

**EFFECT OF CORPORATE GOVERNANCE REGULATORY FRAMEWORK ON
PERFORMANCE OF FINTECHS IN KENYA**

BY

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MASTER OF BUSINESS ADMINISTRATION IN CORPORATE MANAGEMENT

KCA UNIVERSITY

2025

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS
ADMINISTRATION IN CORPORATE MANAGEMENT IN THE SCHOOL OF
BUSINESS AT KCA UNIVERSITY**

NOVEMBER, 2025

DECLARATION

I declare that the work in this dissertation has not been previously published or submitted elsewhere for award of a degree. I also declare that this my own original work and contains no material written of published by other people except where due reference is made and author duly acknowledged.

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And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed.

Sign..........

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ABSTRACT

The Fintech industry has emerged as a pivotal force in revolutionizing the financial landscape, especially with its technological innovations aimed at improving access to financial services, promoting financial inclusion, and driving economic growth. As the sector continues to grow, the role of corporate governance frameworks becomes increasingly important in determining the long-term performance and sustainability of Fintech firms. However, despite the impressive growth and the potential for further expansion, the Fintech industry in Kenya faces significant challenges such as regulatory challenges and cybersecurity risks that affect its overall performance. The general objective of the study was to assess the effect of corporate governance regulatory framework on the performance of Fintechs in Kenya. The specific objectives were to analyse the effect of data protection regulations on performance of Fintechs in Kenya, to assess the effect of Anti-Money Laundering regulations on performance of Fintechs in Kenya, to investigate the influence of lending regulations on performance of Fintechs in Kenya and to determine the influence of consumer protection regulations on performance of Fintechs in Kenya. The research was guided by three key theories: Agency Theory, Resource-Based View (RBV), and Institutional Theory. The study adopted a descriptive research design. The target population for this study consists of 269 key decision-makers in the Fintech companies. These comprised of; the Compliance Officers or Legal advisors, Chief Financial Officers and the operations managers. The study had a samples size of 161 determined through the Yamane formula. Stratified proportional random sampling was used to select the participants. The study used a structured questionnaire with closed-ended Likert scale questions. The data was processed and analyzed using SPSS (Statistical Package for the Social Sciences) software. Descriptive statistics, including mean, standard deviation, and frequency distributions, was used to summarize the data. To analyze the relationships between the regulatory framework and fintech performance, regression analysis was conducted. Ethical standards were strictly followed throughout the study. The study found that there is a statistically significant positive relationship between data protection regulations and performance of Fintechs ($B=0.145$, $P=0.033$). There was a positive and significant link between Anti-Money Laundering regulations and Fintech performance ($B=0.203$, $P=0.004$). The findings also showed a significant positive effect of lending regulation on Fintechs performance ($B=0.186$, $P=0.023$). The findings showed that consumer protection regulations had the highest positive impact on Fintechs performance ($B=0.231$, $P=0.000$). The study recommends that FinTechs in Kenya ought to invest in enhancing their data protection systems to enhance performance and establish trust. FinTechs should improve on aspects as KYC enforcement and employee training. FinTechs should also have strict credit evaluation procedures, follow the CRB regulations, and keep on revising their lending policies. FinTechs should also focus on consumer protection not only to be in line with the law but also to establish long-term customer relationships.

Key words: Data protection regulations, Anti-Money laundering regulations, Lending regulations, Consumer protection regulations, Performance, Fintechs

ACKNOWLEDGMENT

I wish to express my sincere gratitude to all those who contributed to the successful completion of this dissertation. My deepest appreciation goes to my supervisor, Dr. Billiah Maende, whose guidance, constructive feedback, and encouragement greatly shaped this work. I am also grateful to the faculty and staff of School of Business, whose support and resources made this study possible. Special thanks go to the participants who generously shared their time and insights, enabling the development of meaningful findings. I extend heartfelt appreciation to my family and friends for their unwavering support, patience, and motivation throughout this journey. Their belief in me has been a constant source of strength. Above all, I thank God for granting me the wisdom, resilience, and good health needed to accomplish this work.

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ABBREVIATIONS AND ACRONYMS

AML	Anti-Money Laundering
CAK	Communications Authority of Kenya
CBK	Central Bank of Kenya
CBN	Central Bank of Nigeria
CCPA	California Consumer Privacy Act
CCPA	California Consumer Privacy Act
CFPB	Consumer Financial Protection Bureau
CMA	Capital Markets Authority
EU	European Union
FCA	Financial Conduct Authority
FCA	Financial Conduct Authority
FSCA	Financial Sector Conduct Authority
GDPR	General Data Protection Regulation
IRA	Insurance Regulatory Authority
KFIF	Kenya Financial Inclusion Fund
NACOSTI	National Commission for Science, Technology, and Innovation
PDPA	Personal Data Protection Act
POPIA	Personal Information Act
R&D	Research and Development
RBV	Resource-Based View
ROA	Return on Assets
ROI	Return on Investment
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences

OPERATIONAL DEFINITION OF TERMS

Anti-Money Laundering Regulations	Are a set of laws, procedures, and practices aimed at preventing and detecting activities related to money laundering and the financing of terrorism (Idowu and Obasan, 2022).
Consumer Protection Regulations	Are the legal frameworks designed to protect the rights of consumers in the marketplace, ensuring that they are treated fairly and ethically (Farhad, 2024).
Corporate Governance Regulatory Framework	Refers to the set of formal laws, regulations, and guidelines that govern the management and operations of a company to ensure accountability, transparency, and fairness (de Villiers and Dimes, 2021).
Data Protection Regulations	Refer to the legal framework and policies that govern how personal, sensitive, and financial data should be collected, stored, processed, and shared by businesses, including fintech companies (Dumanska et al., 2022).
Firm performance	Refers to the effectiveness and success of a company in achieving its business objectives (Akpa et al., 2021).
Lending Regulations	Refer to the specific legal and regulatory guidelines governing the lending practices of fintech companies (Tampuri, 2023).

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the introduction to the study, highlighting the essential background and context in which the research is situated. It provides an overview of the regulatory environment for corporate governance, firm performance, and the role of fintech firms in Kenya. Additionally, this chapter introduces the study's problem statement, research objectives, research questions, and the significance of the study. Furthermore, the scope of the study is outlined to ensure a clear understanding of the boundaries within which the research is conducted.

1.1 Background of the Study

The Fintech industry is a major force in the revolution of the financial landscape using its technological innovation to improve access to financial services, financial inclusion, and economic growth (Muhammad et al., 2022; Elia et al., 2023). In recent years, the Fintech industry in Kenya has grown exponentially with the proliferation of mobile money services, digital banking, and alternative lending platforms (Hakizimana et al., 2023). This has led to the performance of Fintech firms in Kenya being a focus for stakeholders including investors, policymakers and regulators who seek to ensure sustainability and profitability in a highly competitive sector (Wamahiu, 2024).

1.1.1 Corporate governance regulatory framework

Corporate governance regulatory framework is a system of rules, practices and processes by which a company is directed and controlled (Kapri, 2023). It defines the rights and responsibilities of different stakeholders in an organization such as shareholders, management,

and regulatory bodies and establishes mechanisms for accountability, transparency and ethical conduct in decision making processes (Bui & Krajcsák, 2024). The corporate governance regulatory framework framework, as de Villiers and Dimes (2021) indicated, is designed to create an environment that facilitates the efficient running of businesses, effective management of risks, and the contribution of businesses to the general health of the economy. The corporate governance framework for Fintech firms has several key regulatory aspects that have a bearing on their operations and performance. The key components include: Data Protection Regulations, Lending Regulations and Consumer Protection Regulations (Najaf et al., 2024).

Corporate governance regulatory frameworks are set up to ensure transparency, accountability and ethical conduct in organizations (Efunniyi et al., 2024). Fintech firms can use these frameworks to navigate the complex regulatory environments, mitigate risks, and ultimately improve their performance. Specifically, the effective governance mechanisms, for instance, compliance with data protection regulations, consumer protection laws and responsible lending practices can make Fintechs' environment more stable and profitable. These frameworks guarantee that Fintechs are operating responsibly, maintaining consumer trust and adhering to global financial standards, thus improving performance and organizational success (Shalom, 2023).

The regulatory landscape for Fintechs is very different across countries globally. The regulatory approach in the United States is a combination of federal and state regulations, with the Consumer Financial Protection Bureau (CFPB) being one of the key agencies that ensure consumer protection in Fintech operations (Clements, 2021). Fintechs in the UK are regulated by the Financial Conduct Authority (FCA) and are subject to strict guidelines on data protection, lending, and financial conduct (Langley & Leyshon, 2023). In countries such as Germany and

Canada, the regulatory framework is based on the strong consumer protection laws and financial market regulations (Hutukka, 2024). Fintech companies in China are subject to strict regulations that aim to control financial risks and the government is very much involved in the oversight of the sector (Bu et al., 2022). Japan and India also have very clear regulatory guidelines that help Fintech companies build consumer trust and have better operational outcomes (Yong, 2021).

Data Protection Regulations are very important to protect consumer data privacy and security (Lee & Ahmed, 2021). Data protection laws that govern how customer data is collected, stored and used apply to fintechs. According to Ke and Sudhir (2023), jurisdictions such as the European Union (EU) have passed comprehensive data protection laws through the General Data Protection Regulation (GDPR), which is a high standard for privacy and security. Data protection laws differ from state to state in the United States, but the California Consumer Privacy Act (CCPA) is one of the most influential regulations in the Fintech sector (Canayaz et al., 2022). Additionally, corporate governance in the Fintech industry is an important aspect of consumer protection (Chaturvedi & Sinha, 2024). Fintechs are regulated by regulations that ensure consumer protection, for instance, clear and understandable terms and conditions, safeguarding customer funds, and resolving consumer complaints (Yuspin & Fauzie, 2023).

For Fintechs that provide digital loans or credit products, lending regulations are essential (Cherednychenko, 2024). Fintech companies are regulated by lending regulations that ensure that they operate transparently, charge fair interest rates and do not engage in predatory lending practices. The objective of these regulations is to enhance transparency in lending, fair pricing and prevent predatory lending practices (Tampuri, 2023). It protects consumers from falling into a cycle of debt and builds trust in the digital lending platforms. The Financial Conduct Authority (FCA) regulates consumer credit in the United Kingdom, including payday loans and other short

term lending. To curb the unethical lending practices, the FCA has introduced measures to limit interest rates and fees on payday loans (Chiu & Wan, 2024).

In Africa, countries like Nigeria and South Africa have also put in place comprehensive regulatory frameworks to support the growth of Fintechs in Africa. The Financial Sector Conduct Authority (FSCA) regulates Fintechs in South Africa, making sure that Fintechs comply with financial market regulations such as consumer protection and anti-money laundering practices (Takundwa, 2022). The Central Bank of Nigeria (CBN) has also provided clear guidelines on how Fintech operations should be regulated in Nigeria (Ifechukwu, 2022).

From an East African perspective, regulatory frameworks for fintech are in varying stages of development, significantly influencing the performance and growth of digital financial services in the region (Moroga, 2020). While these countries recognize the potential of fintech to enhance financial inclusion and economic development, they also face challenges in establishing and enforcing robust corporate governance regulations. In Uganda and Tanzania, regulators have introduced data protection and Anti-Money Laundering (AML) laws, but their implementation within the fintech sector remains uneven, often affecting operational efficiency and trust among users (Mugarura, 2020). However, Uganda and Ghana are still in the process of developing robust frameworks and there has been growing interest in developing effective regulations for Fintech operations (Serwanga, 2024). Rwanda has made notable progress by creating a more structured fintech regulatory environment, including consumer protection and digital lending policies aimed at fostering innovation while minimizing risk. South Sudan, being in an earlier stage of regulatory development, lacks comprehensive fintech-specific legislation, which limits the scalability and regulatory clarity needed for fintech firms to thrive. This regional context highlights the importance of clear and harmonized regulations, especially around data protection,

AML, lending, and consumer protection to ensure fintechs can operate efficiently, grow revenue, and innovate responsibly across East Africa (Azinge-Egbiri et al., 2024).

The Fintech industry in Kenya is regulated by the Central Bank of Kenya (CBK), Communications Authority of Kenya (CA), and Kenya Financial Inclusion Fund (KFIF) (Junior et al., 2024). The regulatory environment in Kenya has undergone a great change with the introduction of the Financial Technology (Fintech) Regulatory Sandbox by the CBK to foster innovation and protect the interest of the consumer and the financial stability (Minko, 2024). However, these efforts have not been enough to address the sector's challenges of poor enforcement of data protection laws, inconsistent application of consumer protection regulations, and the absence of comprehensive guidelines for Fintech lending practices (Shalom, 2023).

The Central Bank of Kenya has also taken some measures to regulate digital lending in Kenya including the Digital Credit Providers Regulations (2021). The regulations require that lenders disclose all terms and conditions clearly, including interest rates, fees and the total cost of borrowing (CBK, 2021). The guidelines also stipulate that lenders should assess the creditworthiness of borrowers before issuing loans and provide fair repayment terms. It is particularly important in Kenya where there has been a rapid rise in digital lending, especially to low income individuals who may be more vulnerable to high interest rates and hidden fees (Adewumi & Jolaosho, 2022).

The Data Protection Act, 2019, governs how organizations such as Fintech companies should handle personal data in Kenya (Daigle, 2021). It requires that Fintechs protect sensitive information, data storage systems and prevent unauthorized access. The Consumer Protection Act in Kenya is very instrumental in regulating Fintechs in order to ensure fairness and transparency in dealings with customers. The Competition Authority of Kenya (2017) states that

the Consumer Protection Act requires companies to communicate clearly the terms and conditions of their services, protect customer funds and respond to customer complaints in an efficient manner. The Act also obliges Fintech platforms to take measures to protect consumer rights, including the right to seek redress in the event of service failure or fraud (Blackmon et al., 2021).

Despite the impressive growth and the potential for further expansion, the Fintech industry in Kenya is faced with major challenges that have a negative impact on its overall performance. The challenges include insufficient regulatory oversight, operational inefficiencies, data security issues, and consumer protection (Shalom, 2023). A lack of transparency, weak corporate governance practices and inconsistent compliance with relevant regulations are often hindering the performance of Fintechs (Cosma & Rimo, 2023). The governance and regulation gaps can have a great impact on organizational stability, investor confidence and long term sustainability (Didenko, 2017; Musamali et al., 2024).

The areas of the corporate governance regulatory framework that were studied in this study are key. In particular, the study analyzed data protection regulations, Anti Money Laundering (AML) regulations, lending regulations and consumer protection laws. These areas are chosen as they are key to ensuring the integrity, transparency and trustworthiness of Fintech operations, which are necessary for encouraging consumer confidence and attracting investors.

1.1.2 Firm performance

The firm performance is the extent to which an organization is able to achieve its goals, objectives and targets (Akpa et al., 2021). The measure of how well an organization uses its resources (people, finances, processes, etc.) to achieve its desired outcomes is organizational performance. There are multiple dimensions of organizational performance including financial

performance, operational efficiency, customer satisfaction, innovation, employee engagement, and social responsibility. These dimensions are all important to the success of an organization (Anwar & Abdullah, 2021).

Perhaps the most commonly used metric for the performance of an organization is financial performance. The indicators included are profitability, revenue growth, return on investment (ROI), return on assets (ROA), and return on equity (ROE) (Kyerem & Ausloos, 2021). These are the metrics used to evaluate how well the organization is able to generate income compared to its costs and investments. Healthy financial performance indicates a company's capacity to maintain itself, reinvest in its operations, and return to its shareholders (Ali et al., 2022).

