

**CUSTOMER PERCEPTION ON M-PESA SERVICES: A CASE STUDY OF  
KITENGELA AND ATHI RIVER TOWNSHIPS**

**BY**

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## **DECLARATION**

### **STUDENT'S DECLARATION**

I, the undersigned, declare that this is my original work and has not been submitted to any other college, Institution or University for the award of any degree or academic credit.

Signed\_\_\_\_\_

Date\_\_\_\_\_

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### **SUPERVISOR'S DECLARATION**

The project has been submitted for examination with our approval as the appointed University supervisor.

Signed\_\_\_\_\_

Date\_\_\_\_\_

**Dr. J.M. Munyoki**

## **DEDICATION**

I dedicate this publication to my dear parents Jacob and Phoebe for their inspiration and friends who have given me great support to carry out this research project.

## **ACKNOWLEDGEMENT**

I first thank the Almighty God for providing me with the opportunity to pursue the degree. To my parents who have always encouraged and showed me the benefit of acquiring knowledge and have sacrificed whatever they have to make sure that I attain the best. My exceptional thanks go to my sister Rebecca who continually encouraged me and was always there to assist me in editing this particular project.

Special thanks go to my supervisor Dr. Munyoki for his guidance throughout the period of writing the project.

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## **ABSTRACT**

Perception is the process, by which one selects, organizes and interprets information inputs to create meaningful picture of the world (Kotler and Kevin, 2007). Due to the high cost in money transfer especially in the formal financial sector such as commercial banks and Western Union, which require both sender and recipient to hold accounts and maintain minimum balances in these accounts, pay ledger fees and other charges, people have been looking for cheap means of receiving, sending and saving money without incurring huge cost associated with registered financial institutions. This is the market need that M-Pesa, Safaricom Ltd's money transfer service sought to fill since its inception. Since its roll-out in Kenya, M-Pesa market penetration has been due to the creation of a highly popular, affordable payment service with only limited involvement of a bank. The study sought to find out the M-Pesa customers' perception of the service and the challenges they encounter in using the service.

The study took on a descriptive study design on a target population comprising of 50 M-Pesa outlets in Kitengela and Athi river townships and a sample size of five M-Pesa customers were selected from each using simple random sampling technique. The study used semi-structured questionnaires. Descriptive statistics was used to analyze the data through the use of Statistical Package for Social Science (SPSS) and the data presented in frequency distribution tables to measure dimensions with the highest concentration and bar charts while the explanations were presented in prose.

The study found out and concluded that M-Pesa customers perceive the service as easily accessible, made bills payment easy, improved the living standards of people, has safe and secure transactions, are very fast in terms of transaction as compared to other forms of money transfer and are easily adaptable. The study recommended that Safaricom should train the vendors at the M-Pesa outlets on customer/market orientation, establish more customer care centers and ensure that the M-Pesa outlets have enough money so as to minimize the inconvenience caused to customers.

# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background of the Study**

### **1.1.1 Technological Advances and Its Impact**

Technology according to Etzel, Walker and Stanton (2007) has a tremendous impact on our lifestyle, our consumption patterns, and on economic well being. Technological break through can affect markets in three ways; by starting entirely new business, altering or destroying existing industries like now M-Pesa killing banks and by stimulating markets and industries not related to the new technology.

Advances in technology also affect how marketing is carried out. For example, breakthroughs in communications now permit people and organization to transact business from almost any location at any time of the day. Due to changes in the market place and for company's to survive they must change so that they may cope with the dynamic environment. They may use strategies like market orientation, reengineering, outsourcing and benchmarking among others. (Kotler and Kevin, 2007).

It is also important to note that customers are time pressed preferring for example to visit the bank and other service providers as few times as possible. Marketers are now faced with the responsibility of coming up with innovative ways of doing things in a standard way. There are adoption of market focus strategies especially for organizations which are seen to concentrate on customer needs and other competitive activities.

According to Lovelock & Wirtz (2004), managers from various service businesses apply the strategy of value for money, service quality, the customer and or convenience for them to be able to compete effectively. In a highly competitive environment there is a risk that customers will perceive little real difference between competing alternatives and making the right choices based on factors like cost, time, accessibility, and flexibility among other factors. Positioning strategy is basically concerned with maintaining distinct

differences that will be noticed and valued by those customers whom the company want to maintain a long term relationship. These companies target customers' preferences and the characteristics of their competitor's offerings.

### **1.1.2 Customer Perception**

Perception is the process by which we attribute meaning to an incoming stimuli received through our five senses. (Kibera, 1988). According to Kotler & Kevin (2007), perception is the process, by which we select, organize, and interpret information inputs to create meaningful picture of the world. This depends on physical stimuli and the stimuli's relationship to the surrounding field and on conditions within each one of us. Perception affects the consumers' actual behavior. Each consumer is affected differently due to three perceptual processes; these are; - Selective attention, Selective distortion, and Selective retention.

Selective attention means that marketers must work hard to attract consumers' notice. This will be through several adverts and the real challenge is to explain which stimuli people will notice. Selective distortion is the tendency to interpret information in a way that fits our preconceptions. Consumers will often distort information to be consistent with prior brand and product beliefs and expectations.

Finally, Selective retention can be explained by the way most people don't remember much of the information exposed but do retain information that supports their attitudes and beliefs because of selective retention. People are able to remember good points about a product they like and forget good points about competing products. It is therefore, important for marketers to use repetition to make sure that their message is not overlooked. (Kotler & Kevin, 2007)

### **1.1.3 Perception and Expectation**

Customer perceptions according to Zeithaml (2003) are subjective assessment of actual service experiences. Consumer expectations are the standards or reference points for

performance against which service experiences are compared and are formulated in terms of what a customer believes should or will happen. In evaluating service quality customers compare what they perceive they get in a service encounter with their expectations of that encounter.

A customer gap according to Williams and Curtis (2008) is the gap between the customer expectation and customer perception. This gap analysis is something which needs to be monitored and considered in terms of filling or bridging the provider gaps which includes; not knowing what customer expect, not selecting the right service designs and standards, not delivering to service standards, and not matching performance to promises. Sources of customer expectations consist of; pricing, advertisements and sales promotion which can be controlled by the marketer. Others which are not controllable includes; word-of-mouth communication and competitive offerings.

In a perfect world, expectations and perceptions would be identical i.e. customers will perceive that they receive what they thought they would and should. Therefore, customer satisfaction and customer focus is important for competing firms and this will mean clear understanding of its customers for it to deliver quality service. (Ibid)

#### **1.1.4 Customer Satisfaction**

According to Kotler & Kevin (2007) a company needs to measure customer satisfaction every now and then, because one of the key factors to customer retention is customer satisfaction. A highly satisfied customer stays loyal longer, buys more as the company introduces new products/ services, talks good about the company and its products, pays less attention to other competing brands, and is less sensitive to price, offers products/ service ideas, and it costs less to serve them. While a dissatisfied customer will bad mouth the company and its products or its services.

According to Zeithaml & Bitner (1996) understanding customer behavior lies at the heart of the marketing which implies that any company that understands its target market in terms of the consumer behavior is more likely to do a better job in customer satisfaction

which is a core function of marketing. Customer satisfaction is the key to customer fulfillment response. It is the judgment that a product or service feature or the product or service itself provides a pleasurable level of consumption related fulfillment.

Customer satisfaction can be expressed as a feeling of fulfillment, contentment, pleasure, delight, relieve or ambivalence. It can be determined by; service features, consumer emotions, attribution to service success or failure, and Perception of equity of fairness to the customer. (Ibid)

Service features for M-Pesa include; privacy, cost, helpfulness, and or accessibility. Consumer emotions include positive frame of mind that may result in a favorable evaluation of a service, negative emotion like regrets may result in diminished satisfaction. Attribution to service success or failure is the perceived causes of an event which can be attributed to the producer or the customer. Perception of equity of fairness to the customer is critical to customer perception or satisfaction with the product or service. The outcome of customer satisfaction will be connected to customer loyalty. (Ibid)

According to Aaker (1996) the loyalty of customers is a core dimension of brand equity. Therefore, its very important for a company to build a strong brand name like Kadok, Ford, IBM etc. now Safaricom has M-Pesa, Zain (Zap), Telkom (orange money), Western Union all are competing for the same market.

#### **1.1.5 Concept of Money Transfer Services**

M-Pesa denotes two words; that is, M for mobile, Pesa is ‘Swahili’ word to mean ‘money’. It is the product name of a mobile-phone based money transfer service that was developed by Sagentia (later transferring to IBM in September 2009 for Vodafone. The development was initially sponsored by the UK-based Department for International Development (DFID) in 2003 to 2007 (Vodafone, 2007)

The initial concept of M-PESA was to create a service which allowed microfinance borrowers to conveniently receive and repay loans using the network of Safaricom airtime resellers. This would enable microfinance institutions (MFI's) to offer more competitive loan rates to their users, as there is a reduced cost of dealing in cash. The users of the service would gain through being able to track their finances more easily. When the service was tried, customers adopted the service for variety of alternative uses and complications arose with 'Faulu', the partnering microfinance institution (MFI) (Njenga, 2009).

M-Pesa was re-focused and launched with a different value proposition that was, sending remittances home across the country and making payments. M-Pesa is a branchless banking service, designed to enable the users to complete basic banking transactions without the need to visit a bank. (Ibid)

#### **1.1.6 M-Pesa Services in Kenya**

The continuing success of M-Pesa, in Kenya has been due to the creation of a highly popular, affordable payment service with only limited involvement of a bank. The platform is currently operationally run by IBM Global Services on behalf of Vodafone. Safaricom uses SIM toolkit to provide handset menus for accessing the service (Sander, 2008)

M-Pesa Customers can deposit and withdraw money from a network of agents that includes airtime resellers and retail outlets acting as banking agents. M-Pesa is operated by Safaricom a Mobile Network Operators (MNO) which is not classed as a deposit-taking institution like banks. So, it is not under the banking service. The service enables its users to; Deposit, withdraw money, pay bills, deposit money into ones bank account like the NIC Bank, transfer money to other users and non-users, and Purchase airtime.

The service currently has over 2.7 million customers and over 4,000 Agent outlets countrywide. Safaricom launched the electronic money transfer service in partnership

with Vodafone. To date the service has facilitated the transfer of KES 23 billion between customers (Hogarth, 18/03/2009).

