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Effect of Digital Banking Technology on Loan Uptake in Hotels Industry in Kenya

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Abstract

Digital banking technology is having a profound impact on businesses and corporate borrowing behavior. Integrating digital banking technology and its impact on hotel borrowing is a critical challenge. Limited digital literacy, uneven technology adoption and inadequate regulatory support prevent hotels from reaping the benefits. This study is based on three theories: the technology acceptance model, Institutional theory and the resource-based verification theory. This study uses literature review methodology to draw analysis and conclusions. Studies suggest that these technologies have democratized access to credit, empowered previously underserved populations, and improved financial inclusion. However, alongside these benefits, criticism of the literature also reveals ongoing concerns. These include questions of digital literacy, data security and the possible exclusion of marginalized groups. Additionally, questions arise regarding the effectiveness of digital lending platforms in accurately assessing creditworthiness and managing associated risks that may impact credit quality and overall financial stability. Although digital banking technology offers opportunities to expand access to credit, it is important to address these challenges to ensure equitable and sustainable financial inclusion outcomes. The study concludes that by leveraging the potential of mobile banking, digital payment systems and online lending platforms, hotels can more effectively address financial challenges and seize opportunities for sustainable development and success in the dynamic business landscape.

Keywords: Mobile Banking, Digital Payments, online lending platforms, Loan uptake, Hotels

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1. Introduction

The financial landscape has undergone a radical transformation in recent years, driven by the ubiquitous integration of digital banking technology. This shift is having a profound impact on businesses, particularly when it comes to borrowing. To navigate this evolving financial ecosystem, it is critical to understand the dynamics between digital banking technology and corporate borrowing behavior.

A comprehensive review by Tsindeliani et al., (2022) highlights the nature of digital transformation in the banking sector. The integration of digital technologies has not only streamlined traditional banking processes but also spawned new financial services and platforms. This development forms the backdrop against which companies have to cope with the complexity of modern financial landscapes. The World Bank (2019) research on digital financial services for small and medium-sized enterprises

(SMEs) highlights the central role of technology in promoting financial inclusion. The accessibility and convenience offered by digital banking have the potential to change the borrowing behavior of businesses and influence their propensity to seek and use credit. When examining consumers' attitudes toward online and mobile banking, Laforet and Li (2005) emphasize the importance of digital literacy. The ability of companies to adopt and utilize digital banking technologies plays a crucial role in their decision-making processes, including the consideration of loans for various purposes.

Alnemer (2022) exploration of the drivers of digital banking provides a global perspective on digital banking adoption. This study sheds light on the factors influencing companies' decisions to adopt digital banking technologies and provides valuable insights into the global trends that may impact borrowing dynamics. The evolving landscape of digital banking technology is closely linked to corporate borrowing behavior and is shaping the dynamics of borrowing. This background study sets the stage for a comprehensive examination of the relationships and influences underlying the interface between digital banking technology and credit dynamics in today's financial landscape.

The transformative impact of digital banking technology on the corporate financial landscape has been the subject of extensive research. However, a critical review of the existing literature reveals certain gaps that require further investigation for a more nuanced understanding of this complicated relationship. Existing studies often provide a global or broad regional perspective on the impact of digital banking on borrowing. However, there is a notable gap in understanding how these dynamics vary in particular local contexts. While some studies examine the impact of digital banking on businesses, there is a gap in distinguishing between small, medium and large businesses. Further research could look at how digital banking impacts borrowing differently for small and medium-sized businesses in Kenya.

The specialist literature often generalizes the results across industries. However, there is a gap in understanding how digital banking impacts borrowing differently across industries. Industry-specific studies could provide tailored insights into the challenges and benefits companies in different industries face when integrating digital banking into their financial strategies. By bridging these gaps, this research aims to contribute to a more comprehensive understanding of the complex relationship between digital banking technology and corporate borrowing, paving the way for informed decision-making in the evolving financial landscape. However, this background study outlines the reasons and approach to address these gaps and provides a roadmap for a more comprehensive understanding of the complex relationship between digital banking technology and the dynamics of corporate borrowing. By examining the

unique challenges and opportunities in this regional context, the study aim to provide insights that go beyond general insights.

1.2 Statement of the Problem

In Kenya's dynamic hospitality sector, the suboptimal integration of digital banking technology and its impact on hotel borrowing represents a pressing challenge. Key issues, including limited digital literacy, uneven technology adoption, inadequate awareness of credit opportunities and inadequate regulatory support, are preventing hotels from leveraging the benefits of digital banking - Make full use of tools. Ideally, hotels in Kenya would consistently leverage digital banking technology, invest in comprehensive digital literacy programs, actively seek and promote lending opportunities through digital platforms, and operate within a supportive regulatory framework.

Closing the gap between the current state and this ideal scenario is crucial for the sustainable growth of hotels and contributes to individual financial resilience and the region's overall economic development. In the Kenyan hospitality sector, the integration of digital banking technology and its impact on hotel borrowing reflects a diverse scenario. While some institutions have proactively adopted digital tools to streamline financial operations and explore lending opportunities, others have lagged behind and face challenges such as limited digital literacy and uneven technology adoption. Awareness of the available credit that digital platforms enable remains mixed, and regulatory frameworks may need further refinement to provide solid support for the seamless integration of digital banking into hotels' financial strategies. This dynamic environment requires a comprehensive examination of the existing challenges and opportunities with the aim of finding tailored solutions that meet the diverse needs and circumstances of Kenyan hotels.

