitative component targeted 55 key informants drawn from County Government, National Government, commercial banks and loan agencies, of whom 47 participated.

A structured questionnaire was used to measure M-Pesa adoption and SME growth and sustainability using five-point Likert-scale items. Quantitative data were analysed using descriptive statistics, Pearson correlation and simple linear regression. Interview data were analysed thematically. Similar responses were coded, grouped into categories and developed into themes. The two sets of findings were brought together during interpretation so that the interview evidence could help explain the statistical results. Ethical approval and relevant research authorization were obtained, and participants' identities were protected throughout the study.

4. Findings

4.1 What SME owners reported about growth and sustainability

The responses show a generally positive view of M-Pesa's contribution to business growth and sustainability. The overall mean was 3.81 (SD = 0.79). Revenue growth received the highest rating (M = 3.84), closely followed by business expansion (M = 3.82) and improved customer satisfaction and retention (M = 3.81). Resilience to financial shocks was rated slightly lower (M = 3.77). The pattern is revealing: respondents appeared more confident about M-Pesa's contribution to day-to-day commercial growth than about its ability to protect a business when it faces a major financial shock.

Indicator	Mean	SD	Agree/Strongly Agree (%)
Revenue has increased since adopting M-Pesa	3.84	1.08	65.6
M-Pesa has contributed to business expansion	3.82	1.05	64.7
Business is more resilient to financial shocks	3.77	1.10	61.9
M-Pesa has improved customer satisfaction and retention	3.81	1.03	64.7
Composite growth and sustainability	3.81	0.79	-

Table 1. Growth and sustainability indicators among surveyed SMEs (n = 349).

4.2 Relationship between M-Pesa adoption and growth and sustainability

There was a moderate positive relationship between M-Pesa adoption and SME growth and sustainability ($r = 0.451$, $p < 0.001$). In practical terms, SMEs that reported stronger adoption of M-Pesa also tended to report better growth and sustainability outcomes. Regression analysis confirmed that this relationship was statistically significant. The model explained 20.4% of the variation in growth and sustainability ($R^2 = 0.204$; adjusted $R^2 = 0.201$) and was significant, $F(1,347) = 88.740$, $p < 0.001$.

M-Pesa adoption remained a significant positive predictor of growth and sustainability ($B = 0.514$, $SE = 0.055$, $\beta = 0.451$, $t = 9.420$, $p < 0.001$, 95% CI [0.407, 0.621]). The estimated equation was $GS = 1.725 + 0.514(MPA)$. Thus, a one-unit increase in the M-Pesa adoption score was associated with a 0.514-unit increase in the growth-and-sustainability score. At the same time, 79.6% of the variation was not explained by M-Pesa adoption. This is an important finding because it shows that mobile money matters, but it is only one part of the wider story of SME growth.

R	R ²	Adj. R ²	F(1,347)	B	SE	β	p
0.451	0.204	0.201	88.740	0.514	0.055	0.451	<0.001

Table 2. Regression results for M-Pesa adoption and SME growth and sustainability.

4.3 What the interviews added

The interviews gave a clearer picture of how M-Pesa may support growth. Key informants repeatedly connected business growth to faster transactions, quicker circulation of cash, remote customer payments and easier settlement of suppliers. A customer did not have to travel to the business premises simply to make a payment, and a business owner could pay a supplier located elsewhere without closing the business to travel. These seemingly routine conveniences can matter greatly to a small enterprise operating with limited time and working capital.

Market reach was another recurring theme. Respondents observed that businesses could transact with customers outside their immediate trading centres. M-Pesa therefore appeared to reduce some of the geographical limitations of cash-based trade. The interviews also linked faster receipt of payments with quicker stock replenishment and greater continuity of business operations.

Importantly, the key informants did not describe M-Pesa as a guarantee of growth. They noted that outcomes still depended on the nature of the business, customer demand, management practices and how well the owner incorporated digital financial services into business operations. This interpretation closely matches the regression result: the relationship was significant, but most of the variation in growth and sustainability was explained by factors beyond M-Pesa adoption.

5. Discussion

The findings suggest that M-Pesa has become more than a payment channel for SMEs in Bungoma County. Its contribution appears to come from the way it supports everyday commercial relationships. Receiving a customer payment quickly, paying a supplier remotely or accessing funds without travelling to a bank may seem like small operational gains, but together they can improve the pace at which a small business trades and responds to opportunities.

The positive relationship found in this study is consistent with earlier Kenyan evidence. Gitonga (2025) associated M-Pesa adoption with revenue growth, market reach and business continuity. Mutuku et al. (2019) reported improvements in profitability, liquidity and cash-flow management, while Kimathi et al. (2025) linked mobile-payment adoption with sales growth and working-capital performance. The present study adds evidence from Bungoma County and, through the interview findings, provides a clearer explanation of the pathways through which these benefits may occur.

Revenue growth received the highest mean among the four outcome indicators. One plausible explanation is the ability to transact beyond the physical location of the enterprise. When customers can make payments remotely, the business is not entirely dependent on face-to-face cash transactions. This can support repeat purchases, remote orders and relationships with customers who are farther away. Similar flexibility applies to suppliers, allowing businesses to settle obligations and obtain stock without always relying on physical movement of cash.

The lower rating for resilience to financial shocks is equally important. M-Pesa can help an enterprise move money quickly, but it cannot by itself compensate for weak demand, inadequate capital, poor management or a severe economic shock. Resilience may require savings, diversified revenue, affordable credit, insurance and strong business planning. M-Pesa can facilitate some of these activities, but it does not replace them.

The finding that M-Pesa explained 20.4% of the variation in growth and sustainability therefore offers a balanced interpretation. The contribution is substantial enough to matter, but not large enough to justify treating mobile-money adoption as a complete SME development strategy. From a TIS perspective, the result is understandable: M-Pesa creates value as part of an ecosystem involving customers, suppliers, agents, financial institutions, network providers and public institutions. The strength of that ecosystem influences how much value an SME ultimately obtains from the technology.

6. Conclusion and Recommendations

The study concludes that M-Pesa adoption is positively associated with the growth and sustainability of SMEs in Bungoma County. Businesses with higher adoption levels tended to report stronger revenue growth, expansion, customer satisfaction and resilience. The relationship was moderate and statistically significant ($r = 0.451$, $p < 0.001$), while M-Pesa adoption explained 20.4% of the variation in growth and sustainability. Interview evidence showed that the relationship is supported by practical mechanisms such as remote payments, wider customer reach, faster cash circulation, easier supplier settlement and improved continuity of operations.

M-Pesa should therefore be viewed as an enabling business infrastructure rather than a stand-alone solution to SME growth. SME owners should integrate mobile-money use with sound cash-flow management, record keeping, customer management and business planning. Mobile-money providers and policymakers should continue improving the reliability and business usefulness of digital financial services while strengthening digital and financial literacy among SMEs. Future studies should follow SMEs over time and use objective indicators such as changes in sales, employment, profitability and business survival to establish whether sustained M-Pesa use translates into measurable long-term growth.

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