The service does not require users to have a bank account; an important aspect in Kenya, where millions of people do not operate bank accounts. With M-Pesa, account holders can buy electronic funds at an M-Pesa agent and send the electronic value to any other mobile phone user in the country, who can then redeem it for conventional cash at any M-Pesa agent. M-Pesa customers can hold up to KES 50,000 in their M-Pesa account at any one time, and can do transactions of up to KES 70,000 in a day. Between KES 100 and KES 35,000 can be deposited, sent or withdrawn per transaction. (Kabbucho, Sander, and Mukwana, 2008)

M-Pesa was first launched by the Kenyan Mobile Network Operators, Safaricom, and an affiliate of Vodafone. In March 2007, M-Pesa quickly captured a significant market share for cash transfers, and grew very fast, capturing 6.5 million subscribers by May 2009 with 2 million daily transactions in Kenya alone. (Hughes and Lonie, 2007)

The growth of the service forced formal banking institutions to take note of the new venture. In December 2008, a group of banks reportedly lobbied the Kenyan finance minister to audit M-Pesa, in an effort to at least slow the growth of the service. This ploy failed, as the audit found that the service was robust. (Ibid)

#### **1.1.7 M-Pesa Services in Kitengela and Athi River Townships**

Kitengela and Athi River are towns which are seen to be growing very fast; this was noted by the presence of M-Pesa service businesses evidenced by the number of M-Pesa outlets which were almost in every corner of the towns. Both Kitengela and Athi River had over 90 outlets which were all registered and active in terms of their daily operations. (A list of the M-Pesa outlets is attached at the end, as appendix 1)

Kitengela and Athi River are peri-urban towns located within the Nairobi metropolis, they were chosen by the researcher since they are cosmopolitan sub-urban areas where



there was a blend of the traditional African lifestyle and the most affluent lifestyle in the country. The development in technology has led to the emergence of other alternatives that cannot be compared to the original methods of money transfer like the use of postal orders, money orders, and or normal banking, which normally takes time to reach the recipient. The introduction of mobile phones in the market has brought some new dimensions in the money transfer services.

In the previous days, the traditional modes of money transfer were found only in relatively big towns. However, because of changes in technology, today even the smallest shopping centre in Kenya has at least one M-Pesa vendor. This has made these services accessible to all people including those in rural areas. The development in technology has enabled the whole world to be connected from the biggest cities to the smallest village in the rural areas. (Vodafone, 2007)

## **1.2 Research Problem**

Due to the high cost in money transfer especially in the formal financial sector such as commercial banks and, Western Union, which require both sender and recipient to hold accounts and maintain minimum balances in these accounts, pay ledger fees and other charges; This research aimed at finding out how customers perceive and respond to the use of M-Pesa services and the challenges which may affect customers when they are utilizing the M-Pesa services.

A number of studies had been done in Kenya on the responses to challenges encountered in restricted banking hours and accessibility to the banks and other money transfer institutions, for example; Maina (2000) focused on, perceived quality and value preposition but failed to study the response of consumers while utilizing the service. Another study done by Odhiambo (2003) focused on factors that influenced customer satisfaction and services offered by mobile firms but failed to focus on one product or service to find out the exact reaction of the customers on the effectiveness of such a product / service.

Gitari (2006) focused on the challenges organization face in meeting consumer expectations but there was no documented research data available to show people's response to the new facility of accessing their money through their mobile hand-sets beyond normal working hours, easily and almost everywhere. The above study still focused on perceived quality and value proposition but failed to focus on consumer perception on a certain product offered by mobile company i.e. M-Pesa since its introduction in March 2007. Although extensive research had been carried out to establish how the banking sector responded to the challenges of the changing environment, no research had been done on the response of the consumer of the M-Pesa services.

It was against this background that the study sought to identify customer's perception about the M-Pesa services and the challenges faced while utilizing the service. So far no in-depth study had been carried out on perception of consumers of M-Pesa services and this therefore brought to light the underlying study gap.

The study sought to address the following questions:

- i. How do consumers perceive the M-Pesa services?
- ii. Do customers face challenges while utilizing M-Pesa services?

### **1.3 Research Objectives**

The main objectives were:

- i. To find out the customer perception on the M-Pesa services in Kitengela and Athi-River townships
- ii. To establish the challenges the customers face while utilizing M-Pesa services

#### **1.4 Importance of the Study**

The study was vital to Customers; this was because it brought to light the role of the M-Pesa services and therefore assisted them in making informed decision on the way forward.

To the retailers; it provided ways of establishing new opportunities for diversification for them to be able to compete effectively and make more profits.

To the general public; it gave them insight information on the new developments in the electronic industry and enabled them to utilize them effectively and efficiently

For the academicians; the study added to the scope of knowledge and therefore scholars were able to use the findings as a basis for future research.

To both the existing and new players; it acted as a frame of reference to existing players in the money transfer industry and guidance to new players.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The chapter presents the theories and concepts advanced by researcher and authors on customers' perception on services especially M-Pesa Services. The chapter is structured into customers expectation, customer perception, overview of M-Banking, how mobile-based services may infuse money into developing world and challenges customers face in utilization of services.

### **2.2 Customer Expectation**

The service sector in Kenya and globally is growing at a tremendous rate and every year new aggressive and excessive rate innovative players enter the sector with new standard ways of doing things. It is therefore, important for every business to understand the kind of business they are in. This will enable the organization to understand what customers want to buy for their consumption. In such a case all businesses should apply the marketing concept which is based on the premise that, marketers first identify consumer needs and develop a product or service that meet the needs of such customers. (Kotler and Kevin, 2007).

This will call for the firms to conduct marketing research to understand customer expectations and their behavior (Zeithaml and Bitner, 2003). Finding out what customers expect is of the essence to providing quality service and understand customer expectation and perception of services. Firms that carry out marketing research but fail to tackle the topic on customer expectations fails to know what is needed of them to stay in tune with changing customer requirements.

### **2.3 Perception Concepts**

According to Chisnall (1975) cognition refers to the mental processes of knowing, perceiving and judging which enables an individual to interpret the world about him or her. Persons, objects, and events are perceived by an individual who endeavors to make sense of the stimuli to which he or she is exposed.

According to Ashford and Beamish (2008) the nature of physical stimuli tends to influence the degree of perception for example, an ordered array of objects on display or a sudden loud noise are almost sure to attract attention. The senses are stimulated by an expected or unusual objects or events. In a fairly predictable routine of everyday life, an individual tend to seek variety and change. Perception has been described as ‘to observe through the senses and a model is as “to perceive is to see, hear, touch, taste, smell, and to sense internally something, some event or come relation”

Chisnall (1975) asserts that personal factors modify the effect of the various physical stimuli which influence perception. Behind every act of perceiving, is the individual’s past history or experience. Previous experience has built up a relatively stable cognitive organization within the individual which determines the meaning of a particular percept.

Perception is subjective; this means that an individual tends to interpret information according to his or her existing beliefs, attitudes, and general disposition, for instance, warning against the dangers of smoking which have to be included by government order on advertisement and packaging of cigarettes in Britain. The same message may be interpreted quite different by individual consumers although within defined social and cultural groups similar reactions may be expected. (Ibid)

According to Kotler & Kevin (2006) perceived differences in products may not necessarily depend on intrinsic qualities. Consumers evaluate products against the background of their experiences, expectations, and associations. Perception is seldom an objective, scientific assessment of the comparative values of competing brands of a

product. It is a personal interpretation of the information about a specific product which has been successful in attaining a level of significance in a particular consumer's mind. Marketers are interested in perception because it involves what consumers believe.

Kibera (1988) argues that what excites our senses and gets our attention today may have no effect tomorrow. People adapt to stimuli and they become familiar with them, but when changed to depart sufficiently from prior experience, it can again arouse attention. There are two perceptive concepts: - self image and perceived risk.

Self image is believed to affect one's choice of products. Many times consumers might favor those products or brands perceived as best representing his or her self image. Perceived risk is subjective rather than objective. It reflects the amount of uncertainty a consumer feels is inherent in a purchase decision. A consumer's perceived risk in a purchase decision may either be functional, that is; whether it will satisfy one's needs or whether it will work. It may also be economic, that is; whether one will get value for his or her money, and finally it may be psychological, that is; how will others react to one's purchase.

Consumers try to reduce risk by obtaining additional information from mass media, advertising, friends, relatives or acquaintances. Other information may be got by remaining loyal to a brand they have already used. Consumers may also be supplied with information to reduce risk, for if the consumer remains loyal to some brand and avoids trying the product a potential customer may be lost.

## **2.4 Overview of M-Banking (Mobile Banking) and M-Payments in Kenya**

Apart from transferring cash, this service is in demand among Kenyans supporting relatives in rural area. Customers of the Safaricom network are able to keep up to Ksh.50 000 in a virtual account on their handsets.

M-Pesa is simple and does not need one to have a new handset or SIM-card to send money since one needs to hand over the cash to a registered agent (retailer) who credits

your virtual account. One can send and receive between ksh.100 to 35 000 via text message to the desired recipient even someone on a different mobile handset who cashes it at an agent by entering a secret code and proper Identification. Customers can access fast, affordable and convenient services whenever they are (Vodafone, 2007). The M-Pesa operators' act as cash in/ cash out points, rather like a human ATM. They then buy and sell this e-money and for each transaction they earn a commission.

The mobile banking solutions includes; the 'M-Pesa' in Kenya and 'Wizzit' in South Africa. Mobile banking is becoming more and more common in African countries. In South Africa, more than 11 million people live with cash only. 600 million people in Africa do not have access to basic financial services which is hard to be an economic citizen (Vodafone, 2007).

Wizzit as a mobile banking solution has a motto which is "banking the un-banked". Wizzit has no opening fees, and though it is linked to a bank account, the customer does not actually need to go to a bank. The only challenge is recruiting new customers which are largely through word of mouth. 12 billion rand is under mattresses in South Africa, if that kind of money is out, the impact on the economy would be enormous. (Hogarth, 18/03/2009)

A survey carried out by political economist (Alex Comninos) focusing on sub-Saharan Africa pointed out that, the potential for mobile banking's growth in South Africa was that, there are far more people with mobile phone than bank accounts. The un-banked often think that because they do not have regular income they cannot have bank account. Many people have no collateral in South Africa, many live on land they do not own and no transaction histories. Due to poor infrastructure, banks can be inconvenient (Ibid).