While some institutions have adopted digital tools to streamline their financial operations and explore lending opportunities, others face challenges such as limited digital literacy and uneven technology adoption. The level of awareness of loans available through digital platforms varies and regulatory frameworks may need to be refined for seamless integration. This existing reality highlights the need for a nuanced understanding of the challenges and opportunities and forms the basis for the research goal of bridging the gap and working towards an ideal scenario in which all hotels can make the most of the benefits of digital banking technology.

2. Literature Review

This section provides a review of previous research literature surrounding the research objectives. The chapter provides a description of the theoretical foundations of the problem under study in relation to benchmarking studies in the relevant field.

2.1 Theoretical Framework

Existing literature highlights theories that explain the effect of digital banking technology on borrowing. The main theories considered in this study include technology acceptance model theory, resource-based verification theory, and institutional theory.

The Technology Acceptance Model (TAM)

When examining the impact of digital banking technology on borrowing in the hotel industry, the Technology Acceptance Model (TAM) provides a robust analytical framework. Fred Davis introduced TAM in 1989, assuming that users' acceptance and acceptance of a technology depends on their perception of its usefulness and ease of use. Essentially, TAM suggests that individuals are more likely to adopt a technology if they find it beneficial to their tasks and activities and if they find it easy to use. In the context of hotels, this means that operations are more likely to integrate digital banking technology into their operations if they see it as beneficial for improving financial management, streamlining transactions and improving overall operational efficiency, and if they use it intuitively and find it user-friendly. This relevance to our study lies in understanding the factors that influence technology adoption in the hotel industry and its impact on financial decision-making processes, particularly in relation to borrowing. Studies such as those by Venkatesh and Davis (2003) have applied TAM to various contexts and demonstrated its versatility and effectiveness in explaining technology adoption behavior, including in banking and finance. These studies have highlighted the robustness of TAM in predicting and understanding user adoption of the technology and provided valuable insights for our investigation of hotels' adoption of digital banking technology and its potential impact on borrowing.

Resource Based Review Theory (RBV)

When examining the relationship between adoption of digital banking technology and borrowing in the hotel sector, Resource-Based View (RBV) theory serves as an insightful framework. RBV emerged in the late 20th century and was developed in 1984 by scientists such as Birger Wernerfelt and further refined by Jay Barney in 1991. This theory assumes that a company's sustainable competitive advantage is based on its unique resources and capabilities. Essentially, companies can outperform their competitors by leveraging resources that are valuable, rare, inimitable, and irreplaceable (VRIN). In the context of hotels and digital banking technology, this suggests that hotels are more inclined to adopt such technologies if they have certain resources or capabilities that allow them to use them effectively and derive value from them. For example, hotels with advanced financial management expertise or access to specialized financial staff may be better able to integrate digital banking technology into their operations, improving efficiency and potentially increasing their propensity to

borrow. The relevance of RBV to our study lies in examining how hotels' unique assets and capabilities influence their adoption of digital banking technology and therefore their credit decision making. While RBV has been widely used in various industries to analyze the competitive advantage of companies, its specific application to the hotel industry in the context of digital banking technology and borrowing requires further investigation. Research by scholars such as Margaret Peteraf and Jay Barney (2003) has applied RBV to various organizational environments, demonstrating its versatility and providing insights into firms' strategic resource allocation. These studies highlight the potential of RBV to reveal how hotels strategically use their resources to leverage digital banking technology and strengthen their financial operations, thereby influencing their likelihood of borrowing.

Institutional Theory.

When examining the interplay between the adoption of digital banking technology and borrowing in the hotel industry, institutional theory provides a valuable perspective. Institutional theory, developed in 1983 by scholars such as DiMaggio and Powell, suggests that organizations are influenced not only by internal factors but also by the broader institutional environment in which they operate. This environment includes norms, regulations and cultural expectations. Applied to hotels and the adoption of digital banking technology, institutional theory implies that hotels' decisions regarding technology adoption and financial practices are shaped by external pressures from industry standards, regulations, and the actions of other organizations. For example, if it becomes the norm in the hotel industry to use digital banking technology for financial management, hotels may feel compelled to adopt it to maintain their legitimacy and competitiveness. Likewise, regulatory requirements or incentives may encourage hotels to adopt digital banking solutions, potentially affecting their propensity to borrow. This relevance to our study lies in understanding how external institutional forces influence hotels' decisions regarding technology adoption and financial practices, including borrowing. While institutional theory has been widely used in organizational research to examine the effects of institutions on organizational behavior, its specific application to the hotel industry in the context of the adoption of digital banking technology and borrowing requires further study. Previous studies by researchers such as Scott (1995) and Meyer and Rowan (1977) have applied institutional theory to various organizational environments, demonstrating its versatility and providing insights into the ways in which institutions shape organizational practices and decisions. These studies highlight the potential of institutional theory to elucidate how external institutional pressures influence hotels' technology adoption and financial management decisions, potentially affecting their borrowing behavior.

