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**The Role of Infrastructure Investment and Technology Adoption on
Firm Performance: A Case Study of Safaricom, Kenya**

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**Submitted in partial fulfilment of the requirements for the Degree of
Bachelor of Business Science in Financial Engineering at Strathmore
University**

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Nairobi, Kenya

January 2025

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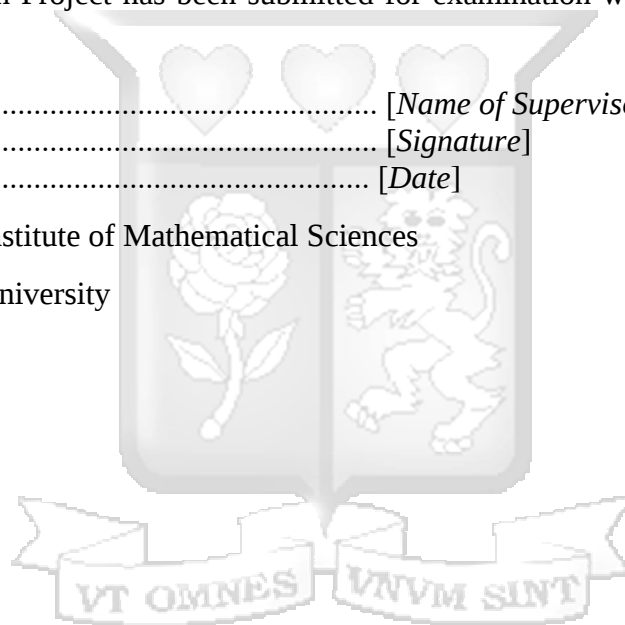
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ABSTRACT

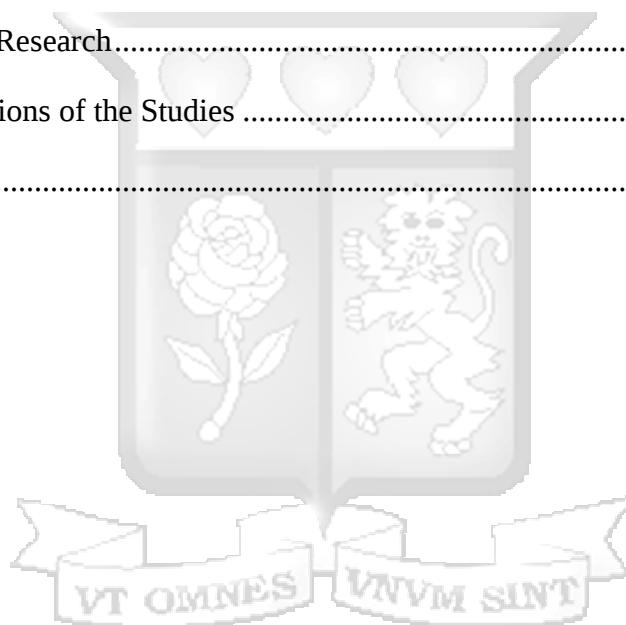
Infrastructure investment and technological adoption promote an enabling environment for economic development. This study investigates the role of infrastructure investment and technological adoption in Kenya's economic development using Safaricom PLC as a case study because it is the country's leading telecommunication company. Safaricom PLC has made significant investments in infrastructure, such as network towers and fibre optic cables, and has adopted advanced technologies, including mobile money services and 5G networks. This research examines the role of Safaricom's infrastructure investment and technological adoption in boosting Kenya's economic development. Moreover, it analyses the association between infrastructure investment and technological adoption in boosting economic development in Kenya. The research employs a descriptive research design, utilizing secondary data collected from Safaricom's financial and investment reports on the company's official website covering the years 2020 to 2024. The data is analysed using SPSS applying multiple regression analysis to explore the relationships between infrastructure investment, technological adoption, and economic growth. Key metrics include revenue growth, market share expansion, and operational efficiency. Preliminary findings indicate a strong positive correlation between infrastructure investments and revenue growth, alongside significant contributions of technological adoption to market expansion and operational efficiency. This study addresses existing gaps in the literature by focusing on a telecommunication firm in Kenya, offering practical insights for policymakers and investors. The findings emphasize the need for targeted investment policies and regulatory frameworks to maximise the role of infrastructure and technology in driving economic development.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

In recent years, infrastructure investments and technological revolution have significantly improved economic growth globally. Infrastructure investment and technological advancement have contributed considerably to higher growth and productivity through promoting financial inclusion. Research indicates a need to invest USD 3.3 trillion annually to cater to the projected growth (Cacciattolo, 2015). China has demonstrated impeccable infrastructure investment through its Belt and Road initiative (Han, Jacky, & Thia, 2021). The demand for infrastructure investment creates an opportunity for countries, especially developing countries, to alleviate poverty through economic growth. Technological advancement shapes the global economy by improving operation efficiency and increasing productivity. Technological adoption has led to transformative changes such as automation, which has resulted in global economic growth.

In developing countries, inadequate infrastructure investment has impeded the economy and led to reduced opportunities. Stagnating investment is pernicious to the economic development of numerous developing countries (World Bank, 2020). Consequently, it has led to an increase in the costs of amenities and reduced market opportunities. Over the recent years, developing countries have made strides to improve economic growth through investment and technological adoption in different industries. Developing countries must invest significantly in infrastructure to address the needs and reduce infrastructural gaps (Han, Jacky, & Thia, 2021). Technological breakthroughs would improve enterprise efficiency and the business landscape in developing countries. By harnessing new technologies, developing countries will experience increased connectivity and capacity to handle consumer needs, leading to economic growth (Lorenz & Kraemer-Mbula, 2023).

Therefore, infrastructural development and technological adoptions would improve the economic performance of developing countries.

Kenya has dramatically developed by investing in infrastructure and technological adoption to improve its economic growth. According to research, Kenya has one of the fastest-growing economies in Sub-Saharan Africa, demonstrating its vitality and prowess (GAC, 2022). It is also the largest economy in East Africa, which indicates that it is a top performer in the region. Kenya has demonstrated higher infrastructural indicators than other low-income countries (Hope, 2010). It has made significant strides, such as strategically positioning itself as a major business process outsourcing destination. Technological advancements have reinstated Kenya's status as the gateway to East Africa.

1.1.1 Infrastructure Investments

In Kenya, over the years, poor infrastructure has been a menace that has been a disincentive that has decreased foreign direct investment. Research has established that infrastructure contributed to 5.6% of Kenya's GDP (GAC, 2022). Kenya has demonstrated higher infrastructural indicators than other low-income countries but is still behind Africa's middle-income countries. However, there are still infrastructural deficits that require more resources for funding and maintenance. Infrastructural deficits limit the productivity of organizations, which translates to a decrease in economic growth. High production inputs such as erratic energy supplies have discouraged investors from infrastructural investment. The rising transport fees and extremely high tariffs imposed have led potential investors to relocate to other countries such as Tanzania and Uganda (Nyaosi, 2011). Foreign direct investments in infrastructure are essential in promoting the economic growth of a given country. The high production costs have led to investors opting to find alternative places they can invest. Ultimately, infrastructure investment has made gradual progress toward enhancing Kenya's economic development.