The research continued to show that many current m-payments solution, though unlikely to draw in the un-banked, are useful to the currently banked. The mobile phone adds a new channel by which the banked can do their banking. They use m-payment solutions mainly for larger transfers. By turning to future possibilities for m-banking in Africa

many use airtime as currency. The ability to use airtime as currency only works with a network effect which needs wide acceptance. Right now, remittances from abroad are mostly received from bank accounts, not through mobiles (Ibid).

It is seen that the un-banked will use n-banking services if there are no transaction costs and if doing so is convenient. Serving the un-banked profitably and sustainably requires a radically different approach than regular banking. It is seen in Kenya that there is a swapping of virtual currency between Zain, Safaricom, and Telkom Kenya. A cashless society exists through airtime plus virtual currency.

#### **2.4.1 Uses of M-banking**

M-banking can be used for person to person (P2P) transfers including remittances or disaster response; payments such as utility bills, airtime, microfinance, and loans; disbursements such as payroll, government benefits, or NGO operations; and incentives for health or education (Hughes and Lonie, 2007).

Since banking is highly regulated, the barriers to entry are massive. Doing m-banking requires marketing, education, changing behavior, and growing trust, and that it is a margin business, so volumes are needed. M-Pesa is now integrated with ATM's (Automated Teller Machines) and that a user can send an instruction and receives money from an ATM. There are three models for m-banking i.e. the technology-led model, the telecom-led model (such as M-Pesa), and the bank model, which is based on creating another channel for existing business. (Ibid)

Telecommunication, care about transactions than income. When thinking of m-banking business opportunities. They are stepping in as transaction agents, lending are also evolving from mobile transactions which are an extended road. For users, m-banking advantages include; a safer way to carry cash, a way to track savings, and formal integration into traditional banking as the next step, for example Wizzit of South Africa has now student loan (Vodafone, 2007).



People should not hung up on the word ‘bank’ and that they should look at the social and cultural impact of these transactions and to let users design the systems. For users, m-banking provides safety, convenience, and are cheaper in cost. M-banking has psychological benefit in that people feel part of larger financial networks.

On the other hand m-banking has its bad side which include; for instance, the cash in or cash out is difficult because of regulatory issues this will lead to interoperability. There is also different model with m-banking, the users can easily switch, or change SIM cards. From a cultural stand point, m-banking provides amplification effects, that is, people do more of what they are already doing and change effects for example; women can control savings more. There is also the issue of spending too much time in front of a phone which has more possibilities to spend too much. Also acceptance of infrastructure can be problematic that is money flows from the educated to the low-educated. M-banking may strain our inclinations to talk face-to-face. There could be family strains. M-banking may encourage families to live separately because it is easier to transfer money. In the earlier history of banking, central bank evolved because one could only redeem currency at the issuing bank and that caused rigidities (Safaricom, 2009).

## **2.5 How Mobile-Based Services May Infuse Money into Developing World**

According to the world news, (Kabbucho, Sander and Mukwana, 2009), people are already sending cash to loved ones through their mobiles phones, for example from Miami to Manila to Mombasa. These are early days but mobile transfer could eventually mean big business, even if it captures just a silver of the global remittances business which the World Bank expects to reach \$318 billion this year. Research firm information estimates that globally there are now more than 3.3 billion mobile subscriptions and both are set to rise.

So far, mobile based remittances have caught on in places where banking services are hard to come by. For instance, M-Pesa allows for money transfer via SMS within Kenya. If a worker in Mombasa needs to get \$3 to his or her rural relatives, he can text it instead

of riding six hours on a bus to hand it over. The relative can collect the money by bringing their phone to any small shop or petrol station that acts as M-Pesa agent (Hughes and Lonie, 2007)

It is unlikely that such a service would have taken off in Europe or the United states, where banking alternatives are already in place. But combine the rarity of banking services with the growing prevalent of cell phones and much to the surprise of those focused only on developed markets; Africa is leap-frogging ahead of Europe in the area of micro-payments.

For customers using M-Pesa beats visiting a Western Union branch on three counts; one: transaction fees are far less, two: no need to wait in hue lines, and finally, the receiver knows instantly the money has arrived. However, Western Union is eyeing mobile based transfer, as well. It is by far the dominant player in global remittances operating in 200plus countries and tallying \$4.5 Billion in revenue last year (Hughes and Lonie, 2007).

Remittances might just be one feature in a broad array of mobile-baaed financial services that are particularly suited for the developing world. Banks have traditionally struggled to find a profitable business model in impoverished areas, where the cost of operating a branch office usually outweighs whatever profits it can achieve. Yet there is increasing evidence that the availability of financial services correlates strongly with economic growth and poverty alleviation.

The Cell phone is important because it can offer bank-like services without the need for expensive branch offices. A mobile wallet can become a virtual bank account for the unbanked. Salaries or government benefits might be deposited directly into mobile wallets where they could be stored until needed for withdrawal or transfer.

Mobile-based financial services could lead to a fundamental shift in the ‘access frontier’ for low-income people looking to get banking services. This would allow them to manage

their affairs better and put safely under their family, build assets for the future and even start new businesses and grow their income (Hughes and Lonie, 2007).

## **2.6 Challenges Customers Face in Utilization of Services**

Zelthaml and Bitner (2003) argue that Service providers, such as hotels, airlines, or car rental companies, face great challenges when marketing their services. With regard to service characteristics such as intangibility or perishability, customers face higher risk when purchasing services than they do with tangible products. The lack of physical evidence makes it difficult for customers to evaluate services before purchase, and thus assess the quality and the value of a service. Furthermore, since services cannot be stored, service providers use multiple pricing and distribution strategies to sell a given inventory before it perishes. The consequence is that the customer often finds different rates for the same service across different distribution channels.

Lovelock, Wirtz and Chatterjee (2004) asserts that, the customer might be uncertain about the service provider's offered price compared to the market. Consequently, information asymmetry occurs because the service providers possess information on service quality and price level that the customer does not have. To overcome this information asymmetry, service providers can send signals such as brand names and best-rate-guarantee. One of the central questions that service providers face when sending signals is whether their signals successfully reduce customers' perceived uncertainty. And, how can service providers measure the effectiveness of risk-reducing signals?

Assail (1998) describes a service as performance rather than a thing when customers purchase a tangible product. A service performance is therefore intangible and fleeting; they are experienced rather than owned. According to Schiffman and Kunuk (1992), a customer will not be satisfied with at least some of the services they receive. Therefore, they face major challenges and this may affect the sales of a particular company due to boycott of such services.

Williams (1997) asserts that consumer face many challenges while utilizing a service. The challenges include; service failures, pricing which they feel it is unfair, waiting to be served which may take unreasonable time, core service failure for example service mistakes or billing errors, service encounter failures like the service provider not caring, impolite, unresponsive or unknowledgeable. These according to Hawkins, Best, and Coney (1998) leads to customer switching behavior.

According to Hogarth (Personal Communication, March 18, 2009), feels that the experience of Mobile Money, which has now been in operation for about three years, illustrates the problems of the m-banking sector across Africa to date. Far from reaching the unbanked, m-banking services have largely been targeted at existing customers, and even in this case take-up rates have been low. Moreover, active use of accounts has tended to drop off and most customers limit their usage to airtime top-ups and person-to-person payments.

There is the challenge of Complex transactions according to Christina (Personal Communication, June 10, 2008). Despite the considerable technological advances in the past decade, using a mobile handset to conduct transactional banking remains considerably more complex than using an ATM. Easier technology and more customer education would be required for m-banking to develop mass appeal.

Also regulatory compliance, in developing new financial payments systems, cell phone operators have escaped the regulatory burden faced by banks because they do not, strictly speaking, take deposits. Any attempt by cell phone operators to move beyond cash transfers or purchases of prepaid products into providing a wider range of financial services would encounter this regulatory burden. According to The key challenge, it will be to develop regulations that are proportionate to the risk. The regulations must provide sufficient consumer protection, while at the same time permit innovation and scaling-up of mobile financial services that are potentially very valuable to low-income clients. (Ibid).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the methods and procedure that was used to carry out the study. It includes; the research design, sample size and sampling design, population, data collection, and data analysis techniques.

### **3.2 Research Design**

This was a descriptive survey design. According to Chisnall (1981) descriptive survey study aims in providing the marketer with better understanding of a particular issue or problem. Brassington and Pettitt (2003) describes descriptive research as concerned with the what, where, when or how much of the phenomena. In this case the researcher is fairly knowledgeable about the key aspects of the phenomenon but has little knowledge regarding the characteristics nature of details. This is designed at providing a better way of understanding of marketing problems through presentation of both qualitative and quantitative data. According to Cooper & Schilndler (2003), a descriptive survey study aims at generating knowledge that may be used to describe or develop a profile of what is being studied.

### **3.3 Population**

The population of interest comprised the key outlets who offered M-Pesa services in Kitengela and Athi river townships. They were selected because they handled relatively huge traffic flows of customers. The customers were then be picked from the outlets and interviewed randomly after they perform their transactions. There were about 94 outlets in the areas covered.

### **3.4 Sample Size and Sampling Design**

Fifty outlets out of the entire population were selected through convenience sampling and the respondents (customers) interviewed at the outlets as they transact their daily businesses. The M-Pesa Operators acted as a link between the customer and the researcher during the transaction process. They were picked randomly at each outlet point within the two towns. The researcher picked at least five customers from each outlet. Simple random sampling was used to select the respondents to avoid personal influence in the selection of the individuals to be interviewed. These avoided biasness which could have creep into the process and hence gave more comprehensive information in to the study.

### **3.5 Data Collection**

The study collected primary data using a semi-structured questionnaire. The questionnaire comprised of three sections; Section one discussed about the demographic information of the customer, section two addressed the customer perception of the M-Pesa services, and section three discussed the challenges the customers face while utilizing M-Pesa services.

The respondents were those customers who transacted and were registered M-Pesa holders. A questionnaire was administered by use of both personal interview method and ‘drop and pick’ methods.

### **3.6 Data Analysis Techniques**

Descriptive statistics was used to analyze the data. The quantitative data was analyzed using Statistical Package for Social Sciences (SPSS version 12) and the analyzed presented in frequency distribution tables to measure dimensions with the highest concentration, bar charts and explanation presented in prose. Mean scores and standard deviations to determine attributes with the greatest impact. The data was summarized and

organized by using tables, and bar graphs for the information to be effective and in a meaningful way.

## CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND PRESENTATION

### 4.1 Introduction

This chapter presents the data findings on the customer perception on M-Pesa services and the analysis there-of. The study was conducted on fifty outlets in Kitengela and Athi River townships whereby a sample of 5 customers were taken from any customer using M-Pesa services within the two township. Out of the 250 respondents, 200 filled-in and returned the questionnaires which make a response rate of 80%. The commendable response rate was achievable after the researcher administered the questionnaires using the outlet proprietors and made phone calls to remind the proprietors to collect and return the filled-in questionnaires.

Descriptive statistics were used to analyze the data whereby relative frequencies in some questions and other were analyzed using mean scores and standard deviation. Mean scores were used to determine the influence of a various variables on perception of M-Pesa services on a five point Likert scale ranging from strongly agree to strongly disagree.

### 4.2 General Findings

#### 4.2.1 Demographic Information

**Table 4.1: Gender of the Respondents**

| <b>Gender</b> | <b>No</b>  | <b>Respondents</b> |
|---------------|------------|--------------------|
| Male          | 120        | 60                 |
| Female        | 80         | 40                 |
|               | <b>200</b> | <b>100</b>         |

Table 4.1 presents the data findings on the gender of the respondents. According to the table, 60% of the respondents were male while 40% of the respondents were female. This



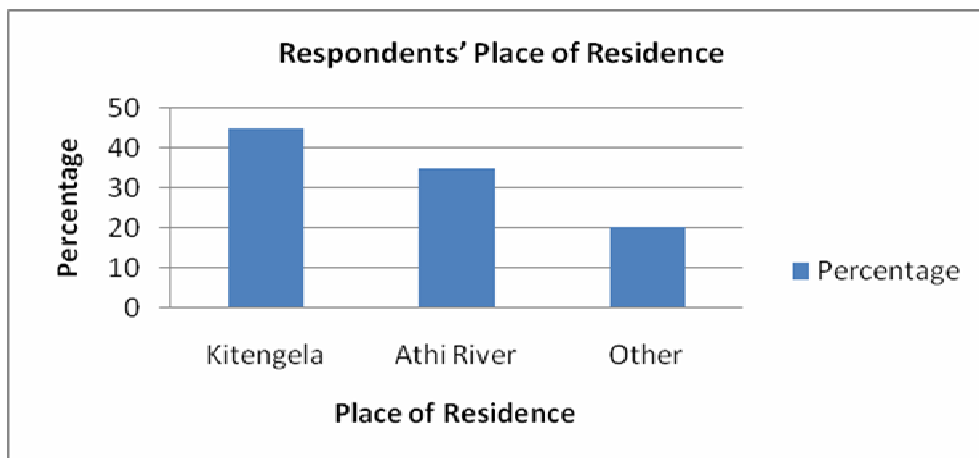
shows that majority of the customers using M-Pesa services in Kitengela and Athi River townships were males.

**Table 4.2: Respondents' Place of Residence**

| Residence    | Number     | Percentage |
|--------------|------------|------------|
| Kitengela    | 90         | 45         |
| Athi River   | 70         | 35         |
| Other        | 40         | 20         |
| <b>Total</b> | <b>200</b> | <b>100</b> |

Table 4.2 above presents the data finding on the place of residence of the respondents. According to the table, 45% of the respondents were from Kitengela, 35% from Athi River while 20% were from other regions. This shows that most of the customers that frequented the M-Pesa outlets in Kitengela and Athi River were from the two regions. However some customers that came from other regions such as Thika, Embakasi, Ngong, Machakos et cetera had come for either business or casual visits. Figure 4.1 below presents the same:

**Figure 4.1: Respondents' Place of Residence**

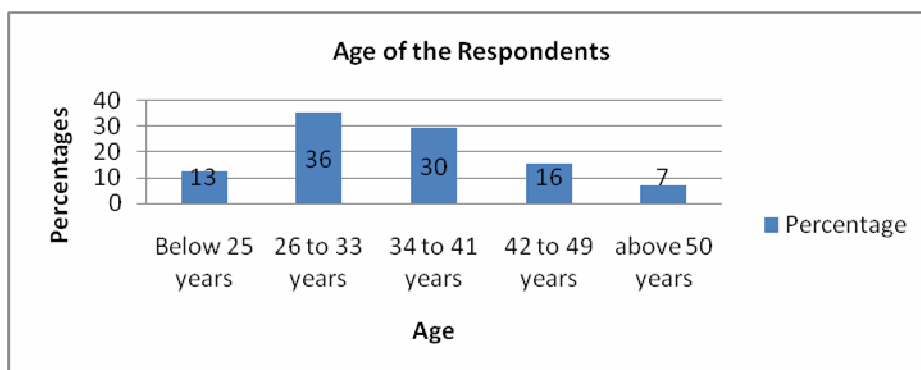


**Table 4.3: Age of the Respondents**

| Age            | Number     | Percentage |
|----------------|------------|------------|
| Below 25 years | 25         | 13         |
| 26 to 33 years | 71         | 36         |
| 34 to 41 years | 59         | 30         |
| 42 to 49 years | 31         | 16         |
| above 50 years | 14         | 7          |
| <b>Total</b>   | <b>200</b> | <b>100</b> |

On the question on the age of the respondents used for the study, the table above presents the data findings. According to the table, 36% of the respondents were aged between 26 to 33 years, 30% were aged between 34 to 41 years while 13% were aged below 25 years old and 7% were aged above 50 years. This depicts majority of the market using M-Pesa services consisted of customers who were in their middle ages (26 to 33 years) and who were financially unstable, hence, preferred M-Pesa services owing the associated low cost than banking services. The minority who were above 50 years old either do not embrace change in technology such as M-Pesa or can comfortably afford the cost associated with the banking services. The figure below is a presentation of the same:

**Figure 4.2: Age of the Respondents**

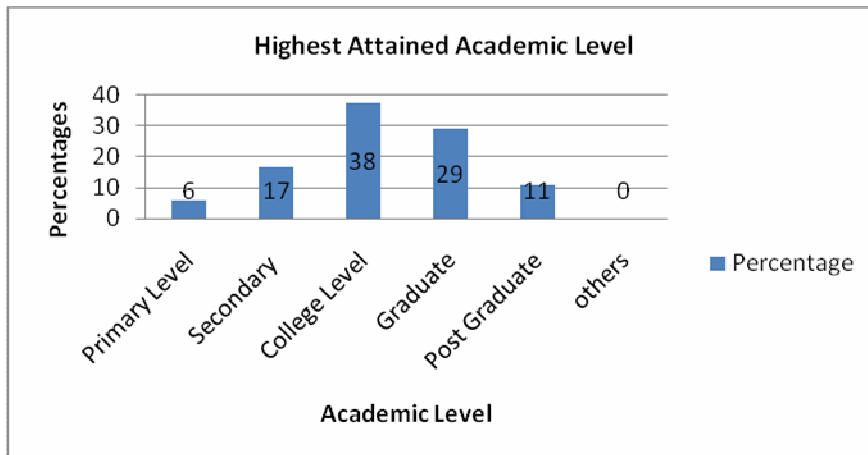


**Table 4.4: Academic Level of the Respondents**

| Academic Level | Number     | Percentage |
|----------------|------------|------------|
| Primary Level  | 12         | 6          |
| Secondary      | 33         | 17         |
| College Level  | 75         | 38         |
| Graduate       | 58         | 29         |
| Post Graduate  | 22         | 11         |
| others         | 0          | 0          |
| <b>Total</b>   | <b>200</b> | <b>100</b> |

The table above illustrates the data findings on the academic level of the respondents. According to the table, 38% of the respondents had reached college level, 29% had reached graduate level while 11% were post graduate and 6% had reached primary level. From the above findings, the study depicts that majority of the respondents had reached college level since this presented the majority of the population in the region and were enough finances engage in money transfer services while the minority had primary education as the highest attained academic qualification and did not have good finances to actively engage in M-Pesa services. The figure below presents the same:

**Figure 4.3: Academic Level of the Respondents**



#### 4.2.2 General Findings on the M-pesa Outlets

The study found out that most of the outlets in the two regions started operations from the beginning of 2008. Very few, however started before 2008 due to low market penetration then. The study further found out that most of the outlets had at least two branches with the maximum number of branches being seven; very few outlets had a single branch. Most of the outlets in the regions had 3 to 5 employees minority had one employee who happened to be the proprietors of the outlets.

#### 4.3 Customer Perception on M-Pesa Services

**Table 4.5: Respondents' Service Providers**

| <b>Provider</b> | <b>Frequency</b> | <b>Percentage</b> |
|-----------------|------------------|-------------------|
| Only Safaricom  | 120              | 60                |
| Only Zain       | 0                | 0                 |
| Only Orange     | 0                | 0                 |
| Only Yu         | 0                | 0                 |
| Two providers   | 50               | 25                |
| Three providers | 20               | 10                |
| All the four    | 10               | 5                 |
| <b>Total</b>    | <b>200</b>       | <b>100</b>        |

To the question on the respondents' service providers, the study found out that 60% of the respondents had subscribed to only Safaricom Limited as their only service provider, 25% had subscribed to Safaricom and another provider while 10% had subscribed to Safaricom other two providers and 5% had subscribed to all the four providers. This shows that majority of the M-Pesa customers are very loyal to Safaricom probably because they trust in its services.

##### 4.3.1 Reasons for Choosing the Service Provider

On the reason for choosing the service provider, the respondents intimated that they chose their current provider(s) because of market penetration, low cost, convenience/reliability, transmission and transactional speed, wide network coverage, company performance in the industry in terms of brand, influence from friends since

most of their friends are Safaricom subscribers and subscribing to other service providers would mean incurrence of interconnectivity fee and product and service differentiation.

**Table 4.6: Whether the Respondents had Registered M-Pesa Account**

| <b>Account Holder</b> | <b>Frequency</b> | <b>Percentage</b> |
|-----------------------|------------------|-------------------|
| Yes                   | 200              | 100               |
| No                    | 0                | 0                 |
| <b>Total</b>          | <b>200</b>       | <b>100</b>        |

The study sought to find out whether the respondents had an M-Pesa account and the data findings presented in the above table. According to the table, all the respondents had an M-Pesa account. This could be explained by the fact that the study was conducted on the M-Pesa outlet and the respondents had to be M-Pesa account holders to be eligible. The study further found out that all of them were registered M-Pesa account holders.