2.2 Empirical Review

A study by [Njathi \(2019\)](#) found that the introduction of mobile lending apps, using Tala FinTech Company as an example, has led to a significant increase in borrowing among consumers at the bottom of the pyramid in Kenya. These apps have democratized access to credit, allowing people previously excluded from traditional banking systems to obtain loans conveniently and quickly. Additionally, the research highlighted the transformative potential of these platforms in promoting financial inclusion and economic empowerment. In conclusion, while mobile lending apps have significantly expanded access to credit, policymakers and financial institutions must continue to monitor and address all challenges to ensure that the benefits of increased borrowing are maximized and equitably distributed across all segments of society become.

The study conducted by [Ramdhony and Munien \(2013\)](#) on the adoption and usage of mobile banking in Mauritius found that the adoption of mobile banking had a positive impact on hotel borrowing in the country. Key findings included increased convenience and accessibility for hotels to access financial services, including loan applications and approvals, through mobile banking platforms. The study also found that mobile banking streamlined the loan application process for hotels, reducing administrative burdens and processing times. Additionally, the research found that the adoption of mobile banking enabled better financial management practices in hotels, resulting in improved creditworthiness and greater lender confidence in lending to the hospitality industry. In conclusion, the study highlighted that mobile banking is a catalyst for increasing borrowing by hotels in Mauritius, promoting financial inclusion and driving economic growth in the hospitality sector.

The study conducted by [Gachuhi, Kamau and Ngunyi \(2023\)](#) on drivers affecting digital borrowing among residents of Nyeri Municipality, Kenya identified key factors influencing borrowing by hotels in the region. The results showed the significant role of digital credit accessibility and borrower characteristics, such as credit history and financial literacy, in shaping hoteliers' borrowing behavior. The research also highlighted the importance of economic and market conditions, as well as the convenience and speed of digital lending platforms, in driving hospitality borrowing. In conclusion, the study highlighted the transformative potential of digital credit in expanding access to financing for hotels in Nyeri Municipality and underscored the need for policy interventions to promote responsible lending practices and support sustainable economic development in the region.

In the study on digital loans in Kenya conducted by [Kamau \(2021\)](#), key findings shed light on borrowers' costs, uses and considerations for digital loans, particularly in relation to borrowing. The research provided insights into the affordability of digital loan products compared to

traditional loan options, as well as the purposes for which borrowers used digital loans. Additionally, the study examined borrower considerations such as convenience, accessibility, and the impact of digital lending on financial inclusion and economic empowerment. Conclusions drawn from the study highlight the significant role of digital credit as a driver of borrowing in Kenya, particularly among underserved populations and small businesses. The research highlighted the importance of digital credit in expanding access to finance, reducing barriers to entry and promoting entrepreneurship and innovation in the country's credit landscape. In addition, recommendations were made to policymakers, financial institutions and other stakeholders to ensure responsible lending practices, consumer protection and sustainable economic development in the digital credit sector in Kenya.

In their research on the development of inclusive digital payment systems, [Bandura and Ramanujam \(2022\)](#) found that the introduction of such systems positively influenced hotel borrowing. Their findings showed that inclusive digital payment systems improved access to financial services for hotels and enabled easier and more efficient transactions, including loan applications and repayments. Additionally, the study showed that digital payment systems reduce transaction costs and administrative burdens for hotels, making it more attractive for them to borrow to support their operations and expansion. Finally, the study highlighted the critical role of inclusive digital payment systems in promoting financial inclusion and enabling businesses such as hotels to access the financing they need to thrive and grow.

[Refat's \(2023\)](#), study on the adoption of digital payment systems in microcredit businesses in Bangladesh provided important insights into the relationship between these systems and borrowing. The results highlighted the potential of digital payment platforms to improve accessibility, reduce transaction costs and improve transparency, thereby potentially increasing borrowing among borrowers. Nevertheless, challenges such as technology literacy and infrastructure limitations, particularly in rural areas, have been identified as potential barriers to widespread adoption. The conclusions highlighted the need for targeted education and training programs, supportive regulatory frameworks and continuous technological integration to overcome these obstacles and harness the opportunities of digital payment systems. Taking these factors into account could enable microcredit institutions to expand their reach, improve financial inclusion and boost economic growth in Bangladesh.

[Mutegi's doctoral thesis \(2022\)](#), which examined the impact of digital lending practices with a focus on NCBA Bank Kenya PLC's M-Shwari in Meru County, provided key insights into their impact on borrowing. The results highlighted the improved accessibility, speed and

convenience that digital lending platforms offer, potentially increasing borrowing among individuals in underserved areas such as Meru County. Advanced risk assessment algorithms and positive customer experiences emerged as key factors influencing borrower decisions. Additionally, the study highlighted the opportunities that digital lending offers for financial inclusion and economic empowerment, and underscored the importance of regulatory oversight, customer education and privacy measures to maintain responsible lending practices and build borrower trust. Final recommendations included ongoing monitoring and evaluation to ensure that digital lending continues to have a positive impact on borrowing and broader financial inclusion efforts in Kenya.