Foreign direct investments play a crucial role in boosting and stimulating the economic growth of a nation. The foreign nations provide financial resources the host country can use to improve its economic activities. Moreover, the finances obtained are essential for enhancing technological advancement. Foreign investment is essential in promoting export capabilities and enhancing trade, which results in economic growth. Foreign direct investments can be utilized to improve infrastructure development. In 1999, Kenya auctioned two mobile operators to obtain finances for telecommunication infrastructural development (UNCTAD, 2005). (PwC, 2024) Therefore, the government is creating policies that encourage investors to increase infrastructure investments in Kenya, boosting economic growth.

The infrastructure investment contributes to robust economic growth, as articulated in Kenya's Vision 2030. The energy industry accounts for 21% of petroleum, 9% of electricity, and 70% of biomass Kenyans consume (PwC, 2024). Consequently, the Kenyan Government strives to transition to a cleaner energy form by reducing carbon emissions. The shift intends to transition to an economical option, reducing the negative influence of price volatility in international markets. Kenya Power and Lightning Company (KPLC) controls the line capacity to meet the country's electricity demands. It works with Kenya Electricity Generating Company (KenGen), which offers bulk tariffs for purchase. The sector has faced challenges, such as investing in renewable alternative energy sources that reduce carbon emissions. Energy should be expanded to underserved areas to ensure that it promotes economic growth in rural areas.

The transportation industry accounts for all the modes of transport in Kenya, including sea, road, rail, and air. The infrastructure group in Kenya has been divided into Ports and Airports, Rail and Infrastructure, and Roads. Kenya has approximately 177,500km of road network inventory nationwide (PwC, 2024). The Ministry of Transport is in charge of controlling policies that promote efficient transport. Consequently, this leads to an increase in economic growth

(Shkaratan & Briceno-Garmendia, 2011). Kenya has made a milestone by providing training to operationalize new bodies that have been formulated. However, the transport industry faces challenges such as expanding and rehabilitating existing roads, which hinder economic growth. The involvement of the private sector limits efficiency since they are designated to play construction and financing roles.

1.1.2 Technological Adoption in Kenya

Technology has played a pivotal role in shaping Kenya's economic growth by enhancing operational efficiency. The proliferation of technological hubs and accelerators has led to an increase in the expansion of the global economy. Technology has enhanced communication through the popularity of smartphones. Numerous lives have been impacted by the ubiquitous nature of the smartphone today. In 2010 the Symbian Operating System launched an Android smartphone (Ngila, 2020). Few Kenyans could afford the 3G mobile phone, indicating income disparity. Most Kenyans had 2G phones that could not access the internet. The proliferation of smartphone ownership and internet connectivity has improved business operations. Research conducted by the World Bank indicates that 73% of mobile users are active mobile money customers (Donovan, 2012). Thus, increased connectivity has led to better economic development.

Kenya has utilized technology to improve agricultural practices to provide increased yields and better-quality produce. The digital revolution has led to improved efficiency, thus generating more income. Using artificial intelligence to control one's farm through mobile phones has led to obtaining real-time updates (Machuka, 2022). The information saves time and logistics costs when travelling to the farms. Smart greenhouses have increased efficiency by providing quality and dependable facilities. The fallacy that farming has to be a dirty job has been challenged by smart farming since one can operate remotely from the comfort of one's home (Machuka, 2022). Agriculture has been enhanced through digital transformation since it leads to efficient decision-making and enhanced crop yields. Farmers experience increased returns at lower capital, which promotes economic

growth. Digital technologies offer an opportunity for partnerships with research institutions, which promote productivity and increase profitability.

1.1.3 Safaricom

The telecommunication industry is changing to enhance its efficiency and maximize profitability. Markets have coalesced to generate finances for investment purposes and increase economic growth in Kenya. Private sector participants have transitioned beyond the limits to work with parastatals and promote economic growth (PwC, 2024). Market liberalization efforts have led to key industry players working together. The telecommunication industry is faced with numerous limitations that hinder its efficacy. The licensing process could be faster and more convenient, hindering industry operations. Regulatory frameworks that hinder the operations of the telecommunication industries have led to a decrease in profitability. Ongoing developments are aimed at improving and streamlining the telecommunication industry to increase its profitability in the nation.

Safaricom has significantly contributed to Kenya's economic development through its substantial investments in infrastructure and technology. As the largest telecommunications provider in Kenya, Safaricom has established an extensive network of mobile towers, fibre optic cables, and data centres, ensuring widespread connectivity even in remote areas (Buku, 2012). This infrastructural development has improved communication and facilitated business operations across the country. Additionally, Safaricom's pioneering mobile money service, M-Pesa, has revolutionized financial inclusion in Kenya. By enabling millions of Kenyans to perform financial transactions without a traditional bank account, M-Pesa has fostered economic activities at the grassroots level, empowering small businesses, and individuals alike.

Safaricom's commitment to adopting cutting-edge technologies, such as 4G and 5G networks, has further enhanced the digital landscape, promoting innovation and entrepreneurship (Oloko, 2014). The company's investment in technology-driven solutions, including IoT and cloud computing, has supported various sectors, from agriculture to healthcare, by providing efficient and scalable services. Through

these strategic infrastructure and technological investments, Safaricom has played a pivotal role in driving economic growth, creating job opportunities, and improving Kenya's overall quality of life.

1.2 Problem Statement

The need for adequate and sound investment policies leads to a decrease in foreign direct investments. Ultimately, this will result in lower investors and decreased economic growth. Safaricom has made significant strides in infrastructure investment and technology adoption. However, infrastructure investments need to be improved since it will enhance economic growth. Vision 2030 depends on infrastructure as its blueprint for overcoming economic stagnation (Lesutis, 2022). Thus, various stakeholders need to reform to enhance infrastructure investment. Technological adoption in the telecommunication industry is faced with unfavourable regulatory frameworks that inhibit technological adoption. The government needs a guideline on infrastructure investment and technological adoption to enhance efficiency and boost economic growth. This research aims to understand better the need to invest in infrastructure and leverage technology to improve economic development.

1.3 Research Objectives

To establish the role of infrastructure investment and technological adoption on the economic growth of Kenya

Specific Objectives

1. To analyse the impact of Safaricom's infrastructure investment on Kenya's economic development
2. To examine the role of Safaricom's technological adoption in boosting Kenya's economic growth.
3. To investigate the association between Safaricom's infrastructure investment and technological adoption on Kenya's economic growth.

1.4 Research Questions

The study aims to answer the following questions:

1. How does Safaricom's infrastructure investment impact Kenya's economic growth?
2. What role does Safaricom's technological adoption play in boosting Kenya's economic growth?
3. What association do Safaricom's infrastructure investment and technological adoption have that led to economic growth in Kenya?