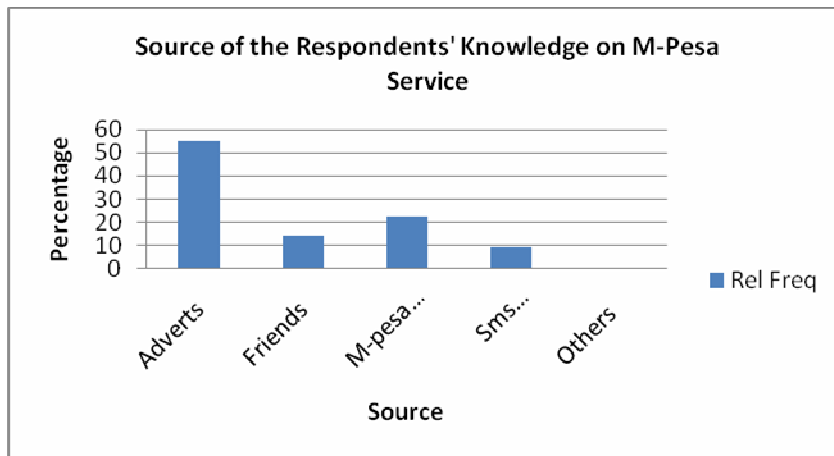
**Table 4.7: How the Respondents Knew about the M-Pesa Service**

| <b>Source</b>         | <b>Number</b> | <b>Relative Freq</b> |
|-----------------------|---------------|----------------------|
| Adverts               | 110           | 55                   |
| Friends               | 28            | 14                   |
| M-Pesa operators      | 44            | 22                   |
| Sms through the phone | 18            | 9                    |
| Others                | 0             | 0                    |
| <b>Total</b>          | <b>200</b>    | <b>100</b>           |

The table above illustrates the source of information from which the respondents first heard and became aware of M-Pesa. According to the table, 55% of the respondents knew M-Pesa through advertisement, 22% knew M-Pesa through M-Pesa operators while 14% knew the same through friends and 9% through Short Message Services (SMS). This

shows that majority of the M-Pesa customers knew of the services through advertisement. This could be because advertisements (billboard, voice and print media, e-marketing), reach a wide range of population and some also knew of the service through the M-Pesa operators actions like promotions. The figure below presents the same:

**Figure 4.4: How the Respondents Knew about the M-Pesa Service**



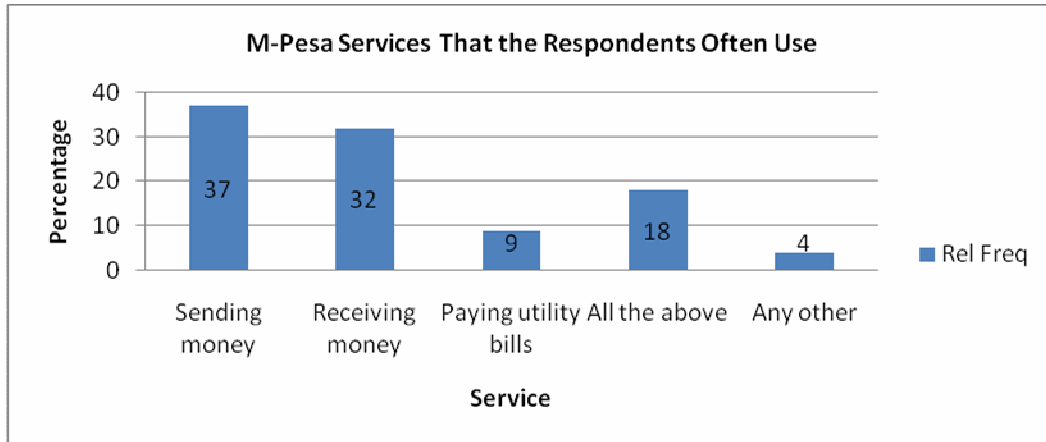
**Table 4.8: M-Pesa Services That the Respondents Often Use**

| Service              | Number     | Relative Freq |
|----------------------|------------|---------------|
| Sending money        | 74         | 37            |
| Receiving money      | 64         | 32            |
| Paying utility bills | 18         | 9             |
| All the above        | 36         | 18            |
| Any other            | 8          | 4             |
| <b>Total</b>         | <b>200</b> | <b>100</b>    |

To the question on the M-Pesa services that the respondents often use, the table above illustrates that 37% of the respondents often use the M-Pesa services to send money, 32% often uses it to receive money while 9% of the respondents wrote that they use the service to pay utility bill and 4% most often uses the same for other reasons other than sending, receiving money and paying the utility bills; the respondents intimated that they use M-Pesa to save money owing to its convenience. This depicts that majority of the

respondents often uses the M-Pesa to send and receive money and others uses M-Pesa to pay Utility bills. The figure below is a presentation on the same:

**Figure 4.5: M-Pesa Services That the Respondents Often Use**



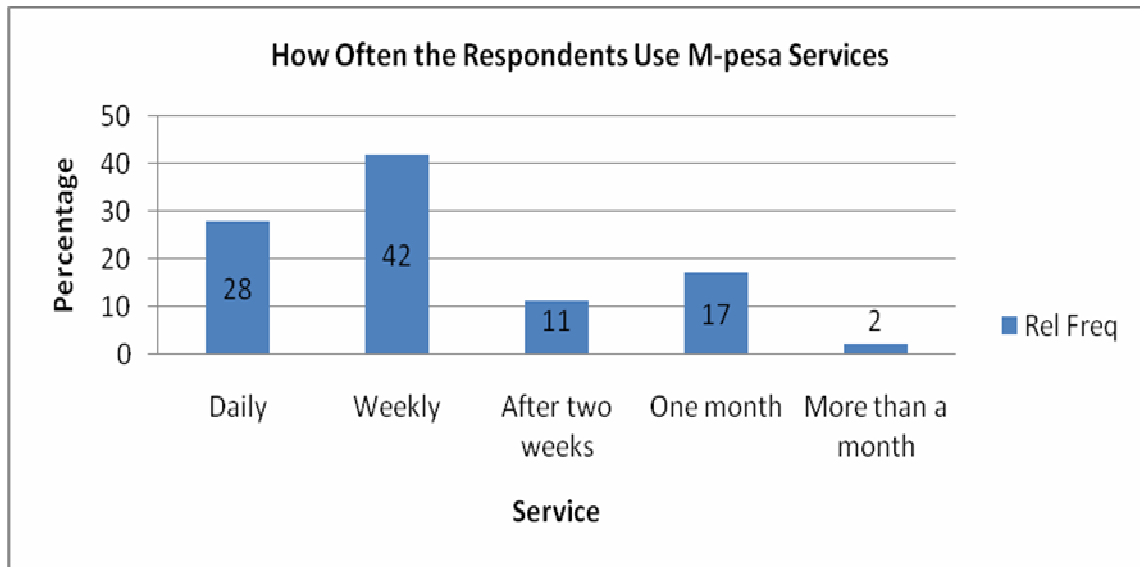
**Table 4.9: How Often the Respondents Use M-Pesa Services**

| Frequency         | Number     | Relative Freq |
|-------------------|------------|---------------|
| Daily             | 56         | 28            |
| Weekly            | 84         | 42            |
| After two weeks   | 22         | 11            |
| One month         | 34         | 17            |
| More than a month | 4          | 2             |
| <b>Total</b>      | <b>200</b> | <b>100</b>    |

To the question on how often the respondents use M-Pesa services, the findings were presented in the table above. According to the table, 42% of the respondents used their M-Pesa services on a weekly basis and 28% used it on a daily basis. However, the data findings show that 11% accessed the data on a fortnightly basis and 2% took more than a month before using M-Pesa services. This shows that majority of the respondents use M-Pesa services on a weekly basis followed by those who use the same on a daily basis.

This was because most of them were business person and needed fast money transfer service. The bar chart below presents the same:

**Figure 4.6: How Often the Respondents Use M-Pesa Services**



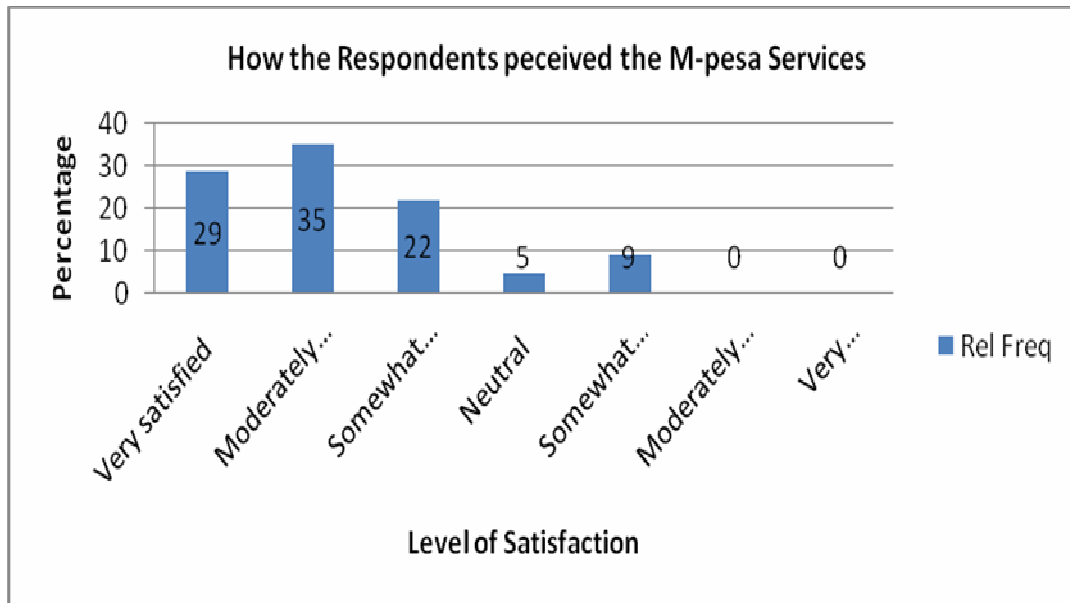
**Table 4.10: Level of Satisfaction with M-Pesa Services**

| Level of Satisfaction   | Number     | Relative Freq |
|-------------------------|------------|---------------|
| Very satisfied          | 58         | 29            |
| Moderately satisfied    | 70         | 35            |
| Somewhat satisfied      | 44         | 22            |
| Neutral                 | 10         | 5             |
| Somewhat dissatisfied   | 18         | 9             |
| Moderately dissatisfied | 0          | 0             |
| Very dissatisfied       | 0          | 0             |
| <b>Total</b>            | <b>200</b> | <b>100</b>    |

