

**THE INFLUENCE OF THE PROVISION OF MOBILE MONEY TRANSFER
SERVICE ON THE SOCIO-ECONOMIC STATUS OF THE SERVICE PROVIDERS:
CASE OF NAIROBI CENTRAL BUSINESS DISTRICT, KENYA**

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**RESEARCH REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF ARTS IN
PROJECT PLANNING AND MANAGEMENT DEGREE FROM THE UNIVERSITY
OF NAIROBI**

DECLARATION

This project is my original work and has not been presented for a degree in any other university or learning institution.

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DEDICATION

To my sisters Gakii and Makena who have been my motivation and rock as I pursued the degree.

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First and foremost, I wish to thank the Almighty Lord for this achievement for He has given me the strength to go through each day at a time. My indebted gratitude goes to my Supervisor Mr. Elisha Opiyo for his guidance, patience and advice throughout the project. Finally to David Ong'erafor Constantly keeping me on track and reminding me to complete the project.

ABSTRACT

Mobile Money transfer is the transferring of money from one person to another through the use of mobile phone. It is a service that is facilitated by a mobile network operator and seeks to ensure a convenient and efficient way in which customers can send and receive money from a network agent acting as a banking agent. In Kenya, we have various Mobile Network operators that have launched the use of MMT. The mobile money transfer service has tremendous grown in the last 3 years with the help of small and medium entrepreneurs who have taken up the business as banking agents and act as intermediaries between MNO's and the customer. The study aimed to investigate the sustainability and viability of the mobile money transfer service in the industry by so doing analyze the providers of the mobile money transfer service uptake of the service as a business venture and how its impacts on their socio economic status as they ensure the provision of the mobile money transfer service penetrates to the customers who are the determinants of the longevity of any product or service that is introduced the latter will review the impact of the mobile money transfer service in relation to the security and risk that the service has to offer to the business owners in terms of investment, reputation, growth and their socio economic status. The various scholars have discussed its entry into the Kenyan and African market, how it has been embraced with reference of various roles played by the operator, regulator and the providers of the service. My study has greatly highlighted the correlation between the variables of customer loyalty, investment cost; customer service and location have influenced the socio economic status of the service providers who carry out the service in relation to income and revenue growth. The conclusion is that the MMT service is still a new field that has great exploration potential within which one can study and that it has immensely improved the livelihoods of the service providers in Nairobi, more study is to be carried out in different parts of the country.

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ABBREVIATIONS AND ACRONYMS

3G	Third Generation of wireless
AMA	American Marketing Association
ATM's	Automated Teller Machines
CIO	Chief Information Officer
CTO	Chief Technical Officer
CCK	Communication Commission of Kenya
GDP	Gross Domestic Product
GSM	Global System for Mobile
LDC	Less Developed Countries
IGA	Income Generating Activities
ICT	Information Communication Technology
MMT	Mobile Money Transfer
MNO	Mobile Network Operators
MDG's	Millennium Development Goals
MFI's	Micro Finance Institutions
NCBD	Nairobi Central Business District
PDA	Personal Digital Assistant
PIN	Personal Identification Number
P2P	Person to Person
POS	Point of Sale
SME's	Small and Medium Entrepreneurs
SPSS	Statistical Package for Social Sciences
SMS	Short Messages Services
SES	Socio Economic Status
SE	Small Enterprise
TV	Television
UK	United Kingdom

CHAPTER ONE: INTRODUCTION

1.1 Background of study

Mobile Money Transfer Providers are economic organizations or business organizations that can be family firms, partnerships or limited companies that have been formed with the aim of fulfilling a certain objective that is set. The providers engage in business ventures that range from vendors, manufacturing, and customer service. The providers juggle different types of businesses with the aim of making ends meet for themselves while ensuring they remain enterprising and retaining customer base and thus in most cases may be specialized in a certain industry and still engage in another for revenue purposes (Dichter, 2007).

Globally the providers have evolved from family firms that have been set up and passed down in generation as family dynasties having their set ups in neighborhood and sub urban areas. Most of them are small vendors running coffee shops, restaurants, supermarkets or basic retails who supply household goods. Their aim is for continuity geared towards sustainability of their wellbeing and families (Gowan, 1999). In order to stay abreast with customer demands and market evolutions through technology, providers have tremendously changed their operations as they have set out to have partnerships with similar business organizations geared towards meeting and surprising the demand; leading to growth in the providers in Kenya and around the world. The Mobile Money Transfer Providers have contributed greatly towards the economic growth of the country as the enterprises are sources of revenue, employment and innovation in the society. The scope of the impact in the lives of the entrepreneurs has greatly been noted as their livelihood has improved; they can now invest in other areas, afford basic amenities and even create opportunities for others (Kraft, 2006).

Mobile Money operators (MNO's) are telecommunication organizations that provide telephony services such as voice, data, short messages services (SMS) that enable customers to communicate with one another through provision of the service and most recently we have money transfer service through the use of mobile phone (McCusker, 2000). In Kenya, there are various telecommunication companies like Essar Telecom commonly known as YU that was launched in the market in December 2008 and have their mobile money transfer (MMT) system called YuCash, Orange Telecom with Orange Money-IkoPESA, Airtel Kenya with Zap and Safaricom with M-PESA (Pilat, 2009).