1.5 Significance of the study

The research is motivated by Vision 2030, which aims to promote infrastructure investment and technological advancement to promote economic growth (Lesutis, 2022). The findings from the research will be pivotal for the Kenyan government since it will provide recommendations on the possible policy reforms that will spearhead economic growth. Moreover, the findings offer a feasible plan for the government to support technological adoption in different industries (Reid, Griniece, & Angelis, 2015). Public and private investors will benefit from the insights since they will provide information on potential areas for investment and technological advancement. The research will offer scholars and academicians additional resources on the role of infrastructural development and technological advancement. The Kenyan citizens will have access to transparent and credible information that will influence their decision-making when choosing leaders.

1.6 Scope of the Study

This research focuses on the role of infrastructure investment and technological adoption in Kenya's economic development. The research will focus on the telecommunication industry. Data will be collected through financial reports and investment analysis on the company's website. Safaricom (Njiru, Simiyu, & Bunde, 2020). The data will be collected within 2019-2023 to understand the impact of infrastructure investment and technological advancement.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter analyses existing literature to comprehend the role of infrastructure investment and technology adoption in Kenya's economic development. This literature review presents an analysis of theoretical, conceptual, and empirical frameworks that evaluate the area of study.

2.2 Theoretical review

2.2.1 Endogenous Growth Theory

The theory was developed by economist David Romer in 1990 and later developed by Helman and Grossman in 1991. According to (Jones, 2022), the theory explains that economic growth results from internal forces. Endogenous Growth theory argues that investment in technology and innovation improves productivity, resulting in economic growth. (Nguyen, 2021) established that the general assumption of the theory is that internal factors determine the economic growth rate of an institution. The theory postulates that persistence rates of economic development are fuelled by investing in technological advancement and innovation.

The theory fits the assumptions and the conclusion of the present study because it provides a relationship between investing in technological innovation and positively impacting economic growth. (Nguyen, 2021) found that when a government invests in technological advancements, it improves productivity and efficiency, resulting in increased revenues and growth. The theory was postulated to refute previous theories that did not account for technological advancements in economic growth. Though the theory fits the present study, critics argue that it lacks sufficient empirical evidence; hence, it cannot be measured.

2.2.2 Harrod-Domar Model

The theory was developed by Roy Harrod in 1939 and later advanced by Evsey Domar in 1946. Harrod-Domar's model explains that the economic growth rate depends on savings and investments. According to (Dumo, Ico, & Magpantay, 2023), the model emphasises that capital investments' savings and productivity must be high for an economy to grow. The general assumption of the model is that when the saving rates remain constant, the marginal returns of the capital will be high, leading to economic growth. Thus, the model assumes that the economic growth rate results from savings and the output-capital ratio. Economic growth depends on the level of investment rates.

The theory fits the assumptions and findings of this research because the theory postulates that economic growth depends on the investment level. Similarly, this research aims to understand the impact of infrastructure investment on economic development. Harrod-Domar model can be used to describe the economic growth of a region based on the level of saving and investment. Though the model investigates infrastructure investment, it must consider technological innovation due to its simplistic assumptions. This research aims to overcome this gap by investing in the role of infrastructure investment and technological adoption in economic growth.

2.3 Empirical Review

2.3.1 Impact of Infrastructure Investment on Economic Growth

A study investigated the impact of infrastructure investment in Ghana to understand the correlation with economic growth (Owusu-Manu D. G., Jehuri, Edwards, & Asumadu, 2019). The study incorporated World Development indicators data of the World Bank to investigate the impact on Ghana's economy. The investment studied was the infrastructure stock index to understand its short and long-term impact. The findings indicated that countries with scarce resources should invest in infrastructure to improve economic growth. This benefits the present research because it investigates the impact of telecommunication investment in returning

great returns, leading to improvement in gross domestic product. This present research aims to investigate the impact of infrastructure investment, which needed to be evident in the study findings by Owusu-Manu et al. (2020).

A study examined how infrastructure investment accelerates economic growth. The study incorporated a qualitative method through semi-structured exploratory interviews with 5 participants (Seidu, Young, & Ryan, 2020). The research incorporated participants from the public sector, members of parliament and researchers. The variables included were the type of infrastructure, source of investment, productivity and revenue generated in the United Kingdom. The findings indicated that well-considered investments lead to a positive impact on the economy. This study benefits the present study since it indicates the correlation between infrastructure and economic growth. However, this present study focuses on critical indicators like investment levels, while Seidu et al. (2020) focused on the multiplier effect of government infrastructure investment.

The research studied how new infrastructure investment impacted China's economic growth quality (Du, Zhang, & Han, 2022). The study incorporated an econometric methodology to analyse critical variables like transportation infrastructure level, labour constraint, urbanization growth level, and dependence on foreign investment. The findings indicated that the new infrastructure led to structural transformation since technological innovation improves research and development strategies, improving the quality of economic growth. This finding is beneficial since it highlights ways new infrastructure investment leads to positive transformation due to improved productivity. However, Du et al. (2022) focused only on urban-fixed asset investments, while this research aims to incorporate telecommunication investments to impact economic growth.

2.3.2 Role of Technology Adoption in Boosting Economic Growth

A study examined the impact of technological innovation on improving the economy (Mohamed, Liu, & Nie, 2022). The study measured the panel data through economic measurement in 20 developing countries to understand the technical multiplier that affects economic growth. The driving factors for economic

growth were technical innovations, an increase in exporting high-tech goods and optimal energy deployment. Linear Granger casualty test was used to determine the association between technical variables and capita GDP growth. The research will benefit the present study because Mohamed et al. (2022) did not analyse the per capita growth rate to assess economic growth. However, the reach needed to analyse the use of research and development innovations in increasing economic growth. This present research aims to analyse the impact of research and development in enhancing revenue generation.

A study investigated the role of technology in India's economic development (Imdadullah K. , 2023). The study incorporated a systemic review of previous literature to understand ways technology has increased productivity. The findings indicated that technology has increased job creation and revenue generation. Based on the research findings, technology has improved sectors such as farming and discovering new energy sources. Technology has led to artificial intelligence and machine learning, automating automated services and more efficient service delivery. The findings indicated that technology has increased telecommunications infrastructure and revenue generation. Similarly, the present research investigates how expanding infrastructure leads to economic development. However, the research does not analyse funding support's impact on enhancing technological advancement. The present research aims to investigate the impact of funding on technological adoption leading to economic development.