To the question on the level of satisfaction of the respondents with the M-Pesa services, the data findings presented in the table above shows that 35% of the respondents were moderately satisfied and 29% were very satisfied. However, 9% were somewhat dissatisfied and 5% were neutral. This shows that majority of the customers' perceived M-Pesa services highly for they were satisfied with the services. The figure below presents the same:



**Figure 4.7: Level of Satisfaction with M-Pesa Services**

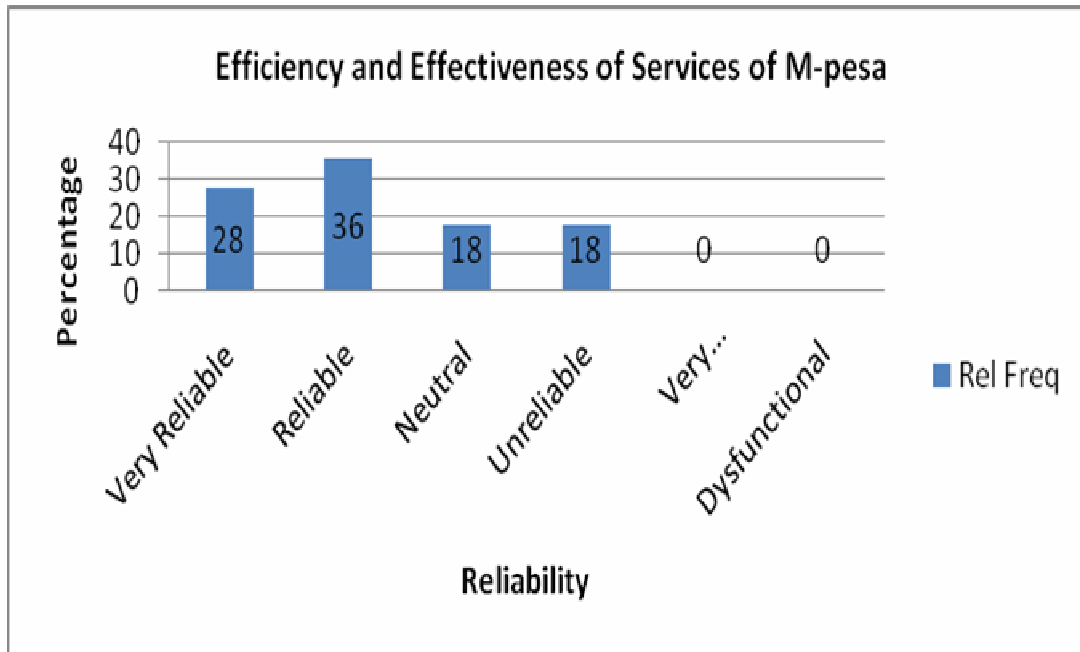


**Table 4.11: Efficiency and Effectiveness of Services of M-Pesa**

| Effectiveness and Efficiency | Number     | Relative Freq |
|------------------------------|------------|---------------|
| Very Reliable                | 56         | 28            |
| Reliable                     | 72         | 36            |
| Neutral                      | 36         | 18            |
| Unreliable                   | 36         | 18            |
| Very Unreliable              | 0          | 0             |
| Dysfunctional                | 0          | 0             |
| <b>Total</b>                 | <b>200</b> | <b>100</b>    |

The study sought to find out how the respondents viewed the efficiency and effectiveness of services of M-Pesa and the data findings presented in the table above. According to the table, 36% viewed the efficiency and effectiveness of M-Pesa services as reliable, 28% viewed the efficiency and effectiveness as very reliable while 18% confided that the effectiveness and efficiency of the services were neutral and unreliable. This shows that according to the M-Pesa customers, the service effectiveness and efficiency was reliable. The figure below presents the same:

**Figure 4.8: Efficiency and Effectiveness of Services of M-Pesa**



To the question on the respondents perception of the M-Pesa services, some of the respondents said that M-Pesa services are a state of the art money transfer service since it takes little time to transact and has made money transfer easy since it is cheap, safe and one can make a lot of transaction like payment of utility bills without queeing up in an office while others said that M-pesa services have made money transfer and storage very affordable especially to the people who do not have an access to the banking facilities, is more convenient compared to other services since does not have to go to bank to deposit or withdraw money. Others intimated that while the M-Pesa services are so far good, M-Pesa operators should endeavour to strengthen their relationship with the customers because it leads to economic growth and benefit the society as so.

**Table 4.12: Respondents Agreement on Certain Perception on M-Pesa Services**

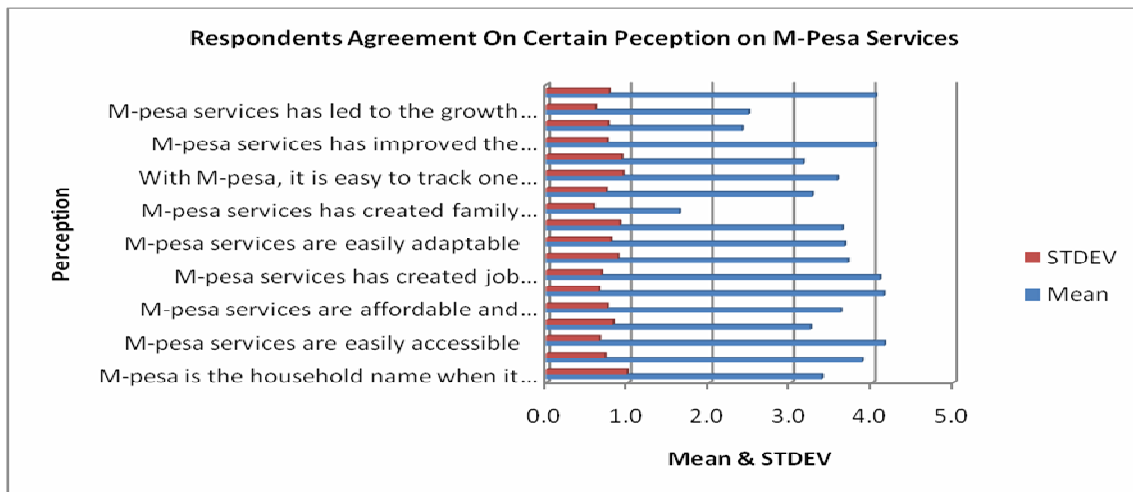
| <b>Statement</b>   | <b>S. Agree</b> | <b>Agree</b> | <b>Neutral</b> | <b>Disagree</b> | <b>S. Disagree</b> | <b>Mean</b> | <b>STDEV</b> |
|--|-----------------|--------------|----------------|-----------------|--------------------|-------------|--------------|
| M-Pesa is the household name when it comes to matters of transferring money              | 24              | 82           | 40             | 54              | 0                  | 3.4         | 0.9908       |
| M-Pesa transactions are safe and secure  | 45              | 85           | 70             | 0               | 0                  | 3.9         | 0.7215       |
| M-Pesa services are easily accessible  | 64              | 102          | 34             | 0               | 0                  | 4.2         | 0.6527       |
| M-Pesa services are user friendly  | 12              | 64           | 84             | 40              | 0                  | 3.2         | 0.8185       |
| M-Pesa services are affordable and cost effective  | 32              | 62           | 102            | 4               | 0                  | 3.6         | 0.7495       |
| M-Pesa has made bills payment easy   | 62              | 104          | 34             | 0               | 0                  | 4.1         | 0.6473       |
| M-Pesa services has created job opportunities  | 60              | 98           | 42             | 0               | 0                  | 4.1         | 0.6790       |
| M-Pesa is very fast in terms of transaction as compared to other forms of money transfer | 40              | 80           | 60             | 20              | 0                  | 3.7         | 0.8792       |
| M-Pesa services are easily adaptable   | 32              | 80           | 76             | 12              | 0                  | 3.7         | 0.7923       |
| M-Pesa services has globalised our country   | 38              | 74           | 64             | 24              | 0                  | 3.6         | 0.9038       |
| M-Pesa services has created family strains   | 0               | 0            | 12             | 102             | 86                 | 1.6         | 0.5803       |
| M-Pesa services has made people feel part of the larger financial networks               | 10              | 60           | 102            | 28              | 0                  | 3.3         | 0.7347       |
| With M-Pesa, it is easy to track one owns savings  | 42              | 56           | 76             | 26              | 0                  | 3.6         | 0.9431       |
| There is flexibility in M-Pesa transactions  | 18              | 48           | 84             | 46              | 4                  | 3.2         | 0.9252       |
| M-Pesa services has improved the living standards of people                              | 64              | 80           | 56             | 0               | 0                  | 4.0         | 0.7470       |
| M-Pesa has brought about improvement of infrastructure                                   | 0               | 16           | 68             | 96              | 20                 | 2.4         | 0.7589       |
| M-Pesa services has led to the growth in the service industry                            | 0               | 14           | 68             | 118             | 0                  | 2.5         | 0.6040       |
| There is possibility of over-spending with M-Pesa services                               | 64              | 84           | 48             | 4               | 0                  | 4.0         | 0.7733       |

To the question on the respondents' agreement on certain perception on M-Pesa services, a Likert scale was used in collecting and analyzing the data. According to the Likert scale, strongly agree was accorded 5 points, agree had 4 points, neutral had 3 points, disagree had 2 points while strongly disagree had 1 point. The analyzed data presented, in

mean score and standard deviation, in the table above. Decision was then reached at a minimum mean score of 3.5 which depicted agreement with the perception. According to the table, M-Pesa services are easily accessible had a mean score of 4.2 and a standard deviation (STDEV) of 0.6527, M-Pesa has made bills payment easy and M-Pesa services has created job opportunities had a mean of 4.1 and a STDEV of 0.6473 and 0.6790 respectively. However, M-Pesa services has created family strains had a mean of 1.6 and STDEV of 0.5803 and M-Pesa has brought about improvement of infrastructure had a mean of 2.4 and a STDEV of 0.7589. This shows that the respondents were in agreement that M-Pesa services are easily accessible, M-Pesa has made bills payment easy and M-Pesa services have created job opportunities.