Ayanyemi-Adeboje and Adeboje's (2020) study on predictive factors in the acceptance and use of mobile credit by micro, small and medium enterprises (MSMEs) in Lagos, Nigeria, provided important insights into its relationship with borrowing. The research identified several key factors that influence MSMEs' decisions to accept and use mobile loans, which can contribute to increased borrowing in the region. The results suggest that factors such as company size, credit history, perceived usefulness of mobile credit and ease of access to credit facilities play a crucial role in whether MSMEs are willing to use mobile credit services. Additionally, the study highlighted the importance of trusting the mobile loan provider and being aware of the terms and conditions associated with mobile loans. These results suggest that considering these predictive factors could potentially increase borrowing among MSMEs in Lagos, Nigeria. Furthermore, the study's conclusions are likely to underline the need for tailored strategies aimed at improving access to mobile credit services, increasing trust in providers and raising awareness among MSMEs in order to encourage greater use of mobile credit and ultimately the Increase borrowing in the region.

In Mbogo's doctoral thesis (2018), he examined factors affecting borrowing in a group savings and loan program, particularly focusing on the Banking on Change project in Mbeere North Sub County, Embu County, Kenya. Several important findings and conclusions emerged. The study identified various factors that influenced individuals' willingness to take loans under the Group Savings and Loan Scheme. These factors included socioeconomic status, level of financial literacy, trust in the system, accessibility of funds, and perceived benefits of credit. Additionally, the research highlighted the importance of group dynamics, leadership and cohesion in influencing borrowing among participants. Conclusions drawn from the study highlighted the need for targeted interventions to address barriers to borrowing, such as: B. improving financial literacy, increasing trust in the system and improving access to funds. Guyo's doctoral dissertation (2020), which examined the impact of interest rates on borrowing, with a particular focus on commercial banks in Kenya, revealed several key findings

and conclusions. The study found that interest rates played a crucial role in borrowers' decision to borrow from commercial banks. Higher interest rates discouraged potential borrowers from borrowing, particularly from individuals and companies with limited financial capacity. Conversely, lower interest rates stimulated borrowing by making borrowing more affordable and attractive. In addition, the research highlighted the importance of other factors such as loan terms, repayment schedules and economic conditions in shaping borrowing behavior. The conclusions drawn from the study highlighted the need for commercial banks to adopt interest rate policies that strike a balance between profitability and promoting access to credit. In addition, the recommendations included measures to improve financial literacy among borrowers, improve transparency in loan pricing and explore innovative lending mechanisms to mitigate the negative impact of high interest rates on borrowing in Kenya.

3. Research Framework

Mugenda and Mugenda (2008) state that the conceptual framework helps the reader to easily link the association of different variables in research. This section discusses the conceptual framework of the impact of digital banking technology on hotel borrowing. The segment includes independent variables (mobile banking apps, digital payment systems and online lending platforms) as well as the dependent variable (borrowing).

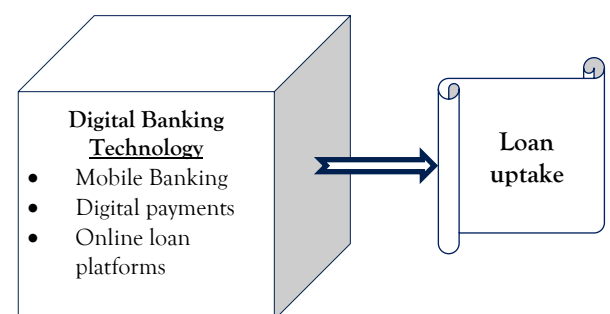


Figure 1: Digital banking and loan uptake

3.1. Mobile banking apps

Mobile banking apps such as M-Pesa, Equitel and Co-op Mobile have had a profound impact on Kenya's financial landscape and revolutionized the way transactions are conducted in Kenya (Ndung'u & Oguso, 2021). These apps offer a range of services, from money transfers to bill payments to loan applications, all conveniently accessed via a smartphone. For hotels in Kenya, integrating these mobile banking platforms into their financial operations has been critical. With just a few taps on their smartphone, hotel owners can now apply for loans to fuel expansions, renovations or other business initiatives. This streamlined process not only saves time, but also allows hotels to capitalize on growth opportunities more quickly (Buhalis, 2000). As a result, the hospitality sector in Kenya is experiencing improved competitiveness and resilience,

driven by the widespread adoption of mobile banking technology. The integration of mobile banking apps into the hotel financial ecosystem in Kenya has redefined user adoption and user experience. These apps serve as a digital gateway and enable hotel owners to manage the loan application smoothly. By eliminating cumbersome paperwork and providing intuitive interfaces for initiating and tracking loan applications, mobile banking apps have transformed the user experience (Redmond, 2022). Fast approval mechanisms speed up the loan process and provide a sense of responsiveness that is critical for hotels in dynamic business environments. Real-time data and analytics enable hotel owners to understand their financial landscape and make strategic decisions for credit utilization and repayment (Patel, 2018). This depth of integration and functionality not only increases overall user satisfaction but also makes mobile banking a cornerstone for financial strategy and growth in the hospitality industry in Kenya.