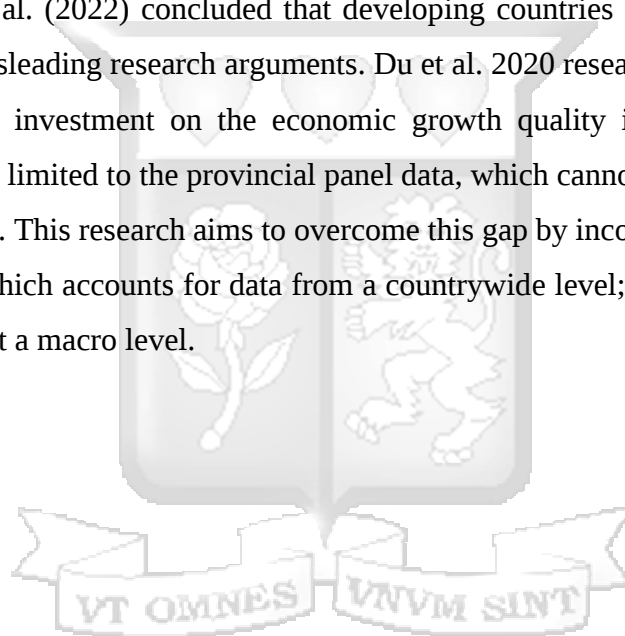
2.3.3 Association between Infrastructure Investment and Technological Adoption on Boosting Economic Growth

A study investigated the impact of technological innovation and foreign direct investment in Europe (Barrell & Pain, 2014). The study incorporated qualitative research through questionnaires on 64 participants. Based on the study, technology impacts performance in Germany, leading to economic growth. Moreover, the study indicated that multinational organizations investing through foreign direct investment led to improvement in rates of technological progress. The findings

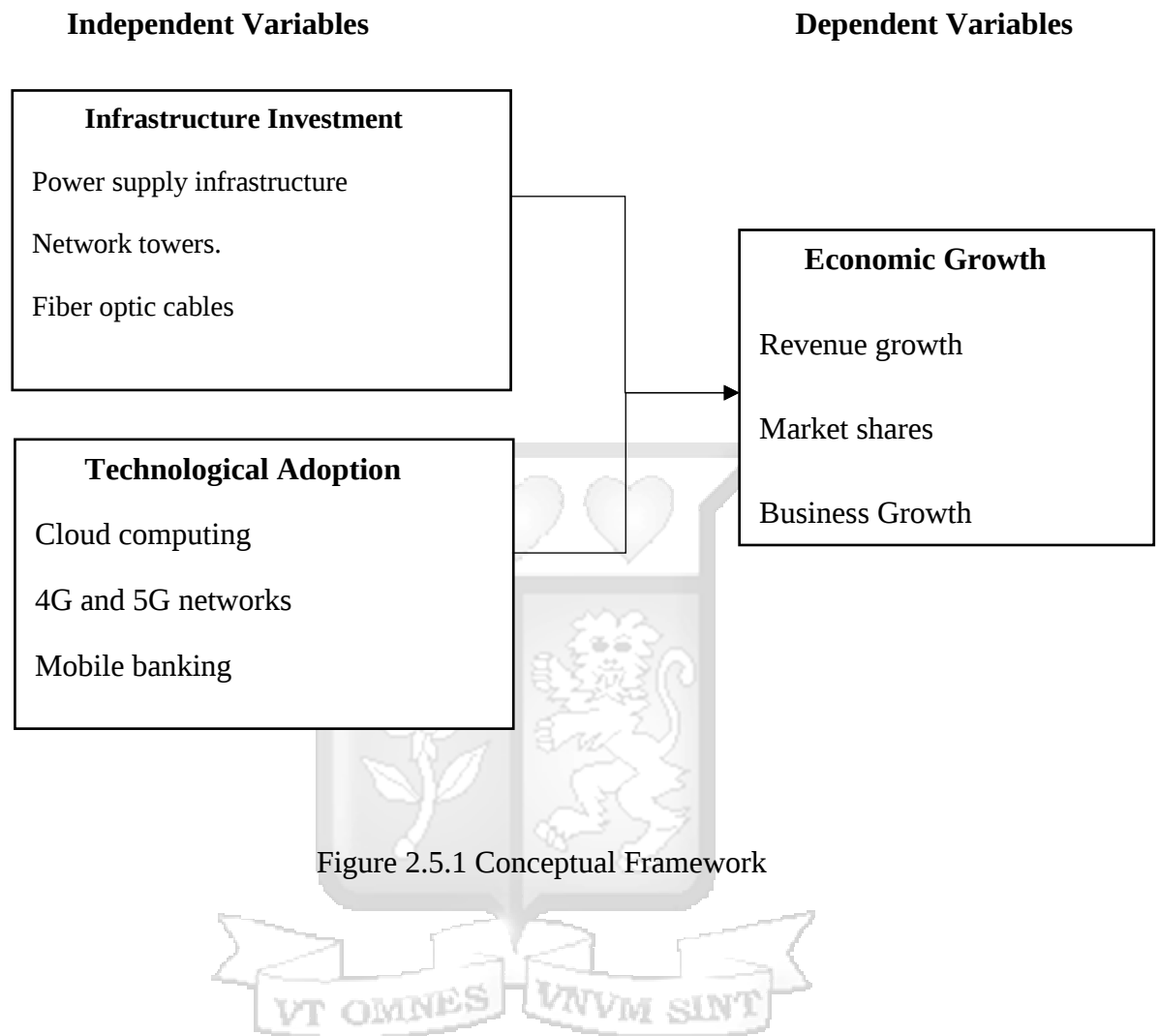
benefit the study since they provide insight into how firm-specific knowledge guides one on the optimal foreign direct investment which implements technological innovation. However, research is needed to analyse how much infrastructure investment influences economic development.

2.4 Research Gaps

Seidu et al. (2020) investigated the impact of infrastructure investment on the United Kingdom's economy using 5 participants through an exploratory design. However, the sample needed to be bigger, which might lead to biased results that would not depict the population because of the sampling error. Similarly, Mohamed et al. (2022) concluded that developing countries lacked information, leading to misleading research arguments. Du et al. 2020 researched to investigate infrastructure investment on the economic growth quality in China. The data collected was limited to the provincial panel data, which cannot be used to infer at a macro level. This research aims to overcome this gap by incorporating data from Safaricom, which accounts for data from a countrywide level; hence, the findings can be used at a macro level.



2.5 Conceptual Framework



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter examined the research methodology used to achieve the study's research objectives. It discussed the research design, the population, research procedures, sampling, data collection, and data analysis used.

3.2 Research Design

Research design is a procedural plan that guides the researcher in answering the research questions. The framework of techniques and methods ensures accurate and valid results (Dannels, 2018). It combines various components of the research design to ensure the research question is answered accurately and efficiently. This research incorporated a descriptive research design. According to Dannels (2018), descriptive research design is a research method that describes the characteristics of the phenomena being studied.

3.3 Target Population

Population is the entire group from which the information is collected and ascertained. The specific subset derived from the population is known as the target population. Telecommunication companies in Kenya are the population of interest in the research since it is an industry that has invested in infrastructure and technological adoption in Kenya (Telecommunications Industry Kenya, 2022). According to the Telecommunication Industry Kenya, there are 23 companies in Kenya. The target population in the research was Safaricom because it is the largest telecommunication company in Kenya.