The operational performance is concerned with how an organization is managing its internal processes (Shaheen, 2022). As stated by Aroul et al. (2022), operational performance refers to the speed, quality, and cost of producing goods and services. Cost efficiency, productivity, supply chain management and process optimization are some of the operational performance metrics. Companies that perform well in this dimension can provide products and services to their customers more effectively and gain a competitive edge in the marketplace (Buer & Sgarbossa, 2021).

According to Hill and Brierley (2022), customer satisfaction is one of the most important indicators of organizational performance. This means that a satisfied customer is more likely to return, recommend the company to others, and contribute to positive brand equity (Hanaysha & Alzoubi, 2022). Customer satisfaction key metrics are customer retention, customer loyalty, Net Promoter Scores (NPS), and market share growth. Organizations that are good in this area are

able to keep customers, differentiate themselves in competitive markets, and build a good brand reputation (Supriyanto et al., 2021).

Another important aspect of organizational performance is employee performance. The workforce is the backbone of any organization and engaged and motivated employees can contribute to productivity, innovation, and overall success (Triansyah et al., 2023). Some metrics in this area could be employee turnover rates, employee engagement surveys, or the number of high performing people in the organization. Audretsch and Belitski (2022) argue that performance is related to an organization's ability to innovate and adapt to changes in its industry. It includes Research and Development (R&D), product or service launch, and the capacity to meet new customer needs. Long term viability is an organization's strategic alignment with market trends, customer demands, and technological advancements (Gerow & Roth, 2024).

The aim of this study was to assess the performance of Fintech firms in Kenya using three key measures: Operational efficiency, revenue growth and innovation. Firms were focused on Operational Efficiency, which includes how well firms manage their resources, streamline processes and minimize costs, especially with regard to regulatory compliance. To evaluate the financial performance and market success of these firms, Revenue Growth was used to show the effect of governance frameworks on their ability to generate income. Innovation is a measure of how well a company can change with the market, how it can introduce new products or services, and how it can stay competitive by meeting customer needs in innovative ways.

1.1.3 Fintechs in Kenya

The growth of Fintechs (financial technology companies) in Kenya has been very fast and they have become a major part of the country's financial ecosystem (Fintech Africa, 2024). The

growth is largely driven by Kenya's high mobile penetration rate where mobile phones are a key tool for accessing financial services. However, the rise of mobile money platforms like M-Pesa has changed the way Kenyans carry out financial transactions, particularly in areas where the traditional banking infrastructure is limited (Tiony, 2024). M-Pesa, launched by Safaricom in 2007, was the first step in a successful Fintech sector, which has since inspired a wave of innovative startups across the country (Fintech Africa, 2024).

Fintechs in Kenya are mostly regulated and governed by different government agencies and regulations that seek to protect the consumer and maintain financial stability as well as to promote innovation. The Central Bank of Kenya (CBK) is the main regulator of the financial institutions, including Fintechs. Besides the CBK, other bodies like the Capital Markets Authority (CMA) and the Insurance Regulatory Authority (IRA) also have a role in regulating other sectors in Fintech such as digital lending, insurtech and investment platforms (Musamali et al., 2024).

The Fintech companies in Kenya have gone beyond mobile money and are offering a wide range of services, including digital lending, insurance, savings, payments and investments. For example, Tala and Branch have made it easier for people to get micro loans without a bank account or credit history (Fintech Africa, 2024). Other companies, such as M-Kopa, have taken the financial inclusion of underserved populations a step further by providing solar power to off grid communities through pay as you go models. These Fintech solutions are not only meant for consumers, but also for small and medium sized enterprises (SMEs) such that they can access digital payment solutions, manage cash flow and access financing (Africa Disrupt, 2023).

Kenya has 102 Fintech companies as of 2023, making up 15% of the continent's Fintech startups, according to the Finnovating for Africa 2023 report by Disrupt Africa, placing it as the

third largest Fintech market in Africa. This solid growth puts Kenya behind Nigeria, which has 217 Fintech companies (32% market share) and South Africa, which has 140 startups (20.6% share) (Africa Disrupt, 2023). A combination of factors such as a young and tech savvy population, an increase in the number of internet users, a supportive regulatory environment has fueled the growth of Fintechs in Kenya. The Central Bank of Kenya (CBK) and other regulatory bodies have understood the role of Fintech in driving financial inclusion and have developed policies that strike the right balance between innovation and consumer protection. One example of the government encouraging the development of the sector while maintaining the stability of the financial system is the establishment of the Kenyan Financial Sector Regulatory Sandbox (Ali, 2023).

Fintechs still have issues like cybersecurity threats, regulatory uncertainties, and the need for more robust digital infrastructure that hinder the full potential of Fintechs in Kenya. Moreover, mobile money has increased financial inclusion but a significant part of the population still has difficulties accessing formal financial services (Didenko, 2017). However, Kenya's Fintech landscape is one of the most dynamic and innovative in Africa, with both local and international investors flocking to it, and it has a lot of potential to shape the future of financial services in Africa.

As of 2023, there are 102 Fintech companies operating in Kenya, as reported by the Finnovating for Africa 2023 report by Disrupt Africa and this study looked at all of them. The reason for including all 102 Fintech companies is that, irrespective of their landscape, they are all governed by the same corporate governance regulatory frameworks that directly influence their performance. This research looked at all companies to give a holistic understanding of how regulatory compliance affects the performance of Fintech firms in Kenya.

1.2 Statement of the Problem

Kenya has witnessed a rapid growth and innovation in the Fintech industry (Musamali et al., 2023). Positive effect of corporate governance on Fintech performance has been observed in countries with well established regulatory framework globally such as United States, United Kingdom, China and Germany (Bu et al., 2022; Vijayagopal et al., 2024; Hornuf & Mattusch, 2025). While the Fintech sector is growing rapidly in Kenya, many firms are still experiencing many challenges that prevent them from performing optimally. The challenges include operational inefficiencies, increased risks and lack of investor confidence which threaten the long term viability of Fintech firms (Shalom, 2023; Wamahiu, 2024). Fintech firms fail to adhere to key corporate governance frameworks (e.g. data protection regulations, responsible lending practices, consumer protection) and are exposed to a variety of risks, including legal liabilities, reputational damage, and financial fraud. Moreover, as Fintech companies continue to be a key player in the digital financial services sector in Kenya, their inefficiencies are a threat to Kenya's aspiration to become a regional leader in technology and innovation (Minko, 2024).

According to a 2023 FSD Kenya report, only 37% of Kenyan fintechs had full compliance with the Data Protection Act and less than 50% were properly registered under AML regulations. Despite the increasing awareness of the problems faced by Fintech firms in Kenya, there is little research on how corporate governance regulatory frameworks directly affect their financial performance. Studies in Kenya that have been done so far, for example, by Bange (2022) and Macharia (2023), have looked at innovation capabilities, drivers of digital transformation and ICT infrastructure but have not addressed the effect of corporate governance on Fintech performance. Furthermore, most of the local studies have focused on commercial

banks and there is a big gap in empirical data on the Fintechs context (Njeru, 2021; Obote, 2023; Maweu et al., 2024).

With the knowledge gaps on the link between the regulations and Fintechs performance, the risk of regulatory breaches, operational shutdowns, and withdrawal of investors is imminent. Addressing this gap is therefore critical to ensure a balanced, innovation-friendly, and compliant fintech ecosystem in Kenya. This research sought to fill this gap by investigating the relationship between the corporate governance regulatory frameworks and the financial performance of Fintech firms in Kenya.

1.3 Research Objectives

1.3.1 General Objective

To assess the effect of corporate governance regulatory framework on the performance of Fintechs in Kenya.

1.3.2 Specific objectives

- i. To assess the effect of data protection regulations on performance of Fintechs in Kenya.
- ii. To assess the effect of Anti-Money Laundering regulations on performance of Fintechs in Kenya.
- iii. To determine the influence of lending regulations on performance of Fintechs in Kenya.
- iv. To establish the influence of consumer protection regulations on performance of Fintechs in Kenya.

1.4 Research Questions

- i. What is the effect of data protection regulations on performance of Fintechs in Kenya?
- ii. To what extent does Anti-Money Laundering regulations affect the performance of Fintechs in Kenya?
- iii. How do lending regulations affect the performance of Fintechs in Kenya?
- iv. What is the effect of consumer protection regulations on performance of Fintechs in Kenya?

1.5 Significance of the Study

1.5.1 Policymakers

The significance of this study to policymakers would be that it may provide insights into the role of corporate governance regulatory frameworks in improving the financial performance of Fintech firms in Kenya. Policymakers are charged with developing and enforcing regulations that promote a strong, stable and competitive financial system. Policymakers may be better able to design and refine regulations that support the evolving nature of the Fintech industry by understanding the effect of regulatory frameworks on Fintech performance. This research may assist them in determining where current regulations may be lacking or ineffective, thus allowing them to draw on the basis for regulatory reforms that encourage transparency, accountability, and sustainable growth in the Fintech sector. The study could also help policymakers know the effectiveness of the existing regulatory bodies such as the Central Bank of Kenya (CBK), the Capital Markets Authority (CMA), and the Insurance Regulatory Authority (IRA) in enforcing corporate governance regulations. These findings can be used by policymakers to strengthen the collaboration between the regulatory bodies to manage the Fintech ecosystem in an effective manner and the regulations in place to ensure that the Fintech companies are allowed to thrive while maintaining the trust and security in the public.

1.5.2 Fintech firms

This study may provide the Fintech firms and their management with the critical insights into how corporate governance regulations can improve their financial performance. Fintech firms are able to build stronger reputation, foster trust from consumers and reduce operational risks by complying with regulations such as data protection laws, anti-money laundering (AML) regulations and responsible lending guidelines, which are crucial for long term success in the

competitive Fintech environment. This study's findings may be used by Fintech managers as evidence based strategies to develop better internal governance structure and make better informed decisions regarding regulatory compliance. This study may also assist Fintech firms to navigate corporate governance regulatory frameworks to reduce the risks associated with non-compliance as a result of which they may incur costly legal and financial consequences.

1.5.3 Academia

The contribution of this study to the body of academic literature on corporate governance, regulatory frameworks and organizational performance in the case of Fintechs in emerging markets such as Kenya may be important. Most of the existing research has been on the corporate governance in traditional banking institutions or large corporations, but the Fintech sector has its own challenges and opportunities in terms of governance and regulation. This study contributes to academic literature by filling the gap in literature regarding the particular effect that corporate governance regulatory frameworks have on the financial performance of Fintech companies, and how regulations affect newer, technology driven industries. This study may serve as a foundation for future research on the evolving regulatory landscape of Fintechs in Kenya and beyond for researchers and scholars. The findings may help to inform the academic debate regarding the governance, regulation, and performance of modern financial technologies, providing new insights into the challenges of regulating such technologies.

1.6 Scope of the Study

The study sought to assess the effect of corporate governance regulatory framework on the performance of Fintechs in Kenya. The study analysed the effect of four dimensions of corporate governance regulatory framework; data protection regulations, anti-money laundering regulations, responsible lending regulations and consumer protection regulations on the

performance of Fintechs in Kenya. The measures of performance were operational efficiency, revenue growth and innovation. The study was conducted in all the Fintech firms in Nairobi which was selected due to its status as the financial and technological hub of Kenya. The target population was the key decision makers of the Fintech firms. These are the Compliance Officers or the legal advisors and Chief Financial Officers (CFOs) and the operations managers. These individuals are well-positioned to provide insights into the impact of corporate governance regulations on the operations and performance of Fintech companies. The study was conducted between May 2025 and June 2025. This timeframe was considered suitable for several reasons. First, it allowed access to key decision-makers in FinTech firms. Second, conducting the study within this window ensured timely data collection and analysis in line with the academic research calendar.

1.7 Assumptions of the Study

The study had several assumptions;

The study assumed that there was a consistent interpretation and enforcement of regulations across Fintech firms. This meant that the regulatory framework was understood and applied uniformly, allowing for a fair comparison of its impact on different firms within the industry.

It was also assumed that the respondents participating in the study provided honest, complete, and accurate information in their responses to the questionnaires. The reliability of the study's findings depends greatly on the integrity and clarity of the data collected from these individuals.

Lastly, the study assumed that regulatory measures had a measurable effect on the performance of Fintech firms. This implies that the influence of regulation could be identified and quantified through appropriate performance indicators.

1.8 Limitations of the Study

The study had several limitations. To start with, the respondents may have withheld information or provide socially desirable answers due to sensitivity around regulatory compliance or corporate governance. However, the researcher explained the purpose of the study and informed the respondents of the confidentiality of the information they provide. The findings of the study are limited to the generalizability of Fintechs to Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a comprehensive review of existing literature related to the study's focus on the effect of corporate governance regulatory frameworks on the performance of Fintechs in Kenya. The review aims to explore previous research on the various regulations impacting firm performance, with an emphasis on data protection, anti-money laundering (AML), lending, and consumer protection regulations. Additionally, the chapter highlights relevant theories and provides a conceptual framework for understanding the dynamics between regulatory frameworks and Fintech performance.

2.2 Theoretical Review

In this section, theoretical foundations that underpin this study are discussed. The research is guided by three key theories: Agency Theory, Resource-Based View (RBV), and Institutional Theory. These theories offer valuable insights into how corporate governance regulatory frameworks impact the performance of Fintechs in Kenya.

2.2.1 Agency theory

Michael C. Jensen and William H. Meckling developed agency theory in 1976 as a framework for principal (owners or shareholders) and agent (managers or executives) relationship. The theory posits that principals delegate authority to agents to run a firm on their behalf and conflicts of interest can arise because principals and agents have different goals and incentives. Principals try to maximize firm value and obtain a high return on investment, while agents may focus on their personal objectives, for example, job security or personal wealth, not necessarily

in the interest of shareholders. This misalignment leads to agency costs (monitoring costs that principals incur to oversee agents and bonding costs that agents incur to align their actions with principals' interests) (Panda & Leepsa, 2022).

The core of agency theory is that governance mechanisms like performance based incentives, regulatory framework and oversight can mitigate the conflicts of interest between the principals and the agents (Bonazzi & Islam, 2021). Agency costs are due to the fact that agents may behave in ways that are not in the best interest of the firm, and governance structures such as performance based compensation or regulatory compliance help align agents' interest with the firm, reducing the risks of noncompliance and mismanagement.

Agency theory is one of the strengths of the theory because it offers a clear way of understanding the conflicts of interest that arise when ownership and management are separated. It is particularly useful in explaining the role of corporate governance in mitigating agency costs and ensuring that managers act in the best interests of the shareholders (Shailer, 2023). It also highlights the importance of incentive structures, including performance based bonuses or stock options, in order to align the behavior of the managers with the goals of the principals. It is relevant to know how corporate governance regulations affect the performance of firms especially in Fintech sector.

Yet agency theory has its flaws. Its main criticism is that it over emphasizes conflict between principals and agents. In fact, agents may have the same interests as principals, and their interests may coalesce more than the agency theory predicts (Almashhadani, 2021). A second limitation is that it focuses entirely on financial incentives and performance, and not on ethical behavior, organizational culture or social responsibility. Furthermore, the theory does not pay

enough attention to other important stakeholders such as customers, suppliers, and regulatory bodies that may also affect firm performance (Dong et al., 2021).

Agency theory can be used in the context of assessing the effect of corporate governance regulations on the performance of Fintech firms in Kenya on the relationship between shareholders and executives. Just like any other organization, the agency costs of fintech firms are related to the conflict between owners and managers. Effective corporate governance mechanisms like following data protection regulations, anti-money laundering laws and consumer protection frameworks (Panda & Leepsa, 2022) can reduce these costs. Agency theory also gives us an understanding of how regulatory compliance serves as a monitoring mechanism to make sure that managers act on behalf of the shareholders and reduce risks associated with reputational damage or legal penalties.