Mobile banking serves as a hub for financial management and integration related to hotel loans in Kenya. These apps act as comprehensive platforms and provide features that seamlessly integrate into hotels' daily financial operations (Chen & Wang, 2019). Mobile banking allows hotel owners to efficiently track expenses, monitor cash flow, and gain real-time insights into their financial health. Integrating financial management tools into borrowing processes ensures a holistic approach to financial planning. Additionally, mobile banking apps provide a central hub for credit-related activities. Hotel owners can submit loan applications, receive approval status updates, and manage disbursements and refunds, all in a unified digital environment (Swartz, 2020). This level of integration not only increases efficiency but also minimizes the risk of financial discrepancies, thereby contributing to better financial management. The accessibility of mobile banking apps further facilitates integration, allowing hotel owners to monitor and manage their finances on the go, allowing them to make informed decisions promptly. In essence, mobile banking not only streamlines financial management for hotels in Kenya, but also promotes a coherent and integrated approach to loan processing, transforming the way hotels manage their financial landscape and providing a solid foundation for sustainable growth and strategic financial decisions. Mobile banking significantly improves the accessibility of financial information for hotels in the CBD of Kenya seeking loans by providing a user-friendly and convenient platform to access relevant data (Lee et al., 2021). Through mobile banking apps, hotel owners can easily view detailed information about loan products, including interest rates, repayment terms and eligibility criteria, allowing them to make informed decisions about borrowing. Additionally, mobile banking apps often provide personalized insights and recommendations tailored to the specific financial needs and goals of hotel companies (Fang et al., 2019). This customization helps hotel owners identify appropriate

borrowing options that meet their goals, thereby increasing the effectiveness of their borrowing strategies. Overall, mobile banking improves the accessibility of financial information related to hotel borrowing in the Kenya CBD by providing a seamless and intuitive interface for accessing loan details, real-time account information and personalized financial insights. This accessibility allows hotel owners to make informed decisions about borrowing, ultimately facilitating their financial growth and success.

Mobile banking apps ensure security and trust when borrowing from hotels in Kenya through several robust measures designed to protect both user data and financial transactions. Encryption protocols secure data transmission between the user's device and the banking server, ensuring that sensitive information remains encrypted and unreadable by unauthorized parties (Zhang et al., 2018). Multi-factor authentication provides an additional layer of security and requires users to authenticate across multiple factors before accessing their accounts or initiating credit transactions (Chen & Wang, 2019). Secure credentials and features such as automatic logout after periods of inactivity further increase security. Transaction verification mechanisms ensure that users have complete transparency and control over their financial activities, reducing the risk of unauthorized or fraudulent transactions. Advanced fraud detection algorithms monitor account activity for suspicious behavior, promptly notify users of detected anomalies, and implement additional security measures when necessary. Overall, by implementing these security measures, mobile banking apps instill trust and confidence among users, including hotels in Kenya, regarding the security and integrity of their financial transactions, including borrowing processes.

3.2. Digital Payment System

Digital payment systems have transformed the way hotels in the Kenyan CBD handle credit, offering efficient tools such as PayPal, Stripe and Square (Ndung'u & Oguso, 2021). These platforms enable seamless loan applications, real-time financial tracking, and secure transactions (Nohumba et al., 2020). With features that ensure security and speed, they streamline the entire process and make it easier for hotels to access funds and manage refunds. Digital payment systems ensure acceptance and integration into borrowing processes by providing versatile solutions that seamlessly adapt to the needs of hotels in the Kenya (Wang & fan, 2022). For example, imagine a scenario where a hotel in the central business district of Kenya applies for a loan for renovations. Through platforms such as PayPal, the hotel can quickly apply for a loan using their existing PayPal account, which is used for online bookings and payments (Patel, 2018). This integration streamlines the process as the hotel can access funds directly through PayPal and manage refunds on the same platform. In addition, digital payment systems offer flexibility as they support different payment

methods and currencies, increasing acceptance among different customers (Lee et al., 2021). Digital payment systems improve transaction speed and efficiency in hotel borrowing in Kenya through several key mechanisms (Wang & fan, 2022). First, these systems allow hotels to submit loan applications online, eliminating physical paperwork and manual processing, thereby speeding up the initial phase of the loan process. Second, digital payment systems enable faster approval processes. Automated verification algorithms and streamlined workflows enable lenders to quickly evaluate loan applications, reducing the time it takes hotels to receive a decision on their loan applications (Cohen, 2018). Once approved, digital payment systems expedite the disbursement of funds to hotels, allowing them to receive loan amounts directly to their designated bank accounts or digital wallets within hours or even minutes (Zhang et al., 2018). In addition, digital payment systems provide convenient tools for managing loan repayments, such as automated transfers or recurring payments, ensuring timely repayment schedules without the need for manual intervention (Wang & fan, 2022).

Digital payment systems ensure cost efficiency in borrowing for hotels in the central business district of Kenya through several key factors (Ndung'u & Oguso, 2021). First, by enabling online credit applications and transactions, digital payment systems eliminate the need for physical paperwork, shipping, and manual processing, resulting in cost savings for both hotels and financial institutions involved in the credit process (Abbott, 2020). Second, digital payment systems often offer competitive transaction fees compared to traditional banking methods, resulting in overall cost savings for hotels (Wewege et al., 2020). Additionally, digital payment systems streamline the entire loan process and reduce the time and resources required for approval and disbursement, resulting in cost savings and allowing hotels to access funds faster (Patel, 2018).