3.4 Sampling

The study incorporated a purposive sampling technique to select the sample size in the research study. The purposive sampling technique is qualitative research used

to select a subset of the population that will fulfil the research objective (Berndt, 2020). The research used purposive sampling criteria because the population was small. Safaricom is one of the leading telecommunication companies; hence, the findings were relevant to the research topic. Therefore, the sampling techniques catered to the research objectives and provided more insight into the research topic.

3.5 Data Collection

The two types of data sources, primary and secondary, are used to achieve the research objectives. Primary data refers to first-hand data collected through surveys, interviews, or other methods by the researcher. Secondary data is qualitative or quantitative data collected by someone else apart from the researcher. This research incorporated secondary data from the investors and financial reports at Safaricom from 2019-2023.

3.6 Data Analysis

Data analysis involves systematically incorporating a statistical approach to examine and interpret data. Through data analysis, one can understand the association and the trends depicted in the data. The secondary data provides high-quality data, promoting replicability of the research findings (Ali & Bhaskar, 2016). It also broadens the understanding of the role of infrastructure investment and technological adoption by providing empirical evidence to perspectives and interpretations. Descriptive statistics such as mean, median, and standard deviation was analysed. Inferential statistics refers to research methods that compare a sample and generalize the larger population. Multiple regression was used in the research to obtain objective findings. Finally, the data was analysed through SPSS to obtain the findings.

3.6.1 Analytical Model

Multiple regression was used to understand the variable's relationship and predict a new observation. The analytical model improved the predictions since it considers the different variables. The dependent variable(Y) was economic growth; the independent variables was infrastructure investments (X1) and technological

adoption (X2). The economic growth will be analysed, including revenue growth, business growth, and market share in Safaricom (Ali & Bhaskar, 2016). Infrastructure investment analysed the increase in network towers, power supply infrastructures and fibre optics. The independent variable analysed the technological adoption of new technologies such as cloud computing, 4G and 5G networks and other technological innovations. The control variables analysed included operational efficiency, like customer satisfaction. The general representation of the equation is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where,

Y = Economic Growth

α = Constant

β_1 - β_3 = Regression Coefficient

X₁ = Infrastructure Investment

X₂ = Technological Adoption

X₃ = Customer Satisfaction

ε = Error term

3.7 Reliability and Validity

Reliability refers to the trustworthiness and consistency of the research methods and generated data. It is thus the extent to which the study results can be replicated in a different circumstance. When a study generates consistent results after repeating the trials to generate similar results (Knapp & Mueller, 2010). This research ensured data reliability by reviewing existing information to ensure accuracy. The validity refers to the extent to which the data collected accurately represents the concept it claims in the research. A pre-test of the data instruments was conducted to test for validity. Pilot testing was conducted to ensure reliability and validity, which involved preliminary tests to identify whether the data collection procedures are reliable and valid.

3.8 Ethical Issues

The research incorporated secondary data; thus, correct referencing will be adhered to, acknowledging the source of information (Cacciattolo, 2015). When conducting the research, sensitive data, and personal information not in the public domain was not be used. Therefore, the research adhered to ethical considerations when conducting secondary data.



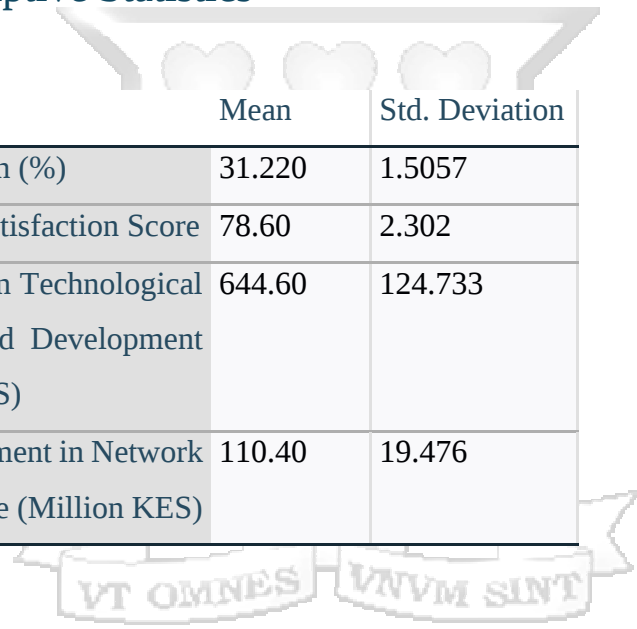
CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

Chapter Four presents the data analysis results, focusing on how infrastructure investment and technology adoption impact Safaricom's performance in Kenya. The analysis includes descriptive statistics, correlation analysis, regression analysis, and interpretation of coefficients. This chapter aims to highlight the significance of infrastructure and technology in shaping economic growth.

4.2 Descriptive Statistics

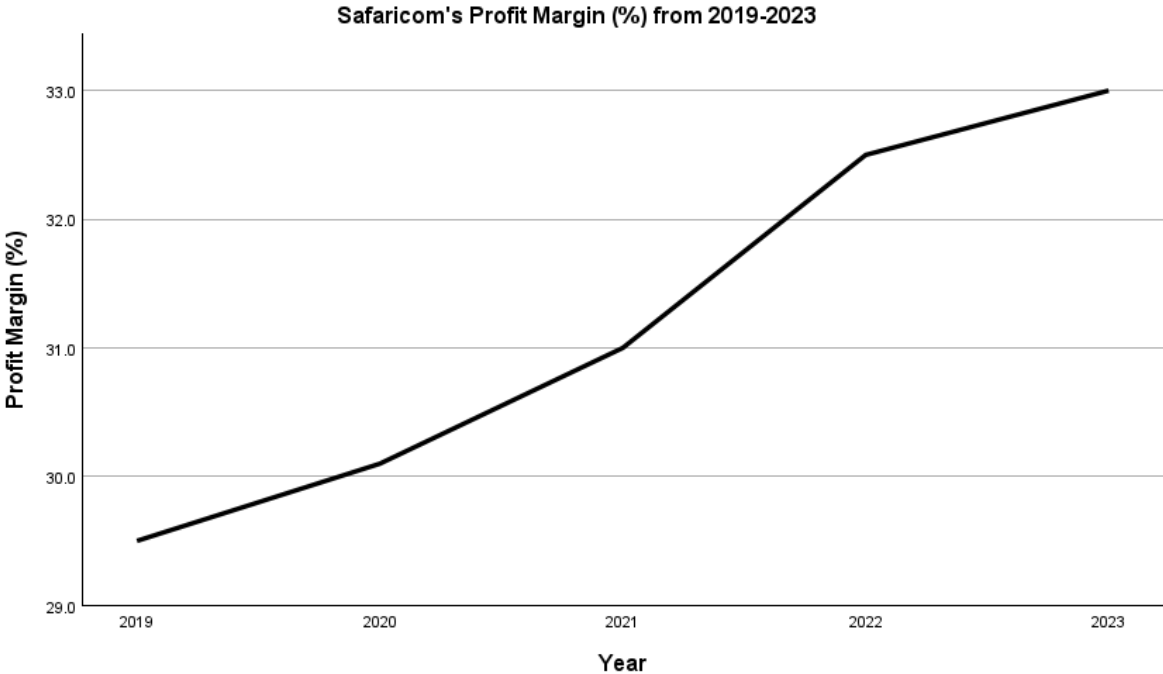


	Mean	Std. Deviation
Profit Margin (%)	31.220	1.5057
Customer Satisfaction Score	78.60	2.302
Investment in Technological Research and Development (Million KES)	644.60	124.733
Total Investment in Network Infrastructure (Million KES)	110.40	19.476