2.2.2 Resource-Based View (RBV)

In the early 1990s, Jay Barney developed the Resource Based View (RBV) to understand how firms can sustain competitive advantage by controlling resources and capabilities (Barney, 1991). RBV at its core states that the unique combination of resources that a firm may have, whether tangible, such as physical assets and financial capital or intangible, such as intellectual property, brand reputation, and regulatory compliance mechanisms, can be a source of competitive advantage (Lubis, 2022). RBV states that not all resources are equal to a firm's success. In order for a resource to be considered strategically significant, it must have certain characteristics; it must be valuable, rare, inimitable and non-substitutable (also known as VRIN). These attributes guarantee that a firm's resources are not easily replicated by competitors and therefore it will have a competitive edge in the marketplace over time. Organizational capabilities, which are the firm's ability to use its resources effectively, are also a focal point of

RBV. These capabilities include everything from the capacity to innovate to the capacity to maintain high standards of regulatory compliance and can contribute to a firm's performance and help it maintain its competitive advantage (Assensoh-Kodua, 2019).

One of the fundamental assumptions of RBV is that firms differ in terms of their resources and thus, each firm has a distinct set of assets and capabilities. A firm's ability to achieve superior performance is central to the role this resource heterogeneity plays. Additionally, the theory posits that some resources are not imitable perfectly, as it is not possible to imitate resources under historical conditions, organizational culture, or social complexity (Lubis, 2022). The theory also presumes that resources are immobile, that is, some resources, especially those that are embedded in the firm's operations, are difficult to transfer from one firm or market to another. Finally, RBV states that firms have to strategically manage their resources to sustain competitive advantage over time (Bromiley & Rau, 2016).

RBV is one of the strengths of RBV because it focuses on internal resources as the source of competitive advantage, that is, firms can outperform competitors not only through market positioning but also through leveraging unique and often intangible assets (Barney & Mackey, 2016). This is especially useful for Fintech firms, where technological innovation, brand trust and regulatory compliance are often the primary factors in success. With the use of these resources, firms can position themselves in the marketplace and increase their long term sustainability. Secondly, RBV has a long term view, and thus, firms are encouraged to think beyond the short term financial gains to invest in and protect resources that generate long term value. The theory is also flexible enough to be used in other sectors such as Fintech where being able to adapt to regulation while providing innovative services is key to survival (Lubis, 2022).

RBV however, has several weaknesses as well. Another major limitation is its inability to identify which resources are truly valuable, rare, or inimitable, particularly in Fintech industry where technological developments and regulatory environment change rapidly (Kraaijenbrink et al., 2010). However, the application of the VRIN framework in practice can be rather challenging, especially when trying to figure out whether a resource has long term competitive value or is only a temporary advantage. However, RBV tends to overemphasize the internal resources and capabilities, and it ignores the importance of external factors, for example, market competition, changes in consumer behaviour, or technological disruptions (Bertram, 2016). In the Fintech industry, for example, this can be particularly relevant due to the fact that external factors such as changes in financial regulations or technological advancements can drastically change a firm's competitive position. Additionally, RBV's emphasis on the stability of resources might not fully capture the fluidity of industries such as Fintech, with resources like technology and customer preferences being constantly changing. In the context of the Fintech industry in Kenya, RBV can provide insights into how corporate governance regulations can be used as key resources for enhancing firm performance.

2.2.3 Institutional theory

Philip Selznick and John Meyer developed institutional theory of how organizations are influenced by the formal and informal rules, norms and structures in their environment (Hinings & Greenwood, 2015). It underscores the fact that organizations respond to these external pressures in order to achieve legitimacy, to gain resources, and to improve survival chances. The theory asserts that organizations are embedded in a broader institutional context that includes laws, regulations, societal norms and industry specific practices. Moreover, it introduces the idea of isomorphism, in which organizations in a given field become more similar over time as a

result of similar external pressures, namely coercive (legal regulations), normative (industry norms) or mimetic (imitating successful firms) (Hinings & Meyer, 2018).

Peters (2011) assumes that organizations are not merely profit maximization but rather need for legitimacy within their environment. It also suggests that change is usually induced by external institutional pressures rather than internal innovation. A strength of institutional theory is its ability to explain conformity of organizations to external pressures and norms (Lawrence & Shadnam, 2008). This is especially true for businesses in Fintech, where companies are operating in a highly regulated environment and need to navigate through maze of laws and regulations. This theory gives us a framework to understand how institutional legitimacy (the perception that an organization is acting in accordance with the rules and expectations of its environment) is as important as financial or operational performance. In addition, institutional theory focuses on the stability and order of organizational fields, suggesting that organizations can maintain their legitimacy and ensure long-term survival by following the institutional norms (Amenta & Ramsey, 2010).

However, institutional theory has its limitations. The main criticism is that it focuses too much on conformity and stability at the cost of organizational change and innovation. Organizations adopt structures and behaviors to align with external pressures, which may sometimes constrain their capacity to innovate or adapt to dynamic market conditions (Willmott, 2015). In industries like Fintech, where innovation is a key driver of success, this focus on conformity can overlook the importance of firms to differentiate themselves and challenge institutional norms.

2.3 Empirical Literature

2.3.1 *Firm performance*

Sukhinina and Koroleva (2020) analyzed the determinants of the FinTech performance based on the resource based view (RBV) of entrepreneurship, in the high tech companies of the financial sector. Cross sectional regression models are used to evaluate the performance of 100 FinTech companies in Russia based on key metrics such as year on year growth in revenue, assets and return on assets (ROA) between 2016 and 2018. The study's key findings include that FinTechs with "Skolkovo" status, a famous innovation hub in Russia, outclass their counterparts. Furthermore, the study reveals that FinTechs in Moscow grow assets less than FinTechs elsewhere, a sign of regional factors affecting the accumulation of assets. The research also suggests that FinTechs that are financed by their own means are more successful than the ones that depend on external financing. Additionally, the study shows that a lower current liquidity ratio is related to better performance and perhaps indicates that these firms are better able to manage liquidity or use resources more efficiently. The other important finding is that timely and prompt repayment of debt has a positive impact on performance, consistent with the idea that good financial management practices, e.g., timely and prompt payment of debt, are important for the performance of FinTech firms.

In his study, AlBaker (2024), looks into the effect of a number of important variables (i.e size, equity, labor, loans, deposits) on the financial performance of financial technology (FinTech) firms by taking into consideration return on assets (ROA), return on equity (ROE). I used the data on FinTech performance sourced from Refinitiv Eikon and the sample of 148 FinTech firms in 10 Organisation for Economic Co-operation and Development (OECD) countries from 2000 to 2022. It was found that the size of the FinTech firm was inversely

associated with its financial performance. Besides, this study has also revealed that the performance of FinTech firms over the studied periods is positively linked to the assets. The role of loans was also studied and it was found that there is a positive relation between loans and the financial performance of the FinTechs. Therefore, these firms may benefit from the debt or external financing in the form of loans for leveraging it and using it for expansion or investment in critical areas such as technology, marketing, and customer acquisition.

According to Ndudi and Kifordu (2024) in the context of fast growth of Nigeria's FinTech sector, they investigated the effect of some organizational elements like structure and resources on creative output of firms and firms performance. The survey research design involved the administration of a structured questionnaire to a sample of 375 employees of the seven biggest FinTech companies in Nigeria, that is a minority of the workforce of 15,008 employees. The findings of the study showed a mixed result between the relationship between organizational structure and the firm performance. However, there was a positive relationship between organizational structure and performance but this was not statistically significant. On the other hand, organizational resources had a strong, positive and statistically significant relationship with company performance.

According to Jeruto (2024), the strategic leadership practices have impact on the performance of FinTech firms established in Nairobi City County, Kenya. The research was conducted using a predictive research design, and the target population were senior and middle level managers in 22 FinTech companies in Nairobi. It was found that all the four strategic leadership practices (strategic direction, balanced controls, organizational culture and the firm's resources) significantly and positively affected the organizational performance.

Effective impact of big data analytics on the performance of fintech firms in Nairobi, Kenya was investigated by Ogutu (2024) considering its influence of different components of big data analytics and regulatory policies on financial performance. The study has key findings that the dynamic nature of big data analytics plays a significant role in the financial performance of fintech firms in Nairobi. More specifically, big data characteristics had a significant effect on financial performance, which suggests that firms that are using various and high quality data sets tend to generate better financial performance. Like these, big data components and big data technologies were also found to greatly boost the financial performance of these firms. The study also showed that regulatory policies are very important in determining the performance of fintech firms and it has a major influence in their success in a competitive environment. Ogutu (2024) focuses primarily on the impact of big data analytics and its role in improving the financial performance of FinTech firms. While this is a crucial aspect of FinTech performance, it does not deeply examine the full range of regulatory frameworks.

In Ghana Zubairu et al.(2025) investigated the role of financial technology (FinTech) in promoting financial inclusion through a comparative analysis of strategies, impacts, and challenges. The study utilized both qualitative and quantitative data from a broad demographic to assess the extent of FinTech adoption and its contribution to improving access to financial services. It found that FinTech significantly enhances financial accessibility and economic empowerment but also highlighted persistent challenges such as inadequate digital infrastructure, limited financial literacy, and regulatory constraints. While the study offered practical recommendations such as increasing digital literacy, improving infrastructure, and strengthening regulatory frameworks it revealed several notable gaps. First, the study lacked a clear theoretical framework, limiting its analytical depth. Second, it treated FinTech as a single category without

differentiating between specific technologies like mobile lending or digital payments. Third, although it referenced comparative insights from other countries, it did not specify which countries or how the comparisons were conducted. Thus the findings could be generalised to Kenya.

Bushakebwiman (2024) conducted a study to explore how fintech is influencing financial inclusion in rural Rwanda, with a focus on the Nkombo Sector. The study specifically aimed to evaluate the effectiveness of fintech services available in the area and to assess how these services are contributing to improved financial accessibility. Using a sample of 100 individuals drawn from a population of 18,637, data was gathered through questionnaires and document analysis. The results revealed mixed experiences with fintech platforms. While mobile money (Momo) services were widely praised by users for being faster and more convenient than traditional banking options, e-banking services were flagged as problematic due to frequent technical failures that disrupted transactions. This suggests that while fintech is helping bridge financial gaps, reliability issues still pose a concern for users in rural areas. Despite the study's useful insights, several research gaps are evident. First, the sample size is relatively small and may not fully represent the diversity of fintech experiences in the wider Nkombo Sector or in other rural regions of Rwanda. Second, the study focuses narrowly on user perceptions without deeply analyzing the structural or infrastructural challenges behind technical failures. Third, it does not investigate broader factors influencing fintech adoption, such as digital literacy, regulatory support, or financial habits. Finally, the study lacks a theoretical framework that could guide a deeper understanding of how and why certain fintech tools succeed or fail in rural contexts. Future research could benefit from a larger sample, a more comprehensive evaluation of adoption drivers, and a stronger analytical lens grounded in theory. While Bushakebwiman

(2024) offers valuable insights into the role of FinTech in advancing financial inclusion in rural Rwanda, the study primarily emphasizes user-level experiences without exploring the institutional or regulatory environment shaping FinTech operations. This presents a key gap when compared to Kenya's more dynamic and complex FinTech ecosystem, where regulatory oversight plays a critical role in shaping firm performance and innovation.

2.3.2 Data protection regulations and firm performance

Bu et al. (2022) in their study, "GDPR and its effect on firm performance", studied the effects of the European Union's General Data Protection Regulation (GDPR) on company profits and sales. The study used quantitative methods to analyze the financial performance data of firms before and after GDPR implementation and found that firms experienced average 8% loss in profits and 2% loss in sales, with especially small and medium enterprises (SMEs) affected. This result illustrates the heavy financial burden regulatory compliance can put on firms particularly those who may be resource constrained. Yet, because large technology firms had already built their compliance infrastructure, they were less impacted, suggesting that size of the organization is of critical importance in overcoming regulatory hurdles. The study primarily focuses on the European Union context, which has a different regulatory and market environment from Kenya or other emerging economies. This makes it less directly relevant to FinTechs in developing economies like Kenya.

Farhad (2024) used mixed methods research (MMR) to explore how the business models of technology companies are affected by consumer data protection laws. Moreover, the study considers some of the prominent global data protection laws including the General Data Protection Regulation (GDPR), the California Consumer Privacy Act (CCPA), and the Personal Data Protection Act (PDPA) from Singapore and the Protection of Personal Information Act

(POPIA) from South Africa. It is found that data protection regulation poses both compliance hurdles and strategic opportunities for innovation and competition differentiation. By combining analysis of quantitative and qualitative data, this allows for the integrated analysis of how tech companies manage the balance between legal compliance and business model innovation. The Kenyan context is not considered in Farhad's study. Kenya has distinct challenges in the FinTech sector, including regulatory enforcement and technological infrastructure, which should be considered in any study examining data protection's impact on FinTechs.

Dumanska et al. (2022) demonstrates the effect of personal data protection policies on the development of IT companies, with an emphasis on the impact of data protection on the usage of intangible assets and on financial performance. To study the influence of macro environment factors on profitability, the study uses a range of methods such as comparative analysis, horizontal analysis of company performance, correlation and regression analysis, graphical analysis and expert surveys. They find that the higher the level of personal data protection, the greater is the impact on the financial performance of IT companies and the higher their development. The study also points to the fact that the lack of development of personal data protection systems in Ukrainian companies is related to the country's regulatory framework in the area of creation and registration of personal databases. The study does not explore the operational efficiency or regulatory challenges specific to the FinTech sector. It also doesn't take into account regional variations (e.g., in Africa or Kenya) where different regulations or market dynamics may apply.

Frey and Presidente, (2024) studied the impact of the European Union's General Data Protection Regulation (GDPR) on firm performance in 61 countries and 34 industries, with a focus on firms that are targeting the European consumers. The study exploits the timing and

spatial extent of the GDPR by comparing the performance of firms subject to the regulation pre and post its enforcement in 2018. Results show that data protection enhancements resulted in an unintended reduction in financial performance for companies doing business in the European markets. Firms exposed to the GDPR, on average, lost 8% of their profits and 2% of their sales. But the regulation failed to hurt large technology companies much. On the contrary, small technology companies were much more affected, with their profit reduction almost double the average effect observed throughout the full sample. Finally, the paper concludes that the overall impact of the GDPR on firm performance was notably negative, and that it was particularly negative for smaller companies. Robustness tests and placebo regressions support the conclusion that the GDPR harms business performance. The study's focus is predominantly on firms targeting European consumers, which limits its relevance to Kenya's FinTech firms. Moreover, it doesn't differentiate between industries or sectors, which makes it less useful for understanding the specific dynamics of the FinTech sector.

In his work, Omondi (2023) examined the impact that data protection regulations have on the competitiveness of healthcare facilities in Nairobi. The research used a descriptive research design and it surveyed 399 employees from three level five health facilities and three private healthcare facilities in Nairobi. Structured questionnaires and Google Forms were used to collect data, and it was analyzed using descriptive metrics, correlation and regression analysis. The study also discovered that the higher the competitiveness of the healthcare facilities, the faster the adoption of data protection regulations, and, on the other hand, that the higher the cost of compliance, the slower the adoption rate. There was also a positive correlation in the implementation of PrivacyByDesign principles. Results from the findings indicate that

data protection policies could be improved to increase competitiveness of healthcare facilities in Nairobi.