3.3. Online loan platforms

Online lending platforms have revolutionized hotel borrowing in Kenya, offering unprecedented accessibility and convenience. For example, platforms such as Tala and Branch offer quick and easy loan application processes, allowing hoteliers to apply for money at any time via their smartphone or computer (Ndung'u & Oguso, 2021). The transparency of platforms like Tala and M-KOPA allows hotels to access clear information about loan terms and repayment plans before making decisions (Abbott, 2020). Additionally, the quick approval times of online platforms such as Pezesh and Sokoloan ensure that hotels can promptly raise funds for urgent needs such as renovations or inventory purchases (Wewege et al., 2020). By using these platforms, hotels in Mombasa can efficiently manage the borrowing process, thereby effectively maintaining and growing their business (Patel, 2018). Online lending platforms make applying for and accessing hotel loans in Kenya much easier. These platforms streamline the entire

process and make it easier for hotel owners to apply for loans conveniently (Lee et al., 2020). Online platforms allow hoteliers to complete applications from any location with an internet connection, eliminating the need for physical visits to banks or financial institutions (Fang et al., 2019). Additionally, the application process is often user-friendly, with straightforward forms and documentation requirements, reducing the time and effort required to apply for a loan (Chen & Wang, 2019). Furthermore, the transparency of information on loan terms, interest rates, and repayment options that online platforms provide enables hoteliers to make informed decisions (Kumar & Singh, 2018). Overall, online lending platforms are revolutionizing the hotel lending experience in Kenya, making it more accessible, convenient and efficient. Online lending platforms have transformed the loan approval process for hotels in Kenya, providing efficiency and convenience (Zhang et al., 2018). These platforms typically streamline the application process and allow hotel owners to submit their loan applications online without requiring physical visits to banks or financial institutions (Wang & fan, 2022). The application forms are often straightforward and contain clear instructions that make it easier for hoteliers to provide the required information (Ndung'u & Oguso, 2021). Additionally, many online platforms use technology to speed up the approval process and often provide quick responses to loan applications (Abbott, 2020). This quick turnaround time allows hotels in Kenya to immediately access funds for various purposes, such as renovations, expansions, or working capital needs (Wewege et al., 2020). Overall, online lending platforms play a crucial role in simplifying and speeding up the loan approval process for hotels in Kenya, contributing to their financial flexibility and growth.

Online hotel lending platforms in Kenya offer a variety of terms tailored to the specific financial needs of these businesses (Patel, 2018). These conditions typically include loan amounts, interest rates, repayment terms and eligibility criteria (Lee et al., 2020). Loan amounts vary depending on factors such as the hotel's financial condition and the intended use of the funds, ranging from small amounts for immediate needs to larger amounts for significant investments (Fang et al., 2019). Interest rates can fluctuate depending on market conditions and the hotel's creditworthiness, with some platforms offering competitive interest rates to attract borrowers (Chen & Wang, 2019). Repayment terms are often flexible, allowing hotels to choose schedules that align with their revenue streams and business cycles (Kumar & Singh, 2018). Additionally, platforms may offer grace periods or flexible repayment options to address unexpected expenses (Zhang et al., 2018). However, it is important for hotels to carefully review terms and conditions as online platforms may charge fees or penalties for late payments or early repayments (Wang & Chen, 2017). Eligibility criteria typically include factors such as credit history, revenue projections and collateral

requirements to ensure hotels can access financing that suits their individual circumstances (Ndung'u & Oguso, 2021). Overall, online lending platforms offer hotels in Kenya customizable financing solutions to support their growth and success. Online lending platforms play a critical role in providing competitive loan offerings to hotels in Kenya and promote accessibility and flexibility in borrowing (Abbott, 2020). These platforms often feature a variety of different lenders, each vying to attract borrowers with competitive terms and interest rates (Wewege et al., 2020).

Hotels in Kenya can use this competition to their advantage by comparing multiple loan offers and choosing the one that best suits their financial needs and preferences (Patel, 2018). In addition, online platforms can use algorithms or automated processes to match hotels with lenders that offer the most favorable terms based on factors such as creditworthiness, loan amount and repayment terms (Lee et al., 2020). This competitive environment encourages lenders to continually improve their offerings, resulting in better loan options for hotels in Kenya (Fang et al., 2019). In addition, the transparency and easy comparability of online platforms enable hotels to make informed decisions and negotiate better conditions when necessary (Chen & Wang, 2019). Overall, online lending platforms contribute to a dynamic and competitive lending environment and benefit hotels in Kenya by providing access to a wide range of loan offerings tailored to their specific requirements.

3.4. Loan uptake

According to data from the Kenya Bankers Association, fluctuations in interest rates significantly impact loan uptake by hotels in Kenya. High interest rates are associated with increased borrowing costs, which may discourage hotels from seeking financing for expansion or renovation projects. Conversely, when interest rates are lower, hotels are more likely to take out loans to invest in upgrades and improvements to their properties. The competitiveness of hotels in Kenya relative to other destinations is also affected by interest rate levels, as lower rates may attract more investment and tourism (Kasidi & Riwegho, 2023). Moreover, economic factors such as inflation rates and government policies contribute to the overall interest rate environment, further influencing borrowing decisions within the hospitality sector