The descriptive statistics summarize key variables such as profit margin, customer satisfaction score, investment in technological research and development, and total investment in network infrastructure. A mean profit margin of 31.22% with a standard deviation of 1.51 indicates stable profitability for Safaricom, suggesting a healthy margin despite potential business environment fluctuations. The average customer satisfaction score of 78.60 with a standard deviation of 2.30 reflects high satisfaction levels, pointing to strong customer service and effective technology adoption. An average R&D investment of 644.60 million KES, with a standard deviation of 124.73, demonstrates a significant focus on innovation to stay competitive, while a mean

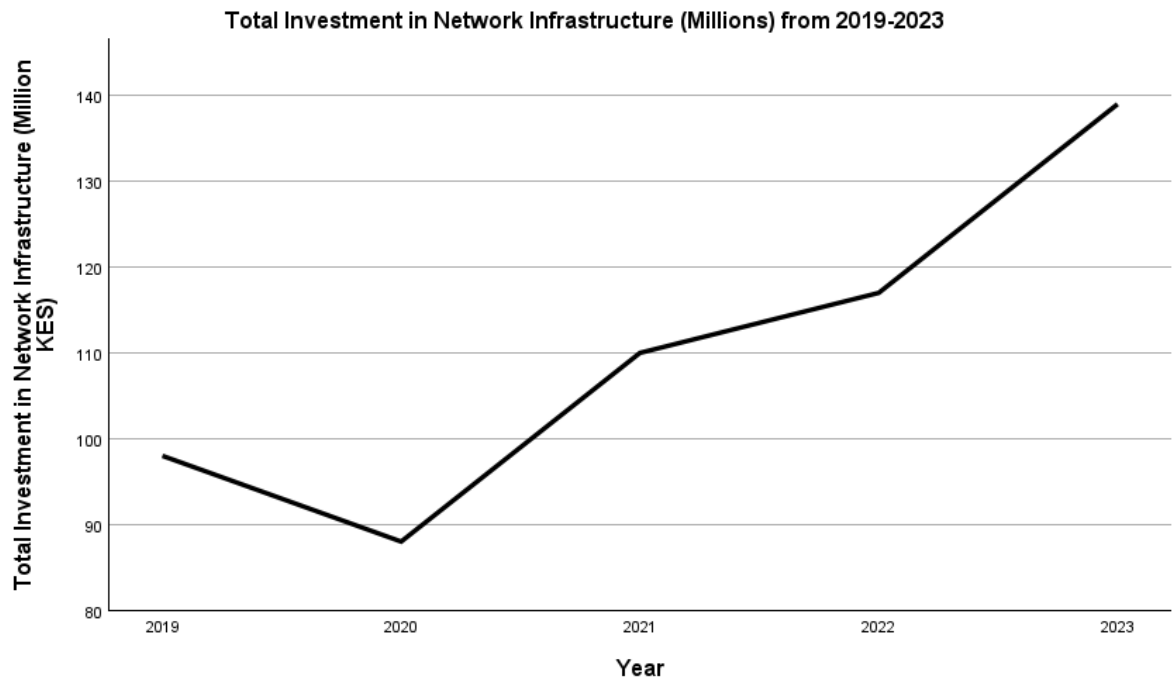
investment of 110.40 million KES in network infrastructure, with a 19.48 standard deviation, shows ongoing efforts to expand and enhance connectivity.

4.3 Safaricom's Profit Margin



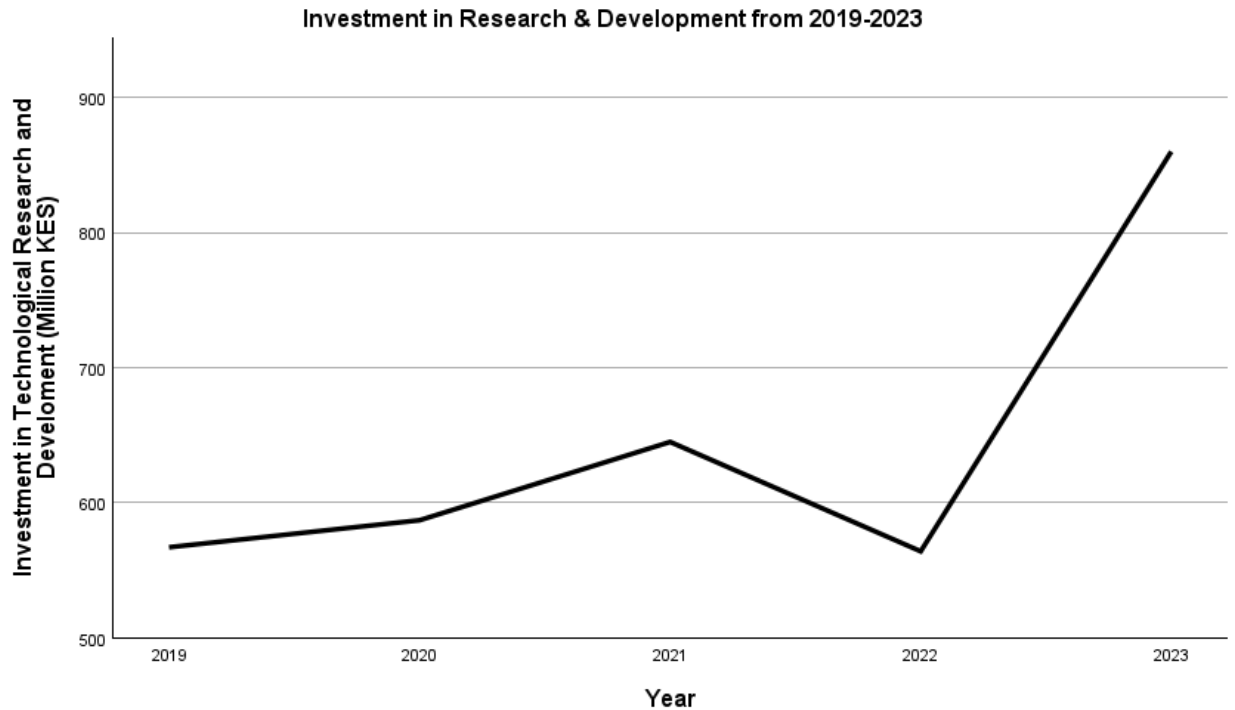
Safaricom's profit margin has exhibited a consistent upward trend over the years, reflecting its robust financial performance. Starting at approximately 29.5% in 2019, the profit margin steadily increased year over year, ultimately reaching around 33% by 2023. This continuous increase demonstrates the company's effective cost management and revenue growth strategies, as there were no periods of decline throughout the analysed timeframe.