In Nairobi County, Kenya, Murigi (2017) investigated the role played by information technology security practices on Small and Medium Enterprises (SMEs) performance. A descriptive research design was used in the research and 1,221 owners or general managers of SMEs in the hotel sector in Nairobi were targeted. The study findings reveal that IT security practices such as privacy and confidentiality policies, backup policies and guidelines of sharing, storing and transferring data significantly affect SME performance in Kenya. The communication channels, security training and the frequency of such training are also important in influencing performance. The study identified passwords as the most commonly used access control method among the security measures, and then smart cards and biometric access controls.

2.3.3 Anti-Money laundering regulations and firm performance

In Abdi and Soroushyar, (2025) they studied the effect of anti money laundering (AML) regulations on accrual earnings management (AEM) and real earnings management (REM) in Iran's emerging capital market. The study employs a panel data regression approach using 2020 data points from 202 companies listed on the Tehran Stock Exchange (TSE) over the period of ten years, from 2012 to 2021. The data is extracted from annual financial statements and TSE database while the sample consists of both financial and non financial companies. The results suggest that AEM and REM are reduced when AML regulations are complied with. More specifically; the higher the money laundering incidents in a company, the higher the earnings management for companies, consistent with agency theory. The findings indicate that AML regulations are very effective in reducing manipulation of earnings and improving financial reporting transparency and accuracy, both in the market. The focus on financial markets is

different from understanding how AML regulations influence the operational efficiency or innovation of FinTech firms in Kenya.

Idowu and Obasan, (2022), reviewed the role of anti money laundering (AML) policies in the Nigerian banking sector and performance of the banks. The study was carried out using three banks in Lagos State and Southwestern Nigeria. The findings of the correlation analysis indicated a strong positive correlation among the adoption of effective anti money laundering policies and bank performance. The result of the coefficient of determination showed that AML policies has an impact to financial success of the banking sector. The results suggest that banks do not have to engage in illicit financial activities in order to achieve meaningful performance. The study also points out that money laundering has a negative impact on the economy as a whole in terms of loss of government revenue, increased crime rates, and threats to political stability and national security. The study is specific to banks in Nigeria, whereas the current study targets FinTech companies in Kenya. Future research could address AML regulations within the Kenyan FinTech space, particularly their effect on innovation and financial performance.

In their study, Issah et al. (2022) conducted an econometrics of the relation between the anti-money laundering (AML) regulations and banking sector stability in Africa. The data used in the analysis was from 51 African countries between 2012 and 2019. The data was sourced from reputable institutions such as the World Bank, IMF, Basel Institute on Governance, and so on. The study used the two staged Generalized Method of Moments (GMM) to analyze the data so as to examine the overall effect of AML regulations on the banking sector stability and the impact of various levels of AML effectiveness. The study findings indicate that AML regulations have a large positive impact on stability of banking sector in African countries. The results show

that whether the AML regulations are effective or not (high or low), the existence of such regulations has a positive effect on the stability of the banking sector. While this study is geographically relevant, it deals with banking stability rather than the broader FinTech sector.

Nicknora (2024) examined the relationship between Anti Money Laundering Compliance with an emphasis on Customer Due Diligence (CDD), and financial performance of some Commercial Banks in South Sudan. It is a mixed methods research with a sample of 105 participants from four commercial banks. It shows that there is a strong positive correlation between customer due diligence and financial performance. However, the study also shows a relatively weak positive relationship, leaving much room for improvement in AML compliance practices. Similar to other studies, this research focuses on banks and not FinTech companies, which have distinct business operations, services, and regulatory frameworks.

In their study, Maweu et al. (2024) examined the anti-money laundering (AML) practices as a means to curb financial crime among commercial banks in Kenya. A descriptive design was adopted, the sample used was 39 commercial banks in Kenya, and the unit of analysis was 117 bank managers. A close ended questionnaire was used to gather primary data and a pretest done on managers from three Micro Finance Banks in Nairobi to make sure the instrument is reliable. The study found that 33.1% of the variations in financial crime prevention in these banks can be attributed to anti money laundering practices, which has a statistically significant influence. The research doesn't explore how AML regulations impact FinTech firms specifically or how they influence performance metrics like innovation, operational efficiency, and revenue growth.

2.3.4 Lending regulations and firm performance

In the case of regulatory sandboxes, Goo and Heo (2020) examine the role that they play in enabling fintech venture growth, specifically as they relate to venture investments. A

comparative country level research method is employed in the research to analyse nine countries that have adopted regulatory sandboxes. Validation is done using comparative analysis and regression analysis to provide both qualitative and quantitative insights. The results show that regulatory sandboxes have a positive effect on the growth of fintech venture investments. Regulatory sandboxes reduce regulatory uncertainty, and as a result, financial technology brings more venture capital into the fintech ecosystem. The research also indicates that regulatory sandboxes are key in building a fintech ecosystem by luring investments. The study does not explore Kenya's regulatory sandbox (introduced by the Central Bank of Kenya) or how it impacts FinTech performance once these firms move beyond the startup phase. It also does not consider other critical regulations like lending regulations.

Nguyen et al. (2022) examine how fintech credit affects traditional bank performance and how bank regulations moderate the relationship between fintech credit and traditional bank performance. The research based on data from 73 countries between 2013 and 2018 examines how fintech lending interacts with the traditional banking, and what the impact is on both profitability and stability, and how the strict regulation shapes this dynamics. An aggregate dataset of 73 countries, from 2013 to 2018, is used as the study. It is found that fintech credit crowds out banks, as fintech firms compete directly with banks and steal market share. Yet fintech credit also enhances bank risk related performance and thus fintech growth leads to more bank stability. The results indicated that stricter bank regulations have a positive impact on bank stability, which in turn indicates that banks under better regulation are less prone to financial instability. The study also shows that the effect of fintech credit on bank performance depends on the level of bank regulation. More specifically, tighter banking regulations enabled fintech credit

to have more positive effect on bank stability. The study does not look at the direct regulatory impact on FinTechs in Kenya, where digital lenders and mobile money providers operate.

In a research work, Obote (2023) examined the impact of prudential regulations of the Central Bank of Kenya (CBK) on financial performance of digital credit providers in Nairobi City County. The study used descriptive research design and the target population was all the 20 digital credit providers licensed by Central Bank of Kenya in Nairobi City County. The small number of licensed providers required a census sampling technique. It was based on secondary data, focusing on the quantitative data obtained through a secondary data collection template. The study revealed that there is a positive and significant relationship between the CBK's pricing parameter regulation and the financial performance of digital credit providers measured by Return on Equity (ROE). In particular, the pricing parameter regulation was highly correlated with better financial performance. Also, the financial performance of the firm was positively associated with the pricing principle regulation and the credit information regulation. While this study is Kenya-specific and focuses on digital credit providers, it may not fully address the broader scope of FinTech firms beyond credit providers, or look into the influence of other regulations like data protection, consumer protection, or AML regulation.

Ndungo et al. (2019) looked at the effects of credit reference bureau (CRB) functions on the financial performance of SACCOs in Kenya. On the descriptive research design, this study used both primary data (collected via structured questionnaire) and secondary data in analyzing data from 135 SACCOs registered as at 2014. It is found that CRB functions such as moral hazard and risk assessment have a positive impact on financial performance of SACCOs. SACCOs operate under different regulations compared to FinTechs. While credit information

sharing is important, FinTechs typically use other tools like mobile money services and digital lending platforms, which have distinct regulatory challenges.

Njeru (2021), focused on CRB functions on the loan performance of commercial banks in Kenya. The study is based on a causal research design that is appropriate to understand cause and effect relations between CRB functions (credit info sharing, risk assessment) and loan performance. A census sampling design is used because it involves all the 40 commercial banks operating in Kenya and gives a complete picture of the banking sector. Both primary and secondary data are used for the study through questionnaires and data review guides, which enhances the validity of the findings. First, primary data enables the researcher to collect insights from stakeholders, while second, secondary data offers a larger picture. It found that credit information sharing, credit scoring and risk assessment have a positive and significant relationship with loan performance. This information is useful to understand which CRB functions have the most impact on improving loan performance. The study also determined that the positive but insignificant effect of collateral information sharing is an interesting finding in terms of what type of CRB functions may not prove to be as impactful. While Njeru examines loan performance, it doesn't consider the broader impact of regulatory frameworks such as data protection, AML, or consumer protection regulations on FinTech firms' operational efficiency, revenue growth, or innovation. The current study can fill the gap by exploring the interaction of multiple regulations on the performance of FinTechs in Kenya, especially given the rise of digital lenders and mobile money service.

2.3.5 Consumer protection regulations and firm performance

Patel et al. (2023) investigate the effect of the California Consumer Privacy Act (2018 California Act) on firm valuation. The focus of the study is on the impact that this important piece of

consumer privacy legislation has on stock market reactions and firm performance. The study also finds that the passage of CCPA did not cause a significant reaction in the stock market in the sample of companies that are the subject of retail firms. In the short term, therefore, the market did not see the law as a major factor in the firms' near term financial prospects. Cumulative abnormal returns (CARs) and Buy-and-Hold Abnormal Returns (BHARs) are positive for firms with more intangibility or more complex and intangibility. This implies that these firms may derive more value from consumer privacy laws as they may be more in line with the expanding attention to data privacy. The enforcement of CCPA on January 1, 2020 did not change user behavior such as traffic from desktops or mobiles or bounce rate. Such a scenario indicates that the enforcement of the law did not have an effect on the way that consumers interacted with the firms online immediately or perceptibly. The study is focused on firms operating under the CCPA (a U.S. law) and addresses privacy regulations that are specific to a different legal environment and jurisdiction.

Muravardhana (2021) assessed the effect of consumer protection regulations on financial institutions. The data used in this study are secondary sources. Under the findings, the regulations of consumer protection help in establishing trust in financial institutions and their reputation as it ensures that financial institutions are fair and transparent, and thus, create more loyal customers and a stronger market presence. It is costly to follow the consumer protection regulations: legal fees, system upgrades, staff training. For smaller institutions, these costs can affect profitability and operational efficiency. Consumer protection regulations compliance reduces legal and reputational risk and helps the organization stay stable institutionally and reduce the likelihood of financial penalties or legal disputes. Financial institutions are encouraged by regulations to develop consumer centric products and services that meet the

regulatory standards for innovation and competitive advantage in the market. These regulations offer transparency and give consumers possible means for redress, empowering consumers and ensuring a fairer financial environment. This study does not specifically explore FinTechs, which often deal with different regulatory requirements than traditional financial institutions.

Gaganis et al. (2020) examined examines the impact of policies like customer disclosures, fair treatment, dispute resolution, and the power of supervisory agencies using a sample of 2,413 banks from 79 countries. The results indicate that stricter financial consumer protection regulations lead to lower bank profit efficiency. This implies that higher regulatory requirements may entail operational costs, complicate the processes and in turn limit banks' ability to operate efficiently. The study is focused on banks, which are heavily regulated financial institutions. This doesn't directly address the regulatory dynamics faced by FinTechs, which may have different operational models, regulatory challenges, and compliance obligations.

In a different context, Ndungo et al. (2020) assessed the credit reference bureaus (CRBs) and other consumer protection functions on SACCO (Savings and Credit Cooperative Organizations) performance in Kenya, the focus is on the financial performance of SACCOs. It aimed to find out whether the presence of these protective functions have a positive impact on the financial outcome of SACCOs. It employed a descriptive research design and the population of 181 registered deposit taking SACCOs in Kenya as at December 31, 2014. The SACCOs were grouped into five strata based on the type of institution, which include government based, teacher based, farmer based, private institution based and community based SACCOs. As it turned out, the relationship between the financial performance of SACCOs and the consumer protection functions was found to be significant and positive. The authors identify that the existence of credit reference bureaus (CRBs) helped explain this positive relationship. The study also showed

that CRBs have helped in protecting consumers by making lending practices more transparent and fair. Findings showed that the CRBs helped in supporting the rights of consumer by eliminating monopolistic practices or adoption of a fairer credit system. In addition, CRBs helped in the reduction of a bad repayment culture by imposing better credit behaviors on the borrowers. This research focuses on SACCOs, which have distinct operations compared to FinTech firms, especially in terms of digital credit, mobile banking, and peer-to-peer lending.

Muraru and Mwanzia (2023) analyze the way in which the Consumer Federation of Kenya (COFEK) complaints handling affects effective consumer protection in commercial banks. Concerns over the absence of sufficient consumer protection legislation in many jurisdictions is what drove the research, as it negatively impacts consumer confidence and can result in such things as excessive charges and insider exploitation in financial institutions. The study used descriptive research design which was based on 87 COFEK employees from a census sampling because the group is manageable in size. All respondents confirmed that COFEK has taken its responsibility in dispute handling and collaborating with commercial banks. Additionally, the study shows that COFEK's work resulted in closer coordination between the messages banks disseminated about the products and the consumers' expectations. The study further demonstrated that complaints handling by COFEK has a statistically significant effect on consumer protection. The research was based on the fact that COFEK was able to monitor and resolve consumer complaints, which contributed to an improvement in the service quality in commercial banks. There is no consideration of how consumer protection mechanisms affect FinTech firms in Kenya. For example, mobile money platforms or digital lending platforms may face distinct challenges that are not addressed in this study.

The reviewed literature explores how various regulations and organizational factors impact the performance of FinTech firms, mainly across Africa and selected global regions. Most studies agree that elements like internal financing, strategic leadership, and big data analytics improve FinTech outcomes. Regulations, whether on lending, AML, or data protection, can either boost or hurt performance depending on the firm size, compliance ability, and regulatory context. Kenyan-specific studies like those by Obote (2023) and Jeruto (2024) show positive links between regulations and performance but are narrow in focus, mostly on digital lenders or specific leadership traits. Other studies, like those on GDPR or CCPA, offer useful insights but are set in very different regulatory environments. There's also agreement that consumer protection mechanisms like credit bureaus and complaint handling enhance financial fairness and trust, though most of this research focuses on banks or SACCOs, not FinTechs.

A key limitation across much of the literature is the lack of FinTech-specific analysis, particularly within Kenya. Many studies use general financial institutions or banks as proxies, which misses the unique features of FinTechs, like their tech-driven models and reliance on digital platforms. Few studies examine how multiple regulations interact or how compliance affects innovation and customer experience. Also, several works lack strong theoretical grounding, which limits the analytical depth. There's a heavy reliance on traditional performance metrics like ROA and ROE, with little attention to operational efficiency, agility, or digital growth, factors crucial in the FinTech space. The study fills this gap by directly investigating how Kenya's regulatory environment shapes the performance of its diverse FinTech firm.