According to the Kenya Bankers Association, fluctuations in interest rates significantly impact hotel borrowing in Kenya. High interest rates come with higher borrowing costs, which may deter hotels from seeking financing for expansion or renovation projects. Conversely, when interest rates are lower, hotels are more likely to borrow to invest in upgrades and improvements to their properties. The competitiveness of hotels in Kenya compared to other destinations is also influenced by the level of interest rates, as lower interest rates may attract more investment and tourism. Additionally, economic factors

such as inflation rates and government policies contribute to the overall interest rate environment and further influence lending decisions in the hospitality industry. In Kenya, cultural norms, particularly in Muslim communities, can significantly influence hotel borrowing. Islam prohibits the charging or payment of interest (Riba), which is considered exploitative and unethical. As a result, devout Muslim hoteliers may be reluctant to engage in traditional loan agreements that involve interest payments and instead stick to Sharia-compliant financing options such as Islamic banking or profit-sharing arrangements (Mudarabah and Musharakah). This cultural aversion to traditional credit, rooted in religious beliefs, may impact the borrowing behavior of hotels in Kenya, leading them to seek alternative financial solutions that are consistent with their religious tenets. Understanding and respecting these cultural sensitivities is critical for financial institutions operating in Kenya, as it enables them to offer appropriate financing products that meet the diverse religious and cultural preferences of the local community. Financial literacy significantly influences hotel borrowing in Kenya. Hotels with a strong understanding of financial concepts such as interest rates, repayment terms and debt management are better able to assess the risks and benefits associated with borrowing. Financially savvy hoteliers can make informed decisions about taking out loans, evaluate various loan products and negotiate favorable terms with lenders. Conversely, hotels with limited financial literacy may find it difficult to navigate the complexities of credit agreements, which can lead to poor decisions or a reluctance to borrow. Therefore, promoting financial literacy and providing resources to improve the financial literacy of hoteliers in Kenya can enable them to make informed financial decisions and effectively use credit to support business growth and development.

4. Discussion

The study by Njathi (2019) provides valuable insights, but requires critical examination. While Tala's example offers specific details, it may not reflect the broader mobile lending landscape. The study's methods, including how data were collected and analyzed, must be carefully considered to ensure reliability. The fact that changes in borrowing behavior are solely due to Tala's introduction may also oversimplify the complex factors involved. Ethical concerns such as borrower privacy and fair lending must be thoroughly considered. Furthermore, given the fast pace of technology, the relevance of the study may diminish over time. The mobile banking adoption study conducted by Ramdhony and Munien (2013) provides valuable insights into the dynamics of mobile banking in the country. However, the sampling method and sample size should be critically evaluated to ensure representativeness of the Mauritian population. If the sample is not diverse or large enough, the results may not accurately reflect the attitudes

and behaviors of the broader population regarding mobile banking adoption and use. Assessing methodological rigor, including data collection methods and analysis techniques, is critical to ensure the validity and reliability of results. By focusing on these aspects, researchers can better understand the strengths and limitations of the study and its implications for promoting the adoption and use of mobile banking in Mauritius. In the study on digital credit in Kenya conducted by [Kamau \(2021\)](#), there are several aspects that require critical evaluation. First, the methodological rigor of the study, including sampling techniques and data collection methods, must be assessed to ensure the validity and reliability of the results. In addition, the representativeness of the sample with respect to the diversity of the Kenyan population should be checked to avoid sampling bias. Given the rapid development of digital credit products and usage patterns, the temporal relevance of the study is crucial. Ethical considerations regarding borrower privacy, fair lending practices and the risk of over-indebtedness should also be considered in detail. Furthermore, the study's ability to consider socioeconomic, cultural and regulatory factors affecting the use of digital credit in Kenya would enhance the applicability of its findings. Finally, assessing the practical implications of the study's conclusions can provide insights for policymakers and stakeholders seeking to promote responsible use of digital credit in the country.

In their research on developing inclusive digital payment systems, [Bandura and Ramanujam \(2022\)](#) demonstrate a commendable effort to address the evolving digital finance landscape. However, a critical analysis of the study shows that several areas deserve attention. First, while the study discusses the development of digital payment systems, there may be a lack of clarity about the specific technological innovations or platforms examined. A detailed examination of the technologies or platforms under consideration could provide valuable insights into their effectiveness and potential impact on financial inclusion. Additionally, the study could benefit from a more comprehensive examination of the regulatory framework and policy implications for digital finance. Understanding the regulatory landscape is critical to identifying potential barriers to implementation and ensuring compliance with existing laws and regulations. Additionally, research could delve deeper into the economic impact of digital payment systems, including their potential to promote economic growth, reduce transaction costs, and increase financial efficiency. By considering these aspects, the study could provide a more comprehensive understanding of the opportunities and challenges associated with the development of inclusive digital payment systems, thereby guiding future research and policy initiatives in this area. [Refat, M. M. H.'s study](#) on the adoption of digital payment systems in microcredit businesses in Bangladesh provides valuable insights, but could benefit from a clearer delineation of the specific systems examined. Furthermore,

a more in-depth study of the drivers and barriers to adoption, as well as a robust assessment of the impact on financial inclusion and economic empowerment, would increase the relevance of the study and lead to more effective policy interventions. The study conducted by [Gachuhi, Kamau and Ngunyi \(2023\)](#) provides valuable insights into the factors influencing the use of digital credit in the region. However, a critical examination of the temporal relevance of the study is essential. Given the rapid evolution of digital credit products and usage patterns, the study's findings may have limited applicability over time. The conclusions of the study conducted in 2023 may not accurately reflect the current landscape of digital credit usage in Nyeri Municipality. Therefore, it is imperative to assess the timeliness and timeliness of the study findings to ensure that they continue to be relevant to policy and practice in the dynamic field of digital finance.