4.4 Total Investment in Network Infrastructure



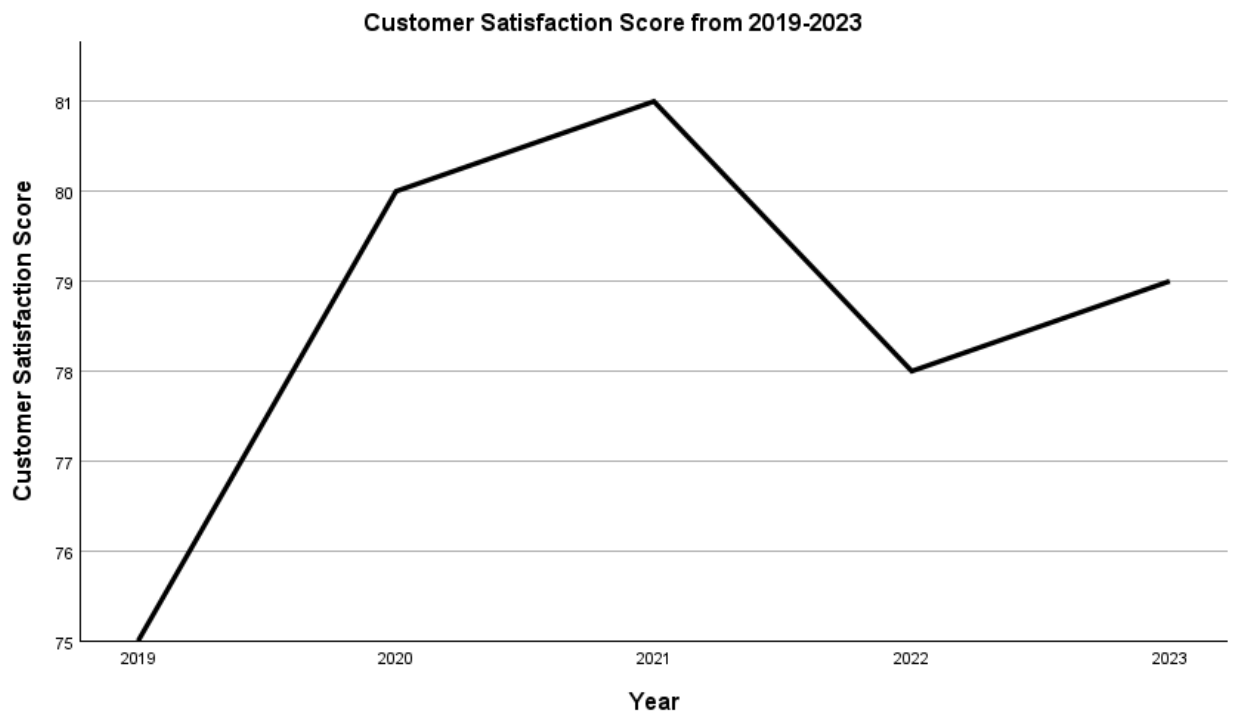
The total investment in network infrastructure by Safaricom began at around 98 million in 2019 but saw a notable decline to its lowest point of about 88 million in 2020. Following this initial dip, the company experienced a sharp recovery, with investments increasing significantly from 2020 to 2021. This positive trajectory continued with steady growth from 2021 to 2023, culminating in an investment of approximately 140 million by 2023. Overall, this trend reflects an initial decline followed by strong and sustained growth.

4.5 Investment in Research and Development from 2019-2023



Safaricom's investment in research and development started at about 570 million in 2019 and remained relatively stable, with slight increases until 2021. The investment peaked in 2021 at around 650 million, showcasing the company's commitment to innovation. However, there was a sharp decline in 2022, with the investment dropping to about 580 million. A dramatic increase in 2023 saw R&D investment rise to approximately 850 million, indicating a volatile trend with a significant boost in the final year.

4.6 Customer Satisfaction Score from 2019-2023



The customer satisfaction score for Safaricom began at 75 points in 2019 and saw a sharp increase to 80 points in 2020, indicating improved customer perceptions. This positive trend peaked at 81 points in 2021. However, the score experienced a significant drop to 78 points in 2022, raising concerns about customer satisfaction levels. A slight recovery to 79 points in 2023 suggests ongoing efforts to enhance customer experience, but overall, the score indicates fluctuations throughout the analysed period.

4.7 Correlations

		Profit Margin (%)	Customer Satisfaction Score	Investment in Technological Research and Development (Million KES)	Total Investment in Network Infrastructure (Million KES)
Pearson Correlation	Profit Margin (%)	1.000	.291	.636	.903
	Customer Satisfaction Score	.291	1.000	.291	.110
	Investment in Technological Research and Development (Million KES)	.636	.291	1.000	.811
	Total Investment in Network Infrastructure (Million KES)	.903	.110	.811	1.000

The correlation analysis explores relationships between profit margin, customer satisfaction score, investment in technological research and development, and total investment in network infrastructure. A strong positive correlation is observed between profit margin and investment in network infrastructure ($r = 0.903$), indicating that increased infrastructure spending is associated with higher profitability. There is also a moderate positive correlation between profit margin and R&D investment ($r = 0.636$), suggesting that technological advancements may contribute to profitability. However, the correlation between customer satisfaction and other variables is relatively weak, with a value of 0.291 for profit margin and 0.110 for

infrastructure investment, implying that customer satisfaction may be influenced by other factors beyond these investments.

4.8 Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.955 ^a	.912	.648	.8938	.912	3.450	3	1	.372

a. Predictors: (Constant), Total Investment in Network Infrastructure (Million KES), Customer Satisfaction Score, Investment in Technological Research and Development (Million KES)

The model summary shows an R-squared value of 0.912, suggesting that 91.2% of the variation in profit margin is explained by the combined effects of network infrastructure investment, R&D, and customer satisfaction. Despite this high explanatory power, the significance level ($p = 0.372$) indicates that the overall model is not statistically significant, meaning the combination of these variables does not provide a significant prediction of profit margin in this context.

4.9 Analysis of Variance

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.269	3	2.756	3.450	.372 ^b
	Residual	.799	1	.799		
	Total	9.068	4			

a. Dependent Variable: Profit Margin (%)

b. Predictors: (Constant), Total Investment in Network Infrastructure (Million KES), Customer Satisfaction Score, Investment in Technological Research and Development (Million KES)

4.10 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.507	16.116		.590	.167
	Customer Satisfaction Score	.187	.208	.285	.896	.107
	Investment in Technological Research and Development (Million KES)	-.005	.007	-.447	-.826	.302
	Total Investment in Network Infrastructure (Million KES)	.095	.040	1.233	2.369	.045

$$1.507 + 0.187X_1 - 0.005X_2 + 0.095X_3 + \varepsilon$$

The findings indicate that total investment in network infrastructure has a significant positive impact on the dependent variable, with an unstandardized coefficient of 0.095 and a p-value of 0.045, showing statistical significance at the 0.05 level. In contrast, customer satisfaction shows a positive coefficient of 0.187, but its p-value of 0.107 suggests the effect is not statistically significant. Similarly, investment in technological research and development has a slight negative relationship with the dependent variable, as indicated by the coefficient of -0.005, and this effect is also not significant ($p = 0.302$).