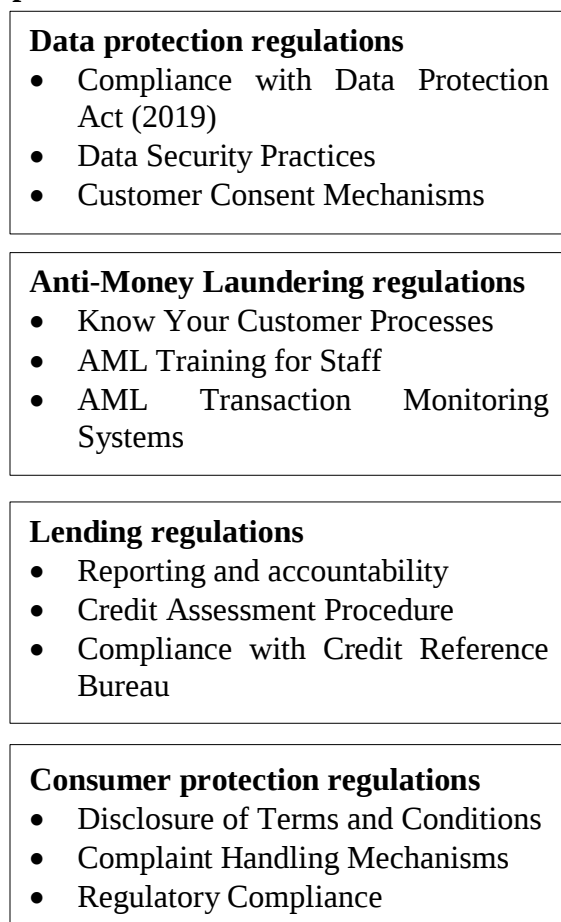
2.4 Conceptual Framework

This conceptual framework offers a structured way to investigate how specific regulatory frameworks impact the performance of Fintechs, guiding the analysis and helping to clarify the

relationships between the regulatory variables and the dependent performance outcomes in the of the Fintech firms in Kenya. The corporate governance regulatory framework serves as the independent variable, with four specific regulatory aspects that are believed to have significant impacts on Fintech performance in Kenya. These are data protection regulations, Anti-Money Laundering regulations, Lending regulations and Consumer protection regulations while the performance of Fintechs is the dependent variable.

Figure 1
Conceptual framework

Independent Variables



Dependent Variable



2.5 Operationalization of Study Variables

Table 1
Operationalization of Study Variables

Variable Type	Definition	Indicators	Measures	Type of data analysis
Independent Data protection regulations	The legal framework and policies that govern how personal, sensitive, and financial data should be collected, stored, processed, and shared by businesses, including fintech companies.	• Compliance with Data Protection Act (2019) • Data Security Practices • Customer Consent Mechanisms	5-point Likert scale	• Descriptive statistics • Regression analysis
Independent Anti-Money Laundering regulations	Are a set of laws, procedures, and practices aimed at preventing and detecting activities related to money laundering	• Know Your Customer Processes • AML Training for Staff • AML Transaction Monitoring Systems	5-point Likert scale	• Descriptive statistics • Regression analysis
Independent Lending regulations	The specific legal and regulatory guidelines governing the lending practices of fintech companies. Are the legal frameworks designed to protect the rights of consumers in the marketplace, ensuring that they are treated fairly and ethically.	• Transparency • Credit Assessment Procedure • Compliance with Credit Reference Bureau	5-point Likert scale	• Descriptive statistics • Regression analysis
Independent Consumer protection regulations	The legal frameworks designed to protect the rights of consumers in the marketplace, ensuring that they are treated fairly and ethically.	• Disclosure of Terms and Conditions • Complaint Handling Mechanisms • Adherence to guideline	5-point likert scale	• Descriptive statistics • Regression analysis
Dependent Performance of Fintechs	The effectiveness and success of a company in achieving its business objectives.	• Operational efficiency • Revenue growth • Innovation	5-point Likert scale	• Descriptive statistics • Regression analysis

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology that was used to conduct the study on the effect of the corporate governance regulatory framework on the performance of Fintechs in Kenya. It includes the research design, target population, research instruments, validity and reliability of the instruments, data collection procedures, data processing and analysis, and ethical considerations. The methodology ensured that the study produces reliable, valid, and ethically sound results.

3.2 Research Design

The study adopted a descriptive research design. Descriptive research is commonly used in social sciences and business studies to gather information about the characteristics of a population or phenomenon. It involves observing, analyzing, and describing the present state of affairs without manipulating or controlling any variables (Bloomfield & Fisher, 2019). This design is suitable for assessing and describing the effect of corporate governance regulatory frameworks on the performance of fintech companies in Kenya. Descriptive research helped to establish relationships between the regulatory framework (including data protection, anti-money laundering, lending regulations, and consumer protection) and the performance of Fintechs. The research used a quantitative approach to collect numerical data, which was analyzed to identify patterns and relationships between the regulatory variables and the performance of Fintechs.

3.3 Target Population

The target population for this study consists of the key decision-makers in the Fintech companies as they are most knowledgeable about corporate governance regulations and the

company's performance. The study focused on three key purposively selected respondents from each Fintech company. These are the Compliance Officers or the legal advisors and Chief Financial Officers (CFOs) and the operations managers. These individuals are well-positioned to provide insights into the impact of corporate governance regulations on the operations and performance of Fintech companies. The study thus comprised of a target population of 269.

Table 2
Target Population

Category	Population	Proportion
Compliance Officers	73	27.1
Chief Financial Officers	102	37.9
Operations managers	94	34.9
Total	269	100

3.4 Sample Design and Technique

The Yamane formula is used to determine the sample size needed for a survey or study, ensuring that it is representative of the population being studied (Yamane, 1967). This formula is particularly useful when the population size is known, and researchers want to achieve a desired level of precision in their results (Chaokromthong & Sintao, 2021). To determine an appropriate sample size for the study, the Yamane formula was used.

$$n = \frac{N}{1 + Ne^2}$$

Whereby n is the sample size,

N= the study population, and

e= the margin error of the calculation.

$$n = \frac{269}{1 + 269(0.05)^2}$$

$$n = \frac{269}{1 + 0.6725}$$

$$n = \frac{269}{1.6725}$$

$$n = 161$$

The study had a samples size of 161.

Stratified proportional random sampling was used to select the participants. This was an excellent choice because it ensured that each of the three categories of respondents is proportionally represented in the sample of 161 respondents. The sample distribution was as presented in Table 3.

Table 3
Sample Distribution

Category	Population	Proportion	Sample
Compliance Officers	73	27.1	44
Chief Financial Officers	102	37.9	61
Operations managers	94	34.9	56
Total	269	100	161

3.5 Research Instruments

The study used a structured questionnaire with closed-ended Likert scale questions. The Likert scale ranged from 1 (Strongly Disagree) to 5 (Strongly Agree) to assess respondents' agreement with various statements regarding the effect of corporate governance regulations on fintech performance. The questionnaire was designed into six sections. Section I on the demographic data section II on Data Protection Regulations, section III on Anti-Money Laundering Regulations, section IV on Lending Regulations, section V on Consumer Protection Regulations and section VI on firm performance.

3.6 Validity and Reliability of Research Instrument

The researcher conducted a plot study prior to the main study. The primary goal of the pilot study was to test the reliability, validity, and clarity of the questionnaire before it is distributed to the full sample for the main study. This helped identify any issues with the questions, response

options, and overall structure of the survey. The pilot study involved 16 respondents (10% of sample). The 16 respondents comprised of the general employees within the Fintech firms. These employees come from various departments or levels within the firms but were not involved in the main study. While the main study targets senior decision-makers, the junior staff were engaged due to their availability and willingness to participate within the study's limited timeframe. Although not ideal, this approach still offered valuable insights into the structure, language, and general flow of the questionnaire.

3.6.1 Validity of the research instrument

The validity of the research instrument refers to the extent to which the questionnaire measures what it is intended to measure (Mohamad et al., 2018). The instrument was validated using the content validity approach. This involved seeking feedback from experts in the fields of corporate governance, regulatory compliance, and Fintech operations to ensure that the questionnaire adequately addressed the study's objectives and covers all relevant aspects of the corporate governance regulatory framework.

Additionally, a pilot test was conducted with a small sample of junior employees from the Fintech companies that are not part of the target population to further refine the questionnaire. Based on feedback from the pilot study, necessary adjustments were made to enhance the validity of the instrument.

3.6.2 Reliability of the research instrument

Reliability refers to the consistency of the research instrument in measuring what it is intended to measure (Mohamad et al., 2018). The reliability of the questionnaire was assessed using the Cronbach's alpha coefficient, which tests the internal consistency of the instrument. A coefficient

of 0.7 or above was considered acceptable for reliability. If necessary, adjustments were made to the instrument to improve its reliability.

3.7 Data Collection

The structured questionnaire was designed, validated through expert feedback and pilot testing, and finalized for distribution. The study sought approval from the National Commission for Science, Technology, and Innovation (NACOSTI) before data collection begins. This is to ensure compliance with ethical and regulatory standards for research in Kenya. The finalized questionnaire was distributed to the three key respondents (compliance officers, CFOs and operations managers) within the 102 Fintech companies. In case, the structure of a firm does not have such job titles, the senior staff responsible for these responsibilities were the respondents. The distribution occurred through paper-based methods. A reasonable deadline of two weeks was set for the completion of the questionnaire, and reminders were sent to ensure that all respondents participate.

To minimize non-response bias in this study, several proactive and corrective measures were undertaken. To start with, the questionnaire was carefully designed and pre-tested to ensure clarity, relevance, and respondent friendliness. Secondly, the study used follow-up reminders via email and phone calls to encourage participation from initially non-responsive fintech firms. Additionally, assurances of confidentiality and voluntary participation was clearly communicated to build trust and increase response rates.

3.8 Data Analysis and Presentation

Once data collection is complete, the collected data was checked for completeness and consistency. Any incomplete or inconsistent responses were addressed or excluded from the

analysis. The data was processed and analyzed using SPSS (Statistical Package for the Social Sciences) software, which is suitable for analyzing quantitative data. Descriptive statistics, including mean, standard deviation, and frequency distributions, were used to summarize the data.

For data presentation, both tables and graphs were used. Tables organized data into rows and columns, making it easy to display detailed numerical or categorical information. Graphs or charts were used to present visual representations of the data. They were useful for highlighting trends and patterns.

To analyze the nature and relationships between the regulatory framework (data protection, anti-money laundering, lending regulations, and consumer protection) and Fintech performance, correlation and regression analysis were used. A multiple linear regression analysis helped in understanding the strength and direction of these relationships. The results were interpreted to determine the effect of each regulatory framework on the performance of Fintechs in Kenya.

The regression model was specified as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

Y is firm performance

β_0 is the constant

β_{1-4} are the coefficients

X_{1-4} are the independent variables

E is the error term

3.9 Diagnostic Tests

Before conducting the regression analysis, several diagnostic tests were carried out to ensure that the data is suitable for analysis.

3.9.1 Normality test

A normality test was conducted to check whether the residuals (errors) are normally distributed. Normality test was performed using the Shapiro-Wilk test or the Kolmogorov-Smirnov test.

3.9.2 Multicollinearity

A multicollinearity test was conducted to detect if independent variables are highly correlated with each other. Multicollinearity inflates standard errors and makes it difficult to determine the individual effect of predictors. Multicollinearity test was through the Variance Inflation Factor (VIF) to check for multicollinearity among the independent variables.

3.9.3 Heteroscedasticity

A heteroscedasticity test was conducted using the Breusch-Pagan test to ensure that the variance of the errors remains constant across all observations. Heteroscedasticity leads to inefficient estimates and biased standard errors, affecting hypothesis tests.

3.10 Ethical Considerations

Ethical standards were strictly followed throughout the study. Informed consent was obtained from all respondents before participation. This involved providing a clear explanation of the study's purpose, procedures, voluntary nature of participation, and the right to withdraw at any stage without any consequences. Participants were required to sign or acknowledge a consent form before engaging with the questionnaire.

To uphold data protection principles, all collected information was handled with strict confidentiality and stored securely in password-protected digital files. No personally identifiable information was disclosed or shared with third parties.

The study also sought ethical clearance from the National Commission for Science, Technology, and Innovation (NACOSTI) before commencing fieldwork. The researcher was keen to avoid any form of harm, coercion, or undue influence on participants. Given the regulatory sensitivity of the topic, care was taken not to expose participants or their institutions to legal or reputational risks.

Lastly, the study maintained academic integrity by ensuring accurate reporting of data, proper attribution of sources, and transparency in methodology. The data was collected and analysed without bias and the results were reported honestly.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study based on the data collected from respondents. These are presented along with discussions that link these findings to the research objectives. It includes analysis of response rates, descriptive statistics and inferential statistics such as regression analysis.

4.2 Questionnaire Response Rate

The response rate achieved during data collection was first assessed before the analysis of the responses. The response rate is assessed first before diving into data analysis because it directly affects the validity, reliability, and generalizability of the study's findings.

Table 4
Questionnaires' Response Rate

	Frequency	Percentage
Complete questionnaires	143	88.8
Incomplete Questionnaires	18	11.2
Total distributed	161	100

Out of the 161 questionnaires distributed, 143 were returned fully completed, representing a response rate of 88.8%, while 18 were either incomplete or not returned, accounting for 11.2%. This high response rate which was above the commonly accepted 70% threshold in social research indicates a strong level of engagement from participants and enhances the reliability of the findings.

4.3 Pilot test Results

Additionally, a pilot test was conducted with a small sample of junior employees from the Fintech companies that are not part of the target population to further refine the questionnaire. Based on feedback from the pilot study, necessary adjustments were made to enhance the validity of the instrument.

The reliability of the questionnaire was assessed using the Cronbach's alpha coefficient, which tests the internal consistency of the instrument. A coefficient of 0.7 or above was considered acceptable for reliability.

Table 5
Reliability of the Research Instrument

Variable	Cronbach's Alpha	Number of items
Data protection regulations	.817	6
Anti-Money Laundering regulations	.874	6
Lending regulations	.896	6
Consumer protection regulations	.850	6
Performance	.865	8

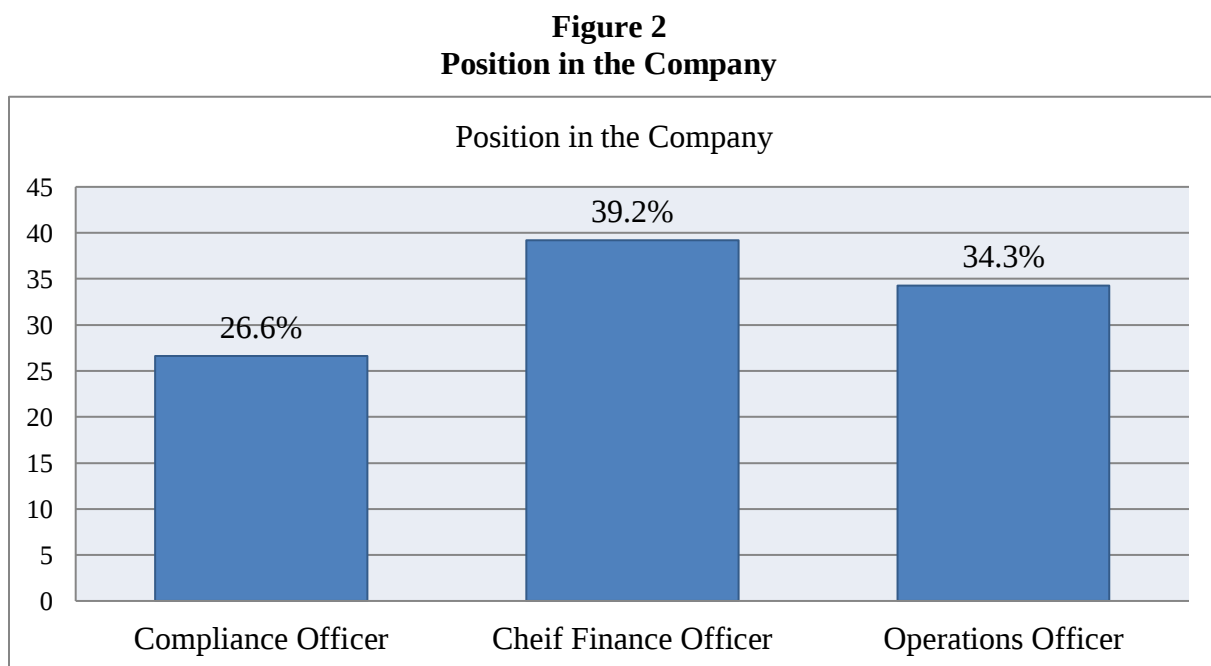
Data Protection Regulations had a Cronbach's Alpha of 0.817 based on 6 items, suggesting that the scale items measured the construct reliably. Anti-Money Laundering Regulations also showed a high level of reliability, with a Cronbach's Alpha of 0.874. This showed that respondents interpreted these items in a consistent manner. The reliability score for Lending Regulations, was Cronbach's Alpha of 0.896. This suggests that the lending-related items were highly consistent and well understood across different FinTech firms. Consumer Protection Regulations followed closely with a reliability score of 0.850, also based on 6 items, reflecting strong internal consistency. Finally, the Performance of FinTechs scale, measured using 8 items, yielded a Cronbach's Alpha of 0.865, indicating that the items used to assess firm performance were both reliable and cohesive. The results from this study demonstrated strong internal consistency across all the variables.