[Mutegi's doctoral thesis \(2022\)](#) provides valuable insights into the evolving landscape of digital finance in Kenya. However, several aspects deserve critical consideration. First, while the study focuses on M-Shwari, it may lack a comprehensive analysis of other digital lending platforms in Kenya, potentially limiting the generalizability of its findings to the broader digital lending ecosystem. Additionally, the study could benefit from a more in-depth examination of the socio-economic and regulatory factors influencing digital lending practices in Meru County and their impact on borrower well-being and financial inclusion. Research could include a more informed assessment of the impact of digital lending practices on borrower behavior, debt management and overall financial well-being. By considering these aspects, Mutegi's study could provide a more comprehensive understanding of the impact of digital lending practices and provide actionable insights for policymakers, financial institutions and other stakeholders seeking to promote responsible digital finance in Kenya. [Ayanyemi-Adeboje and Adeboje's study](#) justifies its methodological approach and generalizability. The study's specific focus on MSMEs in Lagos may limit its applicability to other regions or types of businesses in Nigeria or beyond. Furthermore, the sample size and the sampling method used may raise questions about the representativeness of the results. If the study relied on a small or non-random sample, the results may not accurately reflect the broader population of MSMEs in Lagos. Furthermore, the study's reliance on self-reported data from MSMEs could introduce biases and inaccuracies, potentially affecting the reliability of the identified predictive factors. In [Mbogo's doctoral thesis \(2018\)](#), several aspects warrant critical evaluation. First, although the study focuses on a specific geographical area and financial program, it lacks a more comprehensive analysis of the socioeconomic and institutional factors that influence borrowing in other regions or contexts. This limited scope limits the generalizability of the study's findings to other contexts. Additionally, the dissertation could benefit from a more in-depth examination of the

underlying mechanisms that govern borrowing within the group savings and loan program. Understanding these mechanisms is crucial to enable targeted interventions to improve access to credit and improve financial inclusion among marginalized populations. In addition, the study could include a more comprehensive assessment of the impact of borrowing on borrowers' financial well-being, livelihood and empowerment.

In [Guyo's doctoral thesis \(2017\)](#), there are several areas that require critical evaluation. First, while the study examines the relationship between interest rates and borrowing, it may ignore other influencing factors such as borrower characteristics, loan terms and economic conditions. A more comprehensive analysis taking these factors into account could lead to a deeper understanding of the dynamics affecting commercial bank borrowing. Additionally, the dissertation could benefit from a more robust methodology, including a larger sample size and diverse data sources, to ensure the reliability and validity of the results. In addition, the study could examine the impact of different interest rate policies on borrower behavior and financial inclusion, taking into account the possible trade-offs between profitability and accessibility in commercial lending. By addressing these aspects, [Guyo's dissertation](#) could provide more nuanced insights into the factors influencing borrowing in Kenyan commercial banks and contribute to the development of more effective lending practices and policies.

5. Conclusions and Recommendations

After an empirical review of the existing literature on digital banking technology and its impact on borrowing, several key findings emerge. First, digital banking platforms have significantly changed the landscape of credit availability, particularly in developing countries, by streamlining application processes and reducing barriers to entry. Studies suggest that these technologies have democratized access to credit, empowered previously underserved populations, and improved financial inclusion. But alongside these benefits, criticisms of the literature also reveal ongoing concerns. These include questions of digital literacy, data security and the possible exclusion of marginalized groups. Additionally, questions arise regarding the effectiveness of digital lending platforms in accurately assessing creditworthiness and managing associated risks that may impact credit quality and overall financial stability. Therefore, while digital banking technology offers

opportunities to expand access to credit, it is critical to address these challenges to ensure equitable and sustainable financial inclusion outcomes.

In summary, examining mobile banking apps, digital payment systems, online lending platforms and borrowing in the context of hotel borrowing in the Kenyan central business district provides valuable insights into the transformative impact of digital finance on the hospitality sector. Mobile banking apps have revolutionized financial transactions for hotels, providing convenience, efficiency and security in loan applications and management. They serve as comprehensive platforms for financial inclusion and promote better financial management practices and strategic decision-making. Likewise, digital payment systems streamline the borrowing process and provide versatility, speed and cost-efficiency in loan applications, approvals and disbursements. They contribute to improved financial flexibility and growth opportunities for hotels, thereby increasing their competitiveness in the market.

Online lending platforms further improve the accessibility and individualization of borrowing, offering transparent terms, fast approvals and competitive offers tailored to the specific needs of hotels. They simplify the credit approval process and promote financial inclusion, allowing hotels to make informed credit decisions. Furthermore, factors such as fluctuating interest rates, cultural norms and financial literacy significantly influence hotel borrowing behavior, highlighting the complexity of borrowing dynamics in the Kenyan hospitality industry. Empirical studies highlight the positive impact of digital finance on borrowing and emphasize improved access to credit, financial inclusion and economic empowerment of hotels. These findings highlight the importance of continued monitoring, policy interventions and educational initiatives to ensure responsible lending practices and sustainable economic development in the Kenyan hospitality sector. In conclusion, the integration of digital financial tools into hotel lending processes represents a paradigm shift in the Kenyan hotel industry, promoting growth, resilience and competitiveness. By leveraging the potential of mobile banking, digital payment systems and online lending platforms, hotels can more effectively address financial challenges and seize opportunities for sustainable development and success in the dynamic business landscape.

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