The study further found that respondents were in agreement that M-Pesa services have improved the living standards of people, has made it possible for people to over-spend mean score of 4.0, transactions are safe and secure mean of 3.9, services are very fast in terms of transaction as compared to other forms of money transfer and are easily adaptable mean score of 3.7, M-Pesa services has globalised our country, are affordable and cost effective and eased tracking of ones savings had all had a mean score of 3.6. The figure below presents the same:

**Figure 4.9: Respondents Agreement on Certain Perception on M-Pesa Services**



#### **4.4 Challenges in Utilization of M-Pesa Services**

To the question on the challenges that the respondents encounter in the use of M-Pesa services, the respondents intimated that the challenges they encounter are complexity of transactions unlike the use of ATMs, lack of M-Pesa outlets or PesaPoint ATMs in upcountry which impede money transfer, fear of transactional and informational insecurity, low transactional speed when the network is congested impedes its reliability, customers outlet employees being rude to the M-Pesa client, keeping the phone numbers of the recipients since the same can not be retrieved from the phone book, high transactional costs as compared to other money transfer operators, retrieving money in cash when it is sent to the wrong person, getting access to the M-Pesa customer care services for a query due to network congestion, at times the outlets do not have enough cash and withdrawing money becomes a problem, rise of conmen who pretend to be M-Pesa agents and difficulty in withdrawing cash when one has lost national ID card despite having other identification papers.

To the question on the respondents' recommendations to the challenges they encounter in using M-Pesa services, the respondents intimated that Safaricom should train the vendors at the M-Pesa outlets on customer/market orientation through seminars to mitigate the incessant rude behavior they show M-Pesa customers; the company should also deal with the conmen masquerading as M-Pesa agents and improve on the of access to the customer service through establishment of more customer care centers so that customers who send money to the wrong recipient can get remedy on time.

The respondents further recommended that Safaricom should ensure that the M-Pesa outlets have enough money, the same can be mitigated by establishing ATM outlets whereby money withdrawn is closely monitored and establish more outlets especially in upcountry so as to minimize the inconvenience caused to the customers. The company, according to the respondents, should revise its transactional cost and benchmark it against those of its competitors, upgrade its technology so that the recipients' numbers can be

retrieved from the phone book; this will also minimize errors of sending money to the wrong recipient and the company to dispel the perceived fear of informational insecurity by conducting campaigns and advertisement to affirm customers of the security that the M-Pesa information is accorded.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATION**

### **5.1 Introduction**

The chapter presents a summary of the research project whose objectives were to determine the perception of consumers on M-Pesa services and to identify the challenges they face while utilizing the M-Pesa services.

Based on the findings the chapter gives recommendations on how the responses can further be improved to meet the customer demands of the ever changing business environment. The limitations of the study and suggestion for further research are also discussed.

### **5.2 Summary**

According to the study findings analyzed in chapter four, the study was conducted on M-Pesa outlets' customers in Kitengela and Athi River most of which had started operations from the beginning of 2008, had at least two branches with the maximum number of branches being seven and had 3 to 5 employees depicting that the outlets were stable in terms of market penetration and economies of scale. Majority of the respondents were male (60%) and majority were from Kitengela (45%) and Athi River (35%) while others were from other regions; signifying market penetration of M-Pesa services. The study further found out that majority of the respondents between the age of 26 to 33 years (36%) and 34 to 41 years (30%) and had reached college as the highest attained education level (38%).

On the respondents' service providers, the study indicated that the majority, 60%, had only subscribed for Safaricom Limited services for a variety of reasons; market penetration, low cost, convenience/reliability, transmission and transactional speed, wide network coverage, company performance in the industry in terms of brand, influence from friends since most of their friends are Safaricom subscribers and subscribing to

other service providers would mean incurrence of interconnectivity fee and product and service differentiation. The study further found out that all the respondents owned registered M-Pesa accounts and majority knew about the M-Pesa services through advertisement (55%); billboard, voice and print media, e-marketing since it has the potential of reaching a wide range of population. The study also found out that majority of the M-Pesa customers used the service to send money (37%) and receive money (32%) while others further used the service to pay utility and to save money. The study also found that majority of the M-Pesa customers used the service on a weekly basis (42%) though others used M-Pesa service on a daily basis (28%). Majority of the respondents also intimate that they are moderately satisfied with M-Pesa service and considered it as reliable (36%) and very reliable (28%).

On perception of the customers on the M-Pesa services, the study's findings indicated that the customers considered the services as a state of the art money transfer service since it takes little time to transact and has made money transfer easy since it is cheap, safe and one can make a lot of transaction like payment of utility bills without queuing up in an office while others said that M-pesa services have made money transfer and storage very affordable especially to the people who do not have an access to the banking facilities, is more convenient compared to other services since one does not have to go to bank to deposit or withdraw money. The study also pointed to other customers sentiments that while M-Pesa services are so far good, M-Pesa operators should endeavour to strengthen their relationship with the customers because it leads to economic growth and benefit the society as so.

The study further sought to establish the level of the customers' agreement on certain perception on M-Pesa services and found out that M-Pesa services are easily accessible (4.2), M-Pesa has made bills payment easy and M-Pesa services have created job opportunities (4.1). The study further found that respondents were in agreement that M-Pesa services have improved the living standards of people and made it possible for people to over-spend (4.0), transactions are safe and secure (3.9), services are very fast in



terms of transaction as compared to other forms of money transfer and are easily adaptable (3.7), M-Pesa services has globalised Kenya, are affordable and cost effective and eased tracking of ones savings (3.6).

On the challenges that the M-Pesa customers faced in the utilization of services, the study found out that challenges they encounter are complexity of transactions unlike the use of ATMs, lack of M-Pesa outlets or Pesa-Point ATMs in upcountry which impede money transfer, fear of transactional and informational insecurity, low transactional speed when the network is congested impedes its reliability, customers outlet employees being rude to the M-Pesa client, keeping the phone numbers of the recipients since the same can not be retrieved from the phone book, high transactional costs as compared to other money transfer operators, retrieving money in cash when it is sent to the wrong person, getting access to the M-Pesa customer care services for a query due to network congestion, at times the outlets do not have enough cash and withdrawing money becomes a problem, rise of conmen who pretend to be M-Pesa agents, and difficulty in withdrawing cash when one has lost national ID card despite having other identification papers.

### **5.3 Conclusion and Recommendation**

On the basis of the this study's findings, it is quite evident that customers perceive M-Pesa services as easily accessible, made bills payment easy and created job opportunities. This has had a wide influence on the economic development in the country as people find it convenient to pay bills through phone than waste time queuing in an office despite having to waste time travelling to the pay point in the first place. Since M-Pesa is operated by human beings and machines, it has created job and business opportunity which is being taken by the citizens.

The study further concludes that customers perceive M-Pesa services to have improved the living standards of people as people receive income and transfer money to friends and family through the medium and the transactions are safe and secure and very fast in terms of transaction as compared to other forms of money transfer and are easily adaptable. M-

Pesa services have globalised Kenya as explained by the fact that a customer can transfer money from his account to a recipient in another country. The customers also perceive M-Pesa services as affordable and cost effective and very reliable money transfer service.

On perception of the customers on the M-Pesa services, the study's findings indicated that the customers considered the services as a state of the art money transfer service since it takes little time to transact and has made money transfer easy since it is cheap, safe and one can make a lot of transaction like payment of utility bills without queuing up in an office while others said that M-pesa services have made money transfer and storage very affordable especially to the people who do not have an access to the banking facilities, is more convenient compared to other services since one does not have to go to bank to deposit or withdraw money. The study also pointed to other customers sentiments that while M-Pesa services are so far good, M-Pesa operators should endeavour to strengthen their relationship with the customers because it leads to economic growth and benefit the society as so.

The study, however, recommends that Safaricom should train the vendors at the M-Pesa outlets on customer/market orientation through seminars to mitigate the incessant rude behavior they show M-Pesa customers. Safaricom Ltd should also deal with the common masquerading as M-Pesa agents which will increase the credibility of the service and improve on the of access to the customer service through establishing more customer care centers so that customers who send money to the wrong recipient can get remedy on time. The study further recommends that Safaricom should ensure that the M-Pesa outlets have enough money so as to minimize the inconvenience caused to customers. The same can be mitigated by establishing ATM outlets whereby money withdrawn is closely monitored and establish more outlets especially in upcountry. Establishing more ATMs will minimize the expense incurred by Safaricom in providing M-Pesa which will have a far reaching effect in minimizing the transactional cost and many potential customers will embrace M-Pesa.

The study also recommends that Safaricom Ltd should revise its transactional cost and benchmark it against those of its competitors. This will increase the customers' loyalty to the service and increase its revenue as more people will embrace the service. Safaricom should also upgrade its technology so that the recipients' numbers can be retrieved from the phone book as this will minimize errors of sending money to the wrong recipient and the Company should also dispel the perceived fear of information insecurity by conducting campaigns and advertisement to affirm customers of the security that the M-Pesa information is accorded.

#### **5.4 Limitations**

The study focused mainly on the perception of customers on M-Pesa services and the challenges they face while utilizing the service. The study did not cover the challenges Safaricom Ltd faces in providing M-Pesa services and the factors determining its sustainability so as to know if the service is sustainable or last for a short while.

There was the limitation on time which was not enough for the research work. This made it difficult to cover a wider area. The researcher had to extra hours to compile the findings since most of the respondent returned the questionnaires the last minute.

There was also the element of money which was also a limiting factor. A lot of money was needed for travelling to gather data and in the preparation and compiling of the research work.

#### **5.5 Suggestions for Further Research**

The study focused mainly on the perception of customers on M-Pesa services and the challenges they face while utilizing the service. A similar study should be carried out in other developing countries where the service is being offered like South Africa, Zambia, Tanzania, Rwanda, Uganda, Democratic Republic of Congo, UK et cetera.

Studies should also be carried out on the challenges customers encounter while utilizing service performance on other industries like the banks, Western Union, and the informal sector like coaches/buses, Securicor companies, courier services et cetera and to find out how the industry has responded.