4.3 Demographic Information

The researcher obtained some demographic information on the respondents. These included; position in the company, period of service in current role and their highest level of education. The distribution of the demographic information is presented in the subsequent figures.

4.3.1 Position in the company

Figure 2 shows the distribution of respondents by their job positions within the fintech companies surveyed.

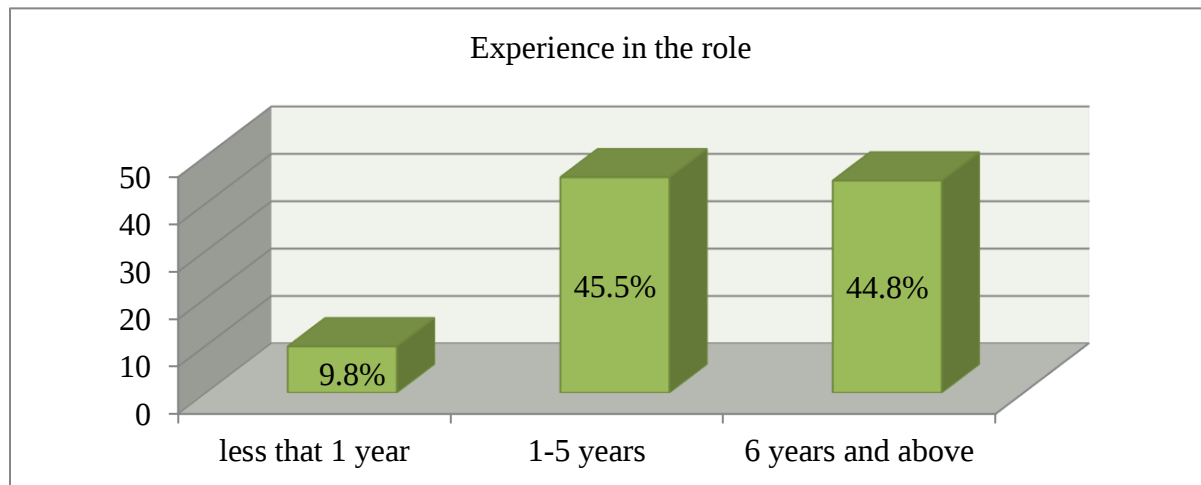


The Chief Finance Officers (CFOs) made up the largest group at 39.2%, Operations Officers follow at 34.3% and Compliance Officers represented 26.6% of the respondents. The distribution findings show that the participants had diverse roles. This ensures that the data captures a broad perspective on regulatory compliance and performance, as these positions are all involved in key decision-making and operational areas relevant to the study.

4.3.2 Period of service in current role

The study sought to reveal the experience levels of the respondents in their current roles. The experience levels of the respondents in their current roles are distributed in Figure 3.

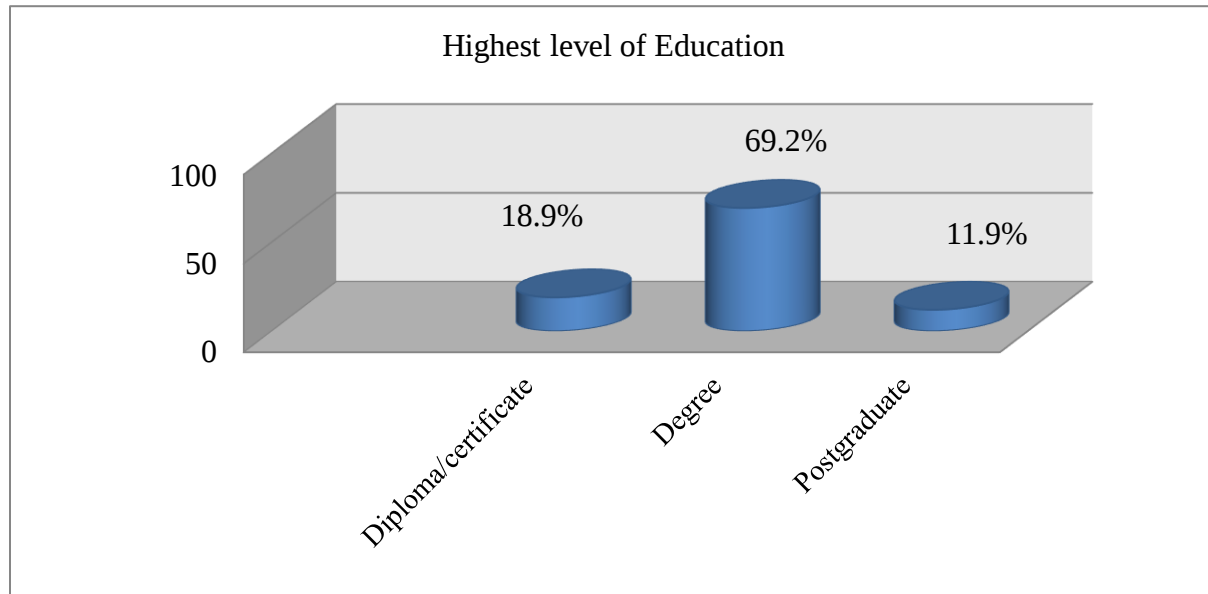
Figure 3
Experience levels of the respondents in their current roles



The data in Figure 3 shows the experience levels of the respondents in their current roles. About 9.8% had less than 1 year of experience. The largest group, 45.5%, had between 1 and 5 years of experience while nearly as many, 44.8%, had 6 or more years of experience. Most respondents have solid experience in their roles. A large number have worked for over a year, with many having more than six years. This mix of mid-level and seasoned professionals means they are experienced, hence able to articulate the issues regarding the corporate governance regulatory framework and performance of Fintechs in Kenya in professional way.

4.3.3 Highest level of education

Figure 4
Highest level of Education



In terms of education, most respondents (69.2%) held a bachelor's degree. About 18.9% had a diploma or certificate, while 11.9% had postgraduate qualifications. This shows the sample is made up of well-educated professionals. Their academic background likely supports the depth and quality of insights they offered on Fintech performance and regulatory issues in Kenya.

4.4 Descriptive Statistics

This section gives a summary of the key descriptive statistics for the main variables in the study: Data Protection Regulations, Anti-Money Laundering Regulations, Lending Regulations, Consumer Protection Regulations, and the Performance of FinTechs in Kenya. The findings are based on responses from 143 professionals working in different FinTech firms across the country. The interpretation of the descriptive findings is through mean and standard deviations.

4.4.1 Data protection regulations and performance of fintechs in Kenya

Table 6
Data Protection Regulations and Performance of Fintechs in Kenya

	N	Min	Max	Mean	Std. Deviation
Our company complies fully with the Data Protection Act (2019).	143	1.00	5.00	3.867	.714
We have implemented strong data security practices to protect customer information	143	1.00	5.00	3.713	.836
Customers are always asked for their consent before we process their personal data	143	1.00	5.00	3.559	.916
Our company regularly reviews its data protection policies to ensure compliance with legal standards.	143	1.00	5.00	3.636	.810
Employees are regularly trained on data protection best practices to minimize risks.	143	1.00	5.00	3.748	.782
We ensure that customer data is encrypted and stored securely to prevent unauthorized access.	143	1.00	5.00	3.783	.713

The respondents agreed that their company complies fully with the Data Protection Act (2019) as demonstrated by a mean of 3.867. The low standard deviation of 0.714 indicates a low level of variation in the responses. This suggests that most Fintech respondents believe their organizations adhere to the legal requirements of the Data Protection Act (2019). The finding aligns with Omondi (2023), who found that organizations with proactive adoption of data protection regulations had greater competitiveness. However, it contrasts with Bu et al. (2022) and Frey and Presidente (2024), whose findings from the EU GDPR context showed that compliance often comes at a financial cost.

With a mean of 3.713, the respondents agreed that they have implemented strong data security practices to protect customer information. The standard deviation was 0.836, suggesting a low level of variation in the responses. Consistent with the current results, Murigi (2017) highlighted that data security practices have a significant effect on firm performance in Kenya. Furthermore, Farhad (2024) suggests that while regulations impose challenges, they also provide opportunities for firms to differentiate themselves through innovation.

The respondents further agreed that customers are always asked for their consent before they process their personal data as shown by a mean of 3.559. This suggests that moderate agreement level which demonstrate that there might not be as rigorously implemented or consistent across all Fintech firms. The standard deviation of 0.916 indicates moderate variation in the responses. This hints that some companies may be less consistent or systematic in obtaining customer consent, which is a critical aspect of data protection compliance. Farhad (2024) concept of consent is foundational in data protection laws like GDPR, CCPA, and POPIA. The findings of the study suggest that Kenyan Fintechs are at different stages of integrating these standards.

The respondents agreed, with a mean of 3.636, that their company regularly reviews its data protection policies to ensure compliance with legal standards. This suggests that most FinTech firms have made policy reviews part of their internal routines, though perhaps these reviews are not always as frequent or in-depth as they should be. The standard deviation was 0.810, indicating low variation in the responses and suggesting that many firms are handling this area in a fairly similar way. The slightly lower mean leaves room for improvement, especially for firms that may only review policies reactively. Regularly updating data protection frameworks plays a role in boosting performance and staying ahead in compliance. Dumanska et al. (2022) emphasize this point, noting that consistent policy updates and strong data governance frameworks are directly linked to better outcomes, particularly in technology-driven sectors.

With a mean of 3.748, the respondents agreed that employees are regularly trained on data protection best practices to minimize risks. This suggests that many FinTech firms in Kenya are prioritizing staff education as a key defense against data mishandling or compliance breaches. The standard deviation of 0.782 indicates relatively low variation in responses, which

means regular training appears to be a widely adopted practice across the sector. This reflects a growing awareness that people, not just systems, play a vital role in safeguarding customer data. These findings align well with Murigi (2017), who emphasized that both the frequency and quality of security training have a meaningful impact on the performance of small and medium-sized enterprises in Kenya.

Furthermore, the respondents agreed that they ensure customer data is encrypted and stored securely to prevent unauthorized access (mean of 3.783). This suggests that most FinTech firms in Kenya view encryption and secure storage as essential parts of their data protection practices. The standard deviation of 0.713, one of the lowest recorded, shows that there was strong agreement among participants, pointing to a shared commitment across the sector. This reflects positively on the industry's general commitment to data security, especially in a digital-first environment where breaches can have severe consequences. This finding echoes Murigi (2017), who emphasized encryption and access controls (like passwords and smart cards) as key drivers of SME performance.

4.4.2 Anti-Money laundering regulations on performance of fintechs in Kenya

Table 7
Anti-Money Laundering Regulations on Performance of Fintechs in Kenya

	N	Min	Max	Mean	Std. Deviation
Our company has a robust Know Your Customer (KYC) process in place	143	1.00	5.00	3.245	.929
All employees are regularly trained on AML regulations to detect and prevent money laundering activities.	143	1.00	5.00	3.224	.875
Our company uses AML transaction monitoring systems to track suspicious transactions.	143	1.00	5.00	3.650	.988
We conduct periodic risk assessments to identify potential money laundering threats.	143	1.00	5.00	3.790	.948
Our company promptly reports suspicious activities to the relevant authorities.	143	1.00	5.00	3.664	.919
Our company has an internal AML compliance officer who oversees the implementation of AML procedures.	143	1.00	5.00	3.650	.874

The respondents were neutral on the statement that their company has a robust Know Your Customer (KYC) process in place (Mean=3.245). The standard deviation of 0.929 suggests moderate variability among responses. This implies that while some Fintechs in Kenya have developed strong KYC practices, others may still be in the early stages of formalizing these systems. This unevenness may be due to variations in size or funding across firms. This observation resonates with Nicknora (2024), who emphasized the role of Customer Due Diligence (CDD) as a cornerstone of AML compliance. While his study found a strong positive link between due diligence and financial performance in South Sudanese banks, he also noted a relatively weak consistency in the application of these practices, much like what is observe in the current study.

The respondents were neutral on the statement that all employees are regularly trained on AML regulations to detect and prevent money laundering activities. This item had a neutral mean of 3.224 and a standard deviation of 0.875, suggesting that training is not universally emphasized or consistently practiced across the sector. This might point to capacity gaps or the

absence of strong internal compliance cultures in some firms. The result is particularly significant when considered alongside Maweu et al. (2024), who showed that AML practices have a measurable and significant influence on crime prevention in Kenyan banks. While their study did not focus on Fintechs, it strongly implies that regular employee training is crucial in reinforcing AML compliance across financial institutions. By extension, Fintechs in Kenya that underinvest in training may be undermining their ability to detect and mitigate illicit activities effectively.

The respondents agreed on the statement that their company uses AML transaction monitoring systems to track suspicious transactions (Mean=3.650). However, the standard deviation was 0.988 indicating moderate variability in the responses. These findings align with Idowu and Obasan (2022), who found a strong positive correlation between AML policy implementation and performance in Nigerian banks.

Furthermore, the respondents agreed that they conduct periodic risk assessments to identify potential money laundering threats (mean of 3.790, and a standard deviation of 0.948). This illustrated that most firms actively engage in risk assessments, though some variation still exists. This finding mirrors findings by Issah et al. (2022), who emphasized that AML regulations contribute significantly to banking sector stability across Africa, especially when risk-based approaches are applied.

With a mean of 3.664, respondents generally agreed that their company promptly reports suspicious activities to the relevant authorities. The standard deviation of 0.919 suggests relatively uniform practices. This commitment to transparency and regulatory cooperation is a promising sign of AML maturity within Kenya's Fintech space. The results align well with Abdi

and Soroushyar (2025), who found that adherence to AML regulations, reduced earnings manipulation in Iranian firms.

In addition, the respondents agreed that their company has an internal AML compliance officer who oversees the implementation of AML procedures (mean = 3.650, SD = 0.874). This indicates that most Fintechs recognize the importance of dedicated AML procedures. This finding reflects the view from Idowu and Obasan (2022) that effective AML frameworks are tied to improved organizational performance.

4.4.3 Lending regulations on performance of fintechs in Kenya

Table 8
Lending Regulations on Performance of Fintechs in Kenya

	N	Min	Max	Mean	Std. Deviation
We adhere to proper reporting and accountability in all lending activities.	143	1.00	5.00	3.818	.708
Our company follows a standardized credit assessment procedure before approving loans.	143	1.00	5.00	3.853	.692
We regularly update our lending policies to ensure they align with current regulations.	143	1.00	5.00	3.755	.841
We ensure full compliance with Credit Reference Bureau (CRB) requirements in all lending decisions.	143	1.00	5.00	3.629	.878
We have a clear loan default management process to handle non-performing loans in line with regulations.	143	1.00	5.00	3.811	.839
Our company provides transparent disclosure of terms and conditions for all lending products.	143	1.00	5.00	3.867	.780

The respondents agreed that they adhere to proper reporting and accountability in all lending activities (mean = 3.818, standard deviation = 0.708). This indicates that most FinTechs in Kenya take their reporting obligations seriously, which is vital in an industry where high transaction volumes and slim margins demand accuracy and transparency. The low variation in responses suggests this practice is fairly consistent across firms. It's a positive sign, not just for regulatory compliance, but also for operational stability. This aligns with the Central Bank of

Kenya's regulatory expectations and supports Obote's (2023) conclusion that CBK's prudential measures play a key role in improving the financial health of digital lenders.