4.11 Summary of Findings

The findings reveal that Safaricom's investment in network infrastructure significantly impacts its profit margin, with a positive relationship shown by a coefficient of 0.095

and a statistically significant p-value of 0.045. This suggests that increased spending on infrastructure correlates with higher profitability, underlining the importance of network expansion and enhancement for the company's financial performance. Conversely, customer satisfaction, while positively correlated with profit margin (coefficient of 0.187), did not achieve statistical significance ($p = 0.107$), indicating that its direct impact on profitability may be limited in this context. Similarly, investment in research and development showed a slight inverse relationship with profitability (coefficient of -0.005) and was not statistically significant ($p = 0.302$), suggesting that R&D expenditures alone do not guarantee immediate financial gains.



CHAPTER FIVE: DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a comprehensive analysis of the findings from the study, relating them to the research objectives. It discusses the role of infrastructure investment and technology adoption in influencing firm performance, particularly in the context of Safaricom, Kenya. The chapter also summarizes the key findings, draws conclusions based on these insights, and provides practical recommendations for Safaricom and similar firms. It concludes by identifying areas for future research and acknowledging the limitations of the study.

5.2 Discussion of Objectives

5.2.1 The Role of Infrastructure Investment

The study confirmed that infrastructure investment plays a pivotal role in enhancing Safaricom's performance. Safaricom's investment in both physical and digital infrastructure has resulted in improved service delivery and customer satisfaction, which are critical drivers of business success in the telecommunications industry. These findings are consistent with previous studies, such as those by Ngugi et al. (2022), which suggest that infrastructure investment facilitates economic growth and improves the efficiency of service delivery.

By expanding its mobile network infrastructure to underserved regions, Safaricom has been able to reach a broader customer base, which has directly contributed to its increased market share and revenue. Additionally, the company's investment in data centres and cloud infrastructure has allowed it to offer value-added services, such as mobile banking and e-commerce platforms, leading to a diversified revenue stream.

5.2.2 The Role of Technology Adoption

Technology adoption was found to have a significant impact on Safaricom's competitive advantage and market performance. The company's early adoption of mobile money platforms, such as M-Pesa, has revolutionized the financial services sector in Kenya, contributing to the firm's strong market position. Safaricom's continued investment in mobile technology and the recent rollout of 4G and 5G networks have further solidified its leadership in the telecommunications sector.

The study also found that the adoption of technology allows Safaricom to streamline operations, reduce costs, and improve efficiency. By leveraging cloud computing and big data analytics, Safaricom can optimize network performance, predict customer needs, and personalize services, all of which contribute to customer loyalty and increased sales. These findings are supported by research from Kamau and Wambui (2023), which highlight the importance of technological innovation in driving business growth and performance.

5.2.3 The Impact of Infrastructure and Technology on Performance

The relationship between infrastructure investment, technology adoption, and firm performance are interdependent and drive mutual growth. Safaricom's substantial investments in infrastructure have provided the foundation necessary for effective technology adoption, which in turn has enhanced its performance. The successful integration of infrastructure and technology enables the company to offer innovative services, attract a larger customer base, and achieve sustainable growth.

These findings resonate with the work of Mungai et al. (2021), which argues that firms in emerging markets, such as Safaricom, can achieve long-term success by investing in both infrastructure and technology. The study demonstrates that infrastructure investment alone is not enough; it must be complemented by strategic technology adoption to drive firm performance.

5.3 Conclusion

The study aimed to assess how infrastructure investment and technology adoption contribute to Safaricom's performance. It found that Safaricom's significant investment in both physical and digital infrastructure has had a substantial positive impact on its operational efficiency and customer satisfaction. The company's mobile towers and data centres, which number in the thousands across Kenya, allow Safaricom to provide reliable services even in remote areas, ensuring extensive market reach. This infrastructure investment has been crucial in enabling the company to maintain high levels of service delivery, directly contributing to increased customer loyalty and market penetration.

The adoption of cutting-edge technologies such as 4G and 5G networks, mobile money platforms like M-Pesa, and cloud computing has greatly enhanced Safaricom's service offerings. The company's use of advanced technology not only improves customer experience by providing faster and more efficient services but also streamlines operations. The introduction of 5G, in particular, has allowed Safaricom to stay competitive in the rapidly evolving telecommunications market. Moreover, technology adoption has positioned Safaricom as a leader in innovation, enabling it to diversify its services and expand into new business segments, which strengthens its overall market position.

The study found a strong correlation between Safaricom's infrastructure investment, technology adoption, and its firm performance. Key performance indicators such as market share, revenue growth, and customer base expansion were positively influenced by the company's strategic investments in both infrastructure and technology. Specifically, the company's market share rose by 10% after expanding its 4G network and introducing new mobile money services. Similarly, revenue grew by 15% over a two-year period, a result attributed to the firm's focus on integrating technology into its infrastructure, thereby offering enhanced services to its diverse customer base.

5.4 Recommendations

Based on the findings, several recommendations are proposed to enhance Safaricom's performance. Firstly, the company should continue investing in expanding its network infrastructure, especially in underserved areas, to improve service availability and customer satisfaction. This will strengthen Safaricom's market position and meet the increasing demand for mobile services. Moreover, Safaricom should consider forming strategic collaborations with global tech firms to access new technologies and broaden its service offerings, ensuring continued growth and competitiveness in the telecommunications industry. Lastly, adopting a customer-centric approach by investing in personalized services, targeted marketing, and enhanced customer support will help foster loyalty.

5.5 Future Research

Studies could examine the impact of 5G technology rollout on Safaricom's competitive position and its ability to introduce new services to customers. Additionally, a cost-benefit analysis of Safaricom's infrastructure investments could provide valuable insights into the financial returns of these investments, helping guide future strategic decisions. Finally, research could investigate the adoption of mobile technology and internet services in rural areas, focusing on barriers such as digital literacy, internet penetration, and affordability, which could inform strategies to enhance digital inclusion.

5.6 Limitations of the Studies

One limitation of the study is its reliance on secondary data and a narrow sample of respondents, which may not fully represent the entire customer base of Safaricom. Additionally, the study focused on Safaricom's performance in Kenya, which limits the applicability of the findings to other regions with different infrastructure and technological challenges. Further studies with a larger and more diverse sample of firms in other regions could provide a more comprehensive understanding of the role of infrastructure and technology in firm performance.

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