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## APPENDICES

### Appendix I: M-Pesa Outlets at Kitengela and Athi River

| Name of the Outlet               | Location                            |
|----------------------------------|-------------------------------------|
| 1. Cellular Service Logistics    | Nalepo Business Centre              |
| 2. Comet Cyber Café              | Cyryck Business Centre, Kitengela   |
| 3. Comet Cyber Café              | Noonkopir Building, Kitengela       |
| 4. Eastzone Distributors         | Opp Mariner Restaurant, near Kobil  |
| 5. Greenlight Mobiles            | Emakoko, Kitengela Shopping Centre  |
| 6. Kenol                         | Kobil Petrol Station                |
| 7. Comet Cyber Café              | Trade Centre, Kitengela             |
| 8. Orok Communications           | Kitengela                           |
| 9. Ropem Telcom                  | Tarino Street                       |
| 10. Ropem Telcom                 | Chairman                            |
| 11. Ropem Telcom                 | Paws Petrol Station, Kitengela Town |
| 12. Sovereign Communication      | Opp Nomad Restaurant                |
| 13. Tricom Technologies          | Irman House, Namanga/Kajiado Road   |
| 14. Work & Talk Communications   | Nalepo Business Centre              |
| 15. Top connections              | Opposite Nomads Restaurant          |
| 16. target mobile connect        | Salama House                        |
| 17. Kenya one communications     | spiral                              |
| 18. Waruiru Communications       | Opposite spiral                     |
| 19. Magesh Investment            | Spiral                              |
| 20. Kenya one communications     | Tarino                              |
| 21. Romaika                      | Baraka House                        |
| 22. Para Green Investments       | Wandu House                         |
| 23. Kenya one communications     | Happiness studio                    |
| 24. Waruiru Communications       | Oldukunyi Building                  |
| 25. Teletight Communications Ltd | Derrick House                       |
| 26. Teletight Communications Ltd | Kilimanjaro Building                |
| 27. Aventure Ltd Company         | Namelok House                       |
| 28. Para Green Investments       | Mwireri House                       |
| 29. Capital Airtime              | Nalepo Building                     |
| 30. target mobile connect        | Nalepo Building                     |
| 31. Chaka Connect Ltd            | Mwihoko House                       |
| 32. Kenya One Wavelengths        | Passion Building                    |
| 33. Winacom                      | Market Plaza                        |
| 34. Power network                | Market Plaza                        |
| 35. Carribean Investment Ltd     | Namelok House                       |



|                                    |                                |
|------------------------------------|--------------------------------|
| 36. Wilkson Communication services | Kilimanjaro                    |
| 37. Ropem Telcom                   | Milele centre                  |
| 38. Modern Connections             | Milele centre                  |
| 39. Telephonica Communication      | Behind Eupen Petrol station    |
| 40. Dazzling Communication         | Behind Eupen Petrol station    |
| 41. Link Up services               | Jupiter House                  |
| 42. Fones Ltd                      | Kisaju Building                |
| 43. Jazz communications            | Derrick House                  |
| 44. Coricom Ltd                    | Opposite Favourite Supermarket |
| 45. Kazamoyo Communications        | Chairman House                 |
| 46. Wankam Ltd                     | Opposite Kitengela post office |
| 47. Buzzline Communication         | Nosim House                    |
| 48. Cheche services                | Miriam's place                 |
| 49. Equity                         | Milele centre                  |
| 50. Ropem Telcom                   | Lenana House                   |
| 51. Capital realtime               | Market plaza                   |
| 52. Cellular service communication | Opposite Jupiter House         |
| 53. Computec Ltd                   | Chaghamu House                 |
| 54. Kenya one telecom              | Makandara, Opposite Bata shop  |
| 55. Kenya one telecom              | Makandara, Opposite Bata shop  |
| 56. Absolute Ligned Mobile         | Nyambura stage                 |
| 57. Adtel Co. Ltd                  | 10 plus building               |
| 58. Codemns communication          | Athi-river                     |
| 59. Codemns communication          | Athi-river                     |
| 60. East Zone Distributors         | Next to Little rock Inn        |
| 61. Ellan Enterprises              | Makandara                      |
| 62. Green light mobile             | Athi river                     |
| 63. Green light mobile             | Athi river K.M.C               |
| 64. Green light mobile             | Athi river                     |
| 65. Green light mobile             | Athi river K.M.C               |
| 66. Kenya one telecom Baraka Comms | Athi river                     |
| 67. Kenya one telecom              | Daystar Junction               |
| 68. Kenya one telecom Baraka Comms | Makandara                      |
| 69. Kenya one telecom Baraka Comms | Opposite Tops Connection Hotel |
| 70. Kenya one telecom Baraka Comms | Athi river shopping centre     |
| 71. Meridian Acceptance            | Next to Post bank              |
| 72. Neighbors telcom Ltd           | K.M.C Athi river Market        |
| 73. Post Bank                      | Athi river Lower               |
| 74. Ropem Telcom                   | K.M.C                          |
| 75. Rozacom comm. Ltd              | Makandara                      |
| 76. Rozacom comm. Ltd              | K.M.C                          |
| 77. Rozacom comm. Ltd              | Mombasa road side              |

|                                |                         |
|--------------------------------|-------------------------|
| 78. Sasa Kenya Ltd             | Makandara               |
| 79. Sasa Kenya Ltd             | Near Tops Club          |
| 80. Teletext Ltd               | Shopping centre         |
| 81. Tops communication Ltd     | Next to Co-op Bank      |
| 82. Tops communication Ltd     | Daystar University gate |
| 83. Trembo services            | Makandara               |
| 84. Trembo services            | Next to G4S             |
| 85. Tusker Mattress (Tusky's)  | Athi river              |
| 86. Kenya one telecom Simu Poa | Athi river K.M.C        |
| 87. Togween Communications     | Next to G4S             |
| 88. Togween Communications     | Athi river              |
| 89. Commet tax plan            | Athi river              |
| 90. Commet tax plan            | Athi river              |
| 91. Efflyn Communication Ltd   | Makandara               |
| 92. Pentapharm                 | Next to Tusky's         |
| 93. Ropem Telcom               | Athi river Makandara    |
| 94. Previledge Intermanagement | Makandara               |

**Source: Safaricom Web Site**

[www.safaricom.co.ke/m-pesa](http://www.safaricom.co.ke/m-pesa)

## Appendix II: Questionnaire

### SECTION ONE: DEMOGRAPHIC INFORMATION

Please tick/ write the appropriate answer;

1. Gender: Male ☐ Female ☐
2. Where do you reside?
  - a) Kitengela
  - b) Athi River
  - c) Any other place, please specify -----
3. What is your age?
  - a) Between 18 and 25
  - b) Between 26 and 33
  - c) Between 34 and 41
  - d) Between 43 and 49
  - e) Above 50
4. Academic level
  - a) Primary level
  - b) Secondary level
  - c) College level
  - d) Graduate

- e) Post graduate level
- f) Any other, specify -----
- 5. Please state the name of your shop -----
- 6. Where are you located -----
- 7. What is the size of your shop in-terms of branches -----
- 8. When did you start your operations -----
- 9. How many employees do you have -----

## **SECTION TWO: CUSTOMER PERCEPTION ON M-PESA SERVICES**

Please Tick or write the most appropriate answer

- 10. Do you own a mobile phone; Yes --- No -----
- 11. If yes from which service provider?
  - a. Safaricom only
  - b. Zain only
  - c. Orange only
  - d. Yu only
  - e. Any two Providers
  - f. Any three providers
  - g. All the four
- 12. Why have you chosen the service provider/s?

-----  
-----  
13. Do you own M-Pesa account? Yes ----- No -----

14. If yes, through; a) registration or, b) non-registration

15. How did you know about this service

- a) Adverts
- b) Friends
- c) M-Pesa operators
- d) Sms through the phone
- e) Others (please specify) -----

16. What services do you often use via M-Pesa

- a) Sending money
- b) Receiving money
- c) Paying utility bills
- d) All the above
- e) Any other; specify -----

17. How often do you use the M-Pesa services

- a. Daily
- b. Weekly

- c. After two weeks
- d. Monthly
- e. More than a month

18. What is your overall satisfaction with M-Pesa services?

- a. Very satisfied
- b. Moderately satisfied
- c. Somewhat satisfied
- d. Neutral
- e. Somewhat dissatisfied
- f. Moderately dissatisfied
- g. Very dissatisfied

19. How do you find the efficiency and effectiveness of services of M-Pesa

- a) Very Reliable
- b) Reliable
- c) Neutral
- d) Unreliable
- e) Very Unreliable
- f) Dysfunctional

20. What would be your general perception about M-Pesa services -----

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21. Please indicate your preferred choice along the scale; Strongly Agree 5, Agree 4, neutral 3, Disagree 2, Strongly Disagree,

| Statement   | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| a) M-Pesa is the household name when it comes to matters of transferring money                        |   |   |   |   |   |
| b) M-Pesa transactions are safe and secure  |   |   |   |   |   |
| c) M-Pesa services are easily accessible  |   |   |   |   |   |
| d) M-Pesa services are user friendly  |   |   |   |   |   |
| e) M-Pesa services are affordable and cost effective  |   |   |   |   |   |
| f) M-Pesa has made bills payment easy   |   |   |   |   |   |
| g) M-Pesa services has created job opportunities  |   |   |   |   |   |
| h) M-Pesa services are very fast in terms of transaction as compared to other forms of money transfer |   |   |   |   |   |
| i) M-Pesa services are easily adaptable   |   |   |   |   |   |
| j) M-Pesa services has globalised our country   |   |   |   |   |   |
| k) M-Pesa services has created family strains   |   |   |   |   |   |
| l) M-Pesa services has made people feel part of the larger financial networks                         |   |   |   |   |   |
| m) With M-Pesa, it is easy to track one owns savings  |   |   |   |   |   |
| n) There is flexibility in M-Pesa transactions  |   |   |   |   |   |
| o) M-Pesa services has improved the living standards of people  |   |   |   |   |   |
| p) There is improvement of infrastructure   |   |   |   |   |   |
| q) M-Pesa services has led to customer relationships  |   |   |   |   |   |
| r) M-Pesa services has led to the growth in the service industry                                      |   |   |   |   |   |
| s) There is possibility of over-spending with M-Pesa services   |   |   |   |   |   |

### SECTION THREE: CHALLENGES IN UTILIZATION OF M-PESA SERVICES

22. What are, if any, the challenges you encounter in the use of M-Pesa services

- a) -----
- b) -----
- c) -----
- d) -----
- e) -----
- f) -----
- g) -----
- h) -----
- i) -----
- j) -----

23. What is your recommendation to the challenges you encounter in using M-Pesa services

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.....

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.....