The statement on having a standardized credit assessment procedure before approving loans had a mean of 3.853 and the lowest variability ($SD = 0.692$). This shows strong agreement among respondents about the importance of a structured process when evaluating credit applications. Given the high risk of default, especially with underbanked borrowers, this thorough approach is crucial. Njeru (2021) also found that credit scoring and sharing credit information positively influence loan performance in Kenyan banks. Although FinTechs operate differently from traditional banks, the underlying principle remains the same.

With a mean of 3.755, respondents agreed that their companies regularly update lending policies to stay aligned with current regulations. The standard deviation of 0.841 shows there's not much variation in this practice across firms. This fits well with Nguyen et al. (2022), who highlighted that keeping up with regulatory changes helps Fintechs compete more effectively against traditional banks. Companies that update their policies often tend to adapt better to market changes and handle compliance challenges more smoothly.

The respondents also agreed, with a mean of 3.629, that their companies comply fully with Credit Reference Bureau (CRB) requirements in lending decisions. The low standard deviation of 0.878 depicts low variations on the respondents' views. Similarly, Ndungo et al. (2019) and Njeru (2021) found that while CRB-related activities like risk profiling and credit information sharing do enhance loan quality and performance, the benefits depend on how deeply firms use CRB data.

With a mean of 3.811 and moderate variation ($SD = 0.839$), the respondents agreed that they have a clear loan default management process to handle non-performing loans in line with

regulations. Effective default management processes are essential for ensuring healthy cash flow and managing operational risk. This practice ties closely to Obote's (2023) findings that pricing regulations often shaped around non-performing loan management correlate positively with performance among CBK-licensed digital lenders. The insight here is that Fintechs who fail to put structured NPL systems in place might be losing more than just unpaid balances; they could also be jeopardizing their regulatory standing and long-term viability.

The respondents also agreed that their company provides transparent disclosure of terms and conditions for all lending products. This statement had the highest mean at 3.867, with a standard deviation of 0.780, indicating strong agreement with relatively consistent practice. Transparent lending is not only an ethical obligation but also a legal one for digital credit providers. This trend aligns indirectly with the findings of Goo and Heo (2020), which showed that regulatory clarity and trust-building mechanisms (such as sandboxes and disclosure rules) attract more venture capital and help fintech ecosystems grow. By clearly communicating loan terms, Fintechs build consumer confidence, reduce disputes, and avoid reputational damage, all of which are key performance drivers.

4.4.4 Consumer protection regulations on performance of fintechs in Kenya

Table 9
Consumer Protection Regulations on Performance of Fintechs in Kenya

	N	Min	Max	Mean	Std. Deviation
We provide clear and accessible disclosure of terms and conditions to customers before they use our services.	143	1.00	5.00	3.839	.793
We have established complaint handling mechanisms to address consumer issues in a timely manner.	143	1.00	5.00	3.622	.749
Our company follows regulatory compliance procedures for protecting consumers' rights.	143	1.00	5.00	3.622	.871
We ensure that consumers are fully informed about fees, charges, and penalties associated with our services.	143	1.00	5.00	3.678	.737
We conduct regular customer satisfaction surveys to gauge the effectiveness of our consumer protection measures.	143	1.00	5.00	3.818	.893
We maintain a clear process for refunds or reimbursements if customers are dissatisfied with services or products.	143	1.00	5.00	3.706	.956

The respondents agreed, with a mean of 3.839 and a standard deviation of 0.793, that their companies provide clear and accessible disclosure of terms and conditions before customers use their services. This shows a strong consensus across FinTech firms and relatively little variation in responses. It suggests that most companies recognize the importance of transparency, which is crucial in the digital world where customers do not have face-to-face interactions. Muravardhana (2021) highlights that clear consumer disclosures build trust, which then boosts brand reputation and market presence. For FinTechs, especially, this trust is essential since their relationships with customers are often entirely online.

The respondents generally agreed, with a mean of 3.622 and a standard deviation of 0.749, that their companies have complaint handling mechanisms to address consumer issues promptly. While this agreement is solid, it's a bit lower compared to other areas, suggesting that although most firms have systems in place, the speed, ease of access, or overall effectiveness of

these mechanisms might differ across organizations. This fits well with Muraru and Mwanzia (2023), who found that strong complaint resolution processes play a key role in boosting consumer protection and satisfaction.

The respondents also agreed, with a mean of 3.622 and a slightly higher standard deviation of 0.871, that their companies follow regulatory compliance procedures to protect consumers' rights. The higher variation suggests that how these procedures are applied differs more widely between firms. This might be due to differences in company size, access to legal expertise, or how well they understand the compliance requirements set by the Central Bank of Kenya or other regulators. The findings concurs with Muravardhana (2021) who pointed out that while complying with regulations can be costly it plays a crucial role in reducing both legal and reputational risks.

The respondents also agreed that they ensure that consumers are fully informed about fees, charges, and penalties associated with their services (mean of 3.678 and the lowest standard deviation in the section of 0.737). This is a particularly critical issue in Kenya's FinTech market, where hidden fees and unclear loan terms have previously drawn criticism, especially in mobile lending. In support of the findings, Ndungo et al. (2020)'s findings around CRBs reveal that by promoting fairness in lending and increasing borrower awareness, credit-related consumer protection measures can help stabilize the market.

The respondents also agreed, with a mean of 3.818 and a standard deviation of 0.893, that their companies regularly conduct customer satisfaction surveys to assess how well their consumer protection measures are working. These regular feedback loops are essential for adjusting services to better meet both consumer needs and regulatory requirements. Muravardhana (2021) highlights that engaging proactively with customers often sparks

consumer-centric innovation, giving companies a competitive edge over time. For FinTechs, gathering satisfaction data is not just about ticking compliance boxes but also about spotting pain points and staying relevant in a fast-changing market.

Finally, with a mean of 3.706 and the highest variation among the items (standard deviation of 0.956), respondents agreed that their firms have clear processes for refunds or reimbursements when customers are dissatisfied. This wider variation suggests that while many FinTechs have solid refund systems, some still lack well-structured mechanisms. This gap can be risky if disputes or errors arise. Gaganis et al. (2020) note that while financial consumer protection measures may increase compliance costs and reduce profit efficiency, they are crucial for maintaining institutional stability. For Kenyan FinTechs, especially those involved in loan disbursement or payment processing, having a clear and reliable refund process is not only best practice but increasingly a key factor that sets them apart in the market.

4.4.5 Performance of fintechs in Kenya

Table 10
Performance of Fintechs in Kenya

	N	Min	Max	Mean	Std. Deviation
We have experienced steady revenue growth over the past few years	143	1.00	5.00	4.000	.856
Our company's net profit margins have improved due to operational efficiencies.	143	2.00	5.00	3.979	.697
We have achieved higher operational efficiency due to the use of advanced technologies	143	1.00	5.00	3.727	.824
Our company regularly invests in innovation to enhance products and services.	143	1.00	5.00	3.783	.752
We have maintained a strong cash flow position, ensuring business stability.	143	2.00	5.00	3.972	.796
Our innovation in product development has helped us stay competitive in the fintech market	143	1.00	5.00	3.748	.782
We have reduced costs while maintaining the quality of our services and products	143	1.00	5.00	3.734	.796
Our company consistently meets or exceeds its financial targets and objectives	143	2.00	5.00	3.762	.712

All statements on the performance outlook among FinTechs in Kenya show a mean score between 3.7 and 4.0, indicating that respondents agree with the statements on firm performance. These constructs were growth, operational efficiency, and innovation benefits. Importantly, all standard deviations are below 1, pointing to low variation in responses, meaning that these trends are not isolated to just a few firms. Beginning with revenue growth, a mean of 4.000 (SD = 0.856) confirms that many FinTechs in Kenya have seen steady increases in revenue over the past few years. This aligns well with Obote (2023), who found that compliance with prudential lending regulations (e.g., pricing parameters by CBK) significantly boosted the performance of digital credit providers. As FinTechs adapt to and comply with lending regulations, especially those surrounding pricing transparency and credit referencing, they seem to be positioned to improve not only compliance status but also financial returns.

The statement on improved net profit margins from operational efficiencies also scored high (Mean = 3.979, SD = 0.697), indicating that most FinTechs credit cost-effective practices and possibly automation or streamlined regulatory reporting with profitability. This dovetails with findings by Muravardhana (2021), who noted that consumer protection compliance, while sometimes costly, leads to long-term institutional stability and reduced legal/reputational risk, outcomes that likely contribute to improved margins. Furthermore, Frey and Presidente (2024) caution that data protection laws like the GDPR may reduce profits for some firms, particularly smaller ones, however, the relatively high scores in Kenya suggest local FinTechs are either better prepared or that data protection frameworks like Kenya's Data Protection Act (2019) are being implemented with a business-sustaining approach.

Regarding the use of advanced technologies to improve operational efficiency, FinTechs reported a mean of 3.727 (SD = 0.824). This is notable because it signals how tech adoption

continues to be a driver of performance, even under regulatory pressure. This resonates with Farhad (2024) who emphasized that data protection laws can simultaneously be compliance hurdles and innovation catalysts, allowing firms to differentiate themselves through strategic use of technology.

The respondents agreed that their innovation in product development has helped them stay competitive in the fintech market (mean=3.748). These findings are supported by Goo and Heo (2020), who highlighted how regulatory sandboxes can stimulate innovation and attract venture capital in the FinTech ecosystem.

The respondents agreed that they have maintained a strong cash flow position, ensuring business stability (mean score of 3.972, SD = 0.796). This points to financial health and liquidity across many FinTechs. This supports the idea from Issah et al. (2022) that regulations, when implemented effectively, can contribute to sectoral stability, even if the study focused on traditional banks. Similarly, Abdi and Soroushyar (2025) showed that compliance leads to more accurate and transparent reporting, which can lead to better cash flow.

Further, the statement on cost reduction while maintaining product/service quality had a mean of 3.734 and standard deviation of 0.796. This illustrates the firms have reduced costs while maintaining the quality of their services and products as agreed by the respondents. Compliance, particularly with data protection or consumer protection laws, often requires investment in infrastructure and training, but the ability to still control costs without sacrificing quality suggests that many Kenyan FinTechs are approaching compliance strategically rather than reactively. This aligns with Muravardhana (2021) who explained that strong consumer protection frameworks can drive service innovation and customer loyalty, ultimately mitigating the cost burdens through improved customer retention and reduced legal risks.

Lastly, the perception that firms consistently meet or exceed financial targets is also strong (Mean = 3.762, SD = 0.712). This general sense of financial health may be bolstered by improved transparency and controls brought on by AML frameworks, as noted in Maweu et al. (2024), who showed that AML practices significantly influenced financial crime reduction potentially protecting revenues and enabling strategic growth among Kenyan financial institutions.

4.5 Diagnostic Tests

4.5.1 Normality test

A normality test was conducted to check whether the residuals (errors) are normally distributed. Normality test was performed using the Shapiro-Wilk test and the Kolmogorov-Smirnov test.

Table 11
Normality Test

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Data Protection Regulation	.073	143	.063	.987	143	.193
Anti-Money Laundering Regulations	.069	143	.090	.983	143	.074
Lending Regulation	.043	143	.200*	.987	143	.220
Consumer Protection Regulations	.043	143	.200*	.995	143	.880
Performance	.033	143	.200*	.996	143	.981

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Based on both the Kolmogorov-Smirnov and the more reliable Shapiro-Wilk test, all five variables show no significant deviation from normality. This means the data for all variables is approximately normally distributed. The p-values are all greater than 0.05, which is the usual threshold for testing normality. A p-value above 0.05 means we fail to reject the null hypothesis that the data comes from a normal distribution.

4.5.2 Multicollinearity test

Multicollinearity test was through the Variance Inflation Factor (VIF) to check for multicollinearity among the independent variables.

Table 12
Multicollinearity test

	Collinearity Statistics	
	Tolerance	VIF
Data Protection Regulation	.745	1.342
Anti-Money Laundering Regulations	.445	2.249
Lending Regulation	.413	2.421
Consumer Protection Regulations	.683	1.463

From the output, all the independent variables fall well below the VIF threshold of 5, and their tolerance values are above 0.1. This shows that the variables which have no multicollinearity problem. The predictors are reasonably independent of each other. Thus the regression estimates for their effects on performance are statistically reliable.

4.5.3 Test for heteroscedasticity

To assess the presence of heteroscedasticity in the regression model, the Breusch-Pagan test was conducted using SPSS. Residuals and predicted values were first extracted from the initial regression output. A new variable representing the squared residuals was then computed, as the test evaluates whether the variance of residuals changes with predicted values. Subsequently, an auxiliary regression was performed with the squared residuals as the dependent variable and the predicted values as the independent variable. The ANOVA results from this regression were examined to determine the significance of the relationship.

Table 13
Test for Heteroscedasticity Using the Breusch-Pagan

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.227	1	.227	1.781	.184 ^b
Residual	17.962	141	.127		
Total	18.189	142			

a. Dependent Variable: Residual Squared

b. Predictors: (Constant), Unstandardized Predicted Value

The results indicated an F-statistic of 1.781 with a p-value of 0.184, which is above the 0.05 threshold. Therefore, there was no statistically significant evidence of heteroscedasticity, confirming that the assumption of constant variance of residuals was satisfied in the model. The test showed that the variance of the errors is consistent across all predicted values, and therefore, the assumption of homoscedasticity was satisfied in the model.

4.6 Inferential Statistics

4.6.1 Correlation analysis

The study used Pearson correlation analysis to examine the strength and direction of linear relationships between corporate governance regulatory dimensions and the performance of FinTech firms.

Table 14
Correlations Matrix

		P	DPR	AML	LR	CPR
Performance	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	143				
Data Protection	Pearson Correlation	.462**	1			
	Sig. (2-tailed)	.000				
	N	143	143			
Anti-money laundering	Pearson Correlation	.604**	.106**	1		
	Sig. (2-tailed)	.000	.311			
	N	143	143	143		
Lending	Pearson Correlation	.608**	.149**	.134**	1	
	Sig. (2-tailed)	.000	.077	.072		
	N	143	143	143	143	
Consumer protection	Pearson Correlation	.557**	.116**	.171**	.108**	1
	Sig. (2-tailed)	.000	.211	.200	.101	
	N	143	143	143	143	143

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

The results indicate statistically significant positive correlations between performance and all four regulatory dimensions at the 0.01 significance level. Data Protection Regulation has a moderate positive correlation with performance ($r = 0.462$, $p < 0.01$), indicating that stronger data protection practices are associated with better FinTech performance. The positive and significant correlations observed align with past findings, for example, Farhad (2024) and Dumanska et al. (2022) suggest that despite compliance hurdles, such regulations also encourage innovation and can enhance firm competitiveness, a nuance that likely contributes to the positive correlations observed here. Anti-Money Laundering (AML) regulation shows a strong positive correlation with performance ($r = 0.604$, $p < 0.01$), suggesting firm success significantly increases with increase in AML compliance. This is consistent with findings by Idowu and Obasan (2022) and Abdi and Soroushyar (2025). Lending Regulations exhibit the highest positive correlation with performance ($r = 0.608$, $p < 0.01$). This complements Obote (2023), who found that compliance with Central Bank of Kenya's pricing regulations significantly improved digital credit providers' return on equity. Consumer Protection Regulations also

correlate strongly and positively with performance ($r = 0.557$, $p < 0.01$). This relationship is echoed in the literature, where researchers like Muravardhana (2021) and Ndungo et al. (2020) found that consumer trust, transparency, and fair lending practices contribute to improved institutional performance.

4.6.2 Regression findings

A multiple linear regression model was designed to examine the effect of the four regulatory frameworks; Data Protection, Anti-Money Laundering (AML), Lending Regulation, and Consumer Protection on the performance of FinTechs in Kenya.

Table 15
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.710 ^a	.504	.490	.39860

a. Predictors: (Constant), Data Protection Regulation, Anti-Money Laundering Regulations, Lending Regulation, Consumer Protection Regulations

The R value of 0.710 shows that there is a strong positive relationship between the independent variables and FinTechs performance. The R^2 (R Square) value of 0.504 shows that about 50.4% of the variation in FinTechs performance is explained by the four regulatory factors in the model.

Table 16
ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	22.319	4	5.580	35.118	.000 ^b
Residual	21.926	138	.159		
Total	44.245	142			

a. Dependent Variable: Performance

b. Predictors: (Constant), Data Protection Regulation, Anti-Money Laundering Regulations, Lending Regulation, Consumer Protection Regulations

The F value was 35.118 with a p value of 0.000. The model is thus statistically significant ($p < 0.001$). This means that the set of regulations significantly affects the performance of FinTechs in Kenya.

The regression model was fitted as; $\text{Performance} = 1.018 + 0.145(\text{Data protection}) + 0.203(\text{AML}) + 0.186(\text{Lending regulations}) + 0.231(\text{Consumer Protection})$

The findings revealed that Anti-Money Laundering (AML) Regulations contribute the most to FinTech performance (28.6%). This indicates that compliance with AML policies greatly influences credibility, investor confidence, and operational efficiency. Consumer Protection Regulations follows at 28.5%. This suggests that safeguarding customer rights and improving transparency play a major role in boosting FinTech adoption and trust. Lending Regulations contribute 23.3%. This shows their importance in shaping responsible credit practices and risk management in FinTech lending platforms. Finally, Data Protection Regulations contribute the least, at 16.3%, but still significantly impact performance.

Table 17
Coefficients^a

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	1.018	.258		3.951	.000
	Data Protection Regulation	.145	.067	.150	2.157	.033
	Anti-Money Laundering Regulations	.203	.069	.263	2.921	.004
	Lending Regulation	.186	.081	.214	2.300	.023
	Consumer Protection Regulations	.231	.064	.262	3.620	.000

a. Dependent Variable: Performance

The constant value, 1.018 shows the baseline performance when all regulations are to a constant zero. The regression coefficient results indicate that all four regulatory variables (Data Protection Regulation, Anti-Money Laundering (AML) Regulation, Lending Regulation, and Consumer Protection Regulation) have a statistically significant and positive influence on the performance of FinTechs in Kenya. Among them, Consumer Protection Regulations ($\beta = 0.231$, $p < .001$) had the strongest influence, suggesting that safeguarding consumer rights through

transparency, complaint resolution, and fair pricing enhances customer trust and ultimately performance. This aligns with findings by Muravardhana (2021) and Muraru & Mwanzia (2023), who emphasized that consumer protection not only improves institutional reputation but also creates stronger customer relationships and long-term stability. Similarly, Anti-Money Laundering Regulations showed a significant impact ($\beta = 0.203$, $p = .004$), reinforcing conclusions from Idowu and Obasan (2022) and Abdi and Soroushyar (2025) that AML policies reduce earnings manipulation and build public confidence, thereby improving financial performance and accountability. Lending regulations also had a positive impact, with a beta of 0.186 and a p-value of .023. This matches what Obote (2023) found, that careful lending practices, especially those aligned with the Central Bank of Kenya's policies, help improve financial performance by reducing default rates and improving credit screening. Data protection regulations showed the weakest but still significant effect ($\beta = 0.145$, $p = .033$). Research by Farhad (2024) and Dumanska et al. (2022) suggests that following data laws supports operational integrity and even sparks innovation, despite short-term costs. However, Bu et al. (2022) and Frey & Presidente (2024) warn that smaller firms often face higher compliance costs, which might explain why data protection had a smaller effect in this Kenyan FinTech setting.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a synthesis of the study's findings, highlighting key insights from the relationship between various corporate governance regulatory frameworks namely; data protection, anti-money laundering (AML), lending, and consumer protection regulations and the performance of FinTechs in Kenya. It concludes by outlining implications of the findings and proposes recommendations for practice and future research.

5.2 Summary of the Findings

5.2.1 Data protection regulations and performance of fintechs in Kenya

The study found that most FinTech firms in Kenya moderately agreed that they are compliant with data protection standards, including secure data handling, periodic policy reviews, employee training, and customer consent practices. The mean scores hovered between 3.5 and 3.8 with relatively low standard deviations, indicating general agreement and low variability among respondents. Regression analysis revealed a statistically significant positive relationship between data protection regulations and performance ($\beta = .145$, $p = .033$). This suggests that compliance supports operational efficiency and consumer trust and the impact on performance is significant.

5.2.2 Anti-Money laundering regulations on performance of fintechs in Kenya

The findings showed a mix of agreement and neutrality among respondents regarding AML practices. While KYC and training scored lower (means around 3.2), other AML procedures such as transaction monitoring, risk assessment, and suspicious activity reporting scored higher

(means above 3.6). The regression coefficient was positive and significant ($\beta = .203$, $p = .004$), suggesting a strong link between AML compliance and improved performance. These results reflect the importance of regulatory oversight in maintaining trust and financial transparency.

5.2.3 Lending regulations on performance of fintechs in Kenya

Across all six lending-related indicators, there was clear agreement among respondents (means between 3.6 and 3.8). This signals that most FinTechs are complying with CRB guidelines, maintaining accountability in lending, and updating credit policies regularly. Regression analysis showed a significant positive effect of lending regulation on performance ($\beta = .186$, $p = .023$). This supports the assertion that prudent lending frameworks reduce risk exposure and improve loan performance.

5.2.4 Consumer protection regulations on performance of fintechs in Kenya

Participants strongly agreed that their firms adhere to consumer protection practices such as transparent pricing, complaint resolution, and refund procedures, with mean scores ranging from 3.6 to 3.8. Standard deviations remained low, indicating consistency in responses. Regression results showed that consumer protection regulations had the highest positive impact on performance ($\beta = .231$, $p < .001$). This confirms the growing importance of consumer-centric practices.

5.2.5 Performance of fintechs in Kenya

The study found that FinTechs reported strong performance indicators. Respondents agreed that their firms have experienced steady revenue growth, improved operational efficiency, maintained innovation, and met financial goals. The mean scores were all between 3.7 and 4.0, with standard deviations below 0.9, indicating low variability. These performance outcomes are aligned with

broader industry expectations where regulatory clarity and innovation coexist to foster sustainability. The positive regression model ($R^2 = .504$) suggests that almost half of the variance in performance can be explained by the four regulatory variables.

5.3 Conclusions

The study concludes that data protection regulations have a meaningful, though relatively modest, positive influence on the performance of FinTechs in Kenya. Most companies have put in place important measures like encryption and employee training to keep data safe. However, practices around getting customer consent are not as strong yet despite literature emphasizing on the importance of customer consent such as Farhad (2024) who reveals that concept of consent is foundational in data protection laws.

When it comes to Anti-Money Laundering (AML) regulations, the influence on FinTech performance is clearly positive, but how well these rules are followed varies a lot. The positive effect findings, reinforces conclusions from Idowu and Obasan (2022) and Abdi and Soroushyar (2025) that AML policies reduce earnings manipulation and build public confidence, thereby improving performance and accountability. Many firms have monitoring systems, conduct risk checks, and even have dedicated AML officers. Yet, some foundational steps, like thorough Know Your Customer (KYC) processes and regular staff training, are not as consistent across the board. This difference probably reflects varying levels of resources and readiness among companies. So, while the sector is making progress, there's still room for some firms to catch up.

Lending regulations play a key role in shaping how well FinTechs perform. Firms that stick to clear credit assessment processes, provide transparent loan terms, and comply with Credit Reference Bureau (CRB) rules tend to manage risks better and show improved loan outcomes. This shows that these regulations despite being followed, they are actually helping

companies build healthier, more sustainable lending practices. This concurs with Njeru (2021) that credit scoring and sharing credit information positively influence loan performance which also part of organizational performance for lending firms.

Consumer protection regulations stand out as having the strongest positive effect on FinTech performance. Many firms are serious about being transparent, listening to customer feedback, and handling complaints fairly. These efforts seem to build customer trust and loyalty, which are crucial for growing and staying competitive, especially in a digital-first world. This also aligns with Gaganis et al. (2020) who noted that while financial consumer protection measures may increase compliance costs and reduce profit efficiency, they are crucial for maintaining institutional stability.

5.4 Recommendations

FinTechs in Kenya ought to invest in enhancing their data protection systems to enhance performance and establish trust. Although compliance is on the rise, it is evident that not every firm has incorporated data protection into their business models. Regulators can be more accommodating by offering specific guidance, templates, or low-cost technology tools to assist smaller FinTechs to comply. Peer learning can also be promoted through industry associations that can establish forums where companies can exchange best practices in data governance.

The findings indicate that although most FinTechs are improving their anti-money laundering compliance, others are yet to be consistent in such aspects as know your customer enforcement and employee training. It would be highly advisable that FinTechs should develop an inside-out culture of compliance. This involves training employees, not only compliance officers, on how to detect and report suspicious activity on a regular basis. Regulators could also

think of providing subsidized anti-money laundering training programs or toolkits specific to startups.

Since there is a positive relationship between the compliance of lending regulation and the performance of FinTech, it is advisable that FinTechs should have strict credit evaluation procedures, follow the credit reference bureau regulations, and keep on revising their lending policies. Nonetheless, smaller firms require additional assistance as they might not have the infrastructure to accommodate regulatory changes. The Central Bank of Kenya and industry stakeholders may want to think of expanding regulatory sandbox programs to include scaling firms as they go through the compliance process.

FinTechs should also focus on consumer protection not only to be in line with the law but also to establish long-term customer relationships. The results indicate that a large number of companies already report fees and provide complaint resolution procedures, yet there is still an opportunity to enhance consistency and customer feedback systems. FinTechs ought to be proactive by conducting frequent customer satisfaction surveys and use the information to improve services. Regulatory bodies may also be involved by auditing consumer protection practices on a regular basis and providing capacity building assistance where necessary.

5.5 Suggestions for Further Research

The research is useful in the understanding of the effects of regulatory frameworks like data protection, anti-money laundering, lending, and consumer protection on the performance of FinTechs in Kenya. Future studies may investigate the effects of these regulations on innovation and product development in FinTechs, especially in early-stage and mature firms. Additionally, a qualitative study in the form of interviews with compliance officers or regulators may provide a more detailed background on the practical difficulties and experiences of dealing with regulation.

Further studies could also focus on the intersection of emerging technologies such as blockchain, AI, and digital ID systems with compliance efforts.

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APPENDICES

APPENDIX I: Questionnaire

SECTION I: DEMOGRAPHIC DATA

1. What is your position in the company?

Compliance Officer ()

Chief Financial Officer (CFO) ()

Operations Manager ()

2. How long have you been in your current role?

Less than 1 year ()

1-5 years ()

6 years and above ()

3. What is your highest level of education?

Diploma/Certificate ()

Degree ()

Postgraduate ()

Others.....

SECTION II: DATA PROTECTION REGULATIONS

4. Please indicate your level of agreement with the following statements regarding data protection regulations and their implementation in your company (1-Strongly Disagree, 2-Disagree, 3- Neutral, 4-Agree, 5- Strongly Agree).

	1	2	3	4	5
Our company complies fully with the Data Protection Act (2019).					

We have implemented strong data security practices to protect customer information					
Customers are always asked for their consent before we process their personal data					
Our company regularly reviews its data protection policies to ensure compliance with legal standards.					
Employees are regularly trained on data protection best practices to minimize risks.					
We ensure that customer data is encrypted and stored securely to prevent unauthorized access.					

SECTION III: ANTI-MONEY LAUNDERING (AML) REGULATIONS

5. Please indicate your level of agreement with the following statements regarding Anti-Money Laundering (AML) regulations in your company (1-Strongly Disagree, 2-Disagree, 3- Neutral, 4-Agree, 5- Strongly Agree).

	1	2	3	4	5
Our company has a robust Know Your Customer (KYC) process in place					
All employees are regularly trained on AML regulations to detect and prevent money laundering activities.					
Our company uses AML transaction monitoring systems to track suspicious transactions.					
We conduct periodic risk assessments to identify potential money					

laundering threats.					
Our company promptly reports suspicious activities to the relevant authorities.					
Our company has an internal AML compliance officer who oversees the implementation of AML procedures.					

SECTION IV: LENDING REGULATIONS

6. Please indicate your level of agreement with the following statements regarding lending regulations in your company (1-Strongly Disagree, 2-Disagree, 3- Neutral, 4-Agree, 5-Strongly Agree).

	1	2	3	4	5
We adhere to proper reporting and accountability in all lending activities.					
Our company follows a standardized credit assessment procedure before approving loans.					
We regularly update our lending policies to ensure they align with current regulations.					
We ensure full compliance with Credit Reference Bureau (CRB) requirements in all lending decisions.					
We have a clear loan default management process to handle non-performing loans in line with regulations.					
Our company provides transparent disclosure of terms and conditions for all lending products.					

SECTION V: CONSUMER PROTECTION REGULATIONS

7. Please indicate your level of agreement with the following statements regarding consumer protection regulations in your company (1-Strongly Disagree, 2-Disagree, 3- Neutral, 4-Agree, 5- Strongly Agree).

	1	2	3	4	5
We provide clear and accessible disclosure of terms and conditions to customers before they use our services.					
We have established complaint handling mechanisms to address consumer issues in a timely manner.					
Our company follows regulatory compliance procedures for protecting consumers' rights.					
We ensure that consumers are fully informed about fees, charges, and penalties associated with our services.					
We conduct regular customer satisfaction surveys to gauge the effectiveness of our consumer protection measures.					
We maintain a clear process for refunds or reimbursements if customers are dissatisfied with services or products.					

SECTION VI: FIRM PERFORMANCE

8. Please indicate your level of agreement with the following statements regarding performance of your company (1-Strongly Disagree, 2-Disagree, 3- Neutral, 4-Agree, 5- Strongly Agree).

	1	2	3	4	5
We have experienced steady revenue growth over the past few years					
Our company's net profit margins have improved due to operational efficiencies.					
We have achieved higher operational efficiency due to the use of advanced technologies					
Our company regularly invests in innovation to enhance products and services.					
We have maintained a strong cash flow position, ensuring business stability.					
Our innovation in product development has helped us stay competitive in the fintech market					
We have reduced costs while maintaining the quality of our services and products					
Our company consistently meets or exceeds its financial targets and objectives					

Thank you

APPENDIX II: Research Permit

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 - iv. Result in exploitation of intellectual property rights of communities in Kenya
 - v. Adversely affect the environment
 - vi. Adversely affect the rights of communities
 - vii. Endanger public safety and national cohesion
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