To thrive and penetrate in any country MNO's provide business opportunities to the providers to act as their intermediaries with their key role acting as wholesalers or distributors of their merchandises that is airtime vouchers, SIM cards, handsets, laptops and various electronic devices Source: World Bank, (2006). This enables the providers take up the business venture and embraces it as an additional revenue generation to their current business through the improvement of access to financial services, such as savings, deposits, insurance and remittances, is vital to reducing poverty. Savings can help poor people to invest in productive assets like livestock, a loan may help to expand business activities, and insurance can provide income for a family if a breadwinner becomes sick. In many developing countries, however, 9 out of 10 people do not have a bank account or access to basic financial services (Pickens, 2009). Poor people are often not considered viable customers by the formal financial sector as their transaction sizes are small, and many live in remote areas beyond the reach of bank's branch networks. Informal banking services such as microfinance, village savings and loan associations remain limited to their reach (EMI, 2001).

In order for banks to view the poor as viable customers, new ways of serving them profitably need to be explored. Extending branch networks is often too expensive, but the development of appropriate technologies can provide one answer to this problem. Offering banking products through mobile phones is one option that offers great potential for reaching poor people. Many poor people already have access to mobile phones. A positive aspect of mobile phones is that mobile networks can reach remote areas at low cost (Reid, 2005). The poor often have greater familiarity and trust with mobile phone companies than formal banking institutions. Furthermore a mobile handset can easily be adapted to handle banking transactions. In the last five years mobile phone communication has grown faster in Sub-Saharan Africa than in most other parts of the world. In African mobile phone subscribers grew from 8 million to nearly 80 million from 1999 to 2004 Source: International Telecommunications Union, (2006) and is expected to increase to 250 million in the next four years Source: Progressive Policy Institute (2005) and (Wilson, 2005).

More than three billion mobile phones are currently in operation worldwide with 70% of the total population in developing countries fall within the coverage of existing cellular networks. Africa is the fastest growing mobile market in the world. The continent's subscriber base grew by 66% in 2005 to 135 million users, compared with growth of just 11% in Western Europe during the same period. Mobile phones work easily, they require minimum investment and minimum training and they can perform a variety of functions (Wilson, 2005). The use of mobile phones for banking and payments, in particular, is taking off in many developing countries. They are particularly valuable in rural areas where no bank branches exist and where other traditional banking channels, such as Automatic Teller Machines (ATMs), fixed-line telephones and the internet are unavailable. Mobile banking in developed economies is just another channel among many others which are competing for

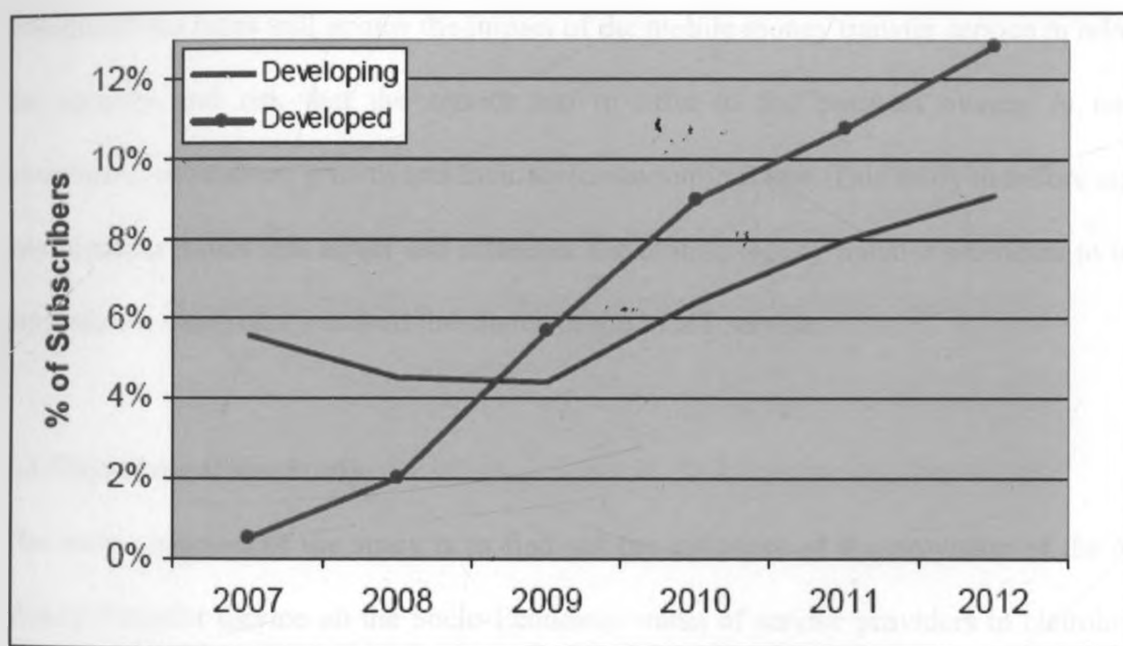
consumer acceptance and investor commitment. In Africa and other developing economies they are the most cost effective means of delivering financial services and in particular the most economical way of providing access to remittances. In Africa and other developing economies, where “necessity” is the mother of invention, mobile banking can fulfill fundamental needs very quickly, helping to leapfrog technologies and providing major transformational change (EMI, 2001).

Mobile money transfer, banking and payments are starting to take off, with emerging markets often taking the lead. "The advantage of mobile banking is that you can get to scale quickly," says Michael J Redding, Director of Development, and Accenture Technology Labs. "As a critical mass of phones is achieved in every market, so you can have a more rapid uptake. However, in the developed world most of the population is already happy with using standard retail outlets and internet banks, which means there's only a limited need in these markets for mobile banking to cover the very small part of the day when a consumer isn't near a computer or close to a bank in a town centre " (Weill, 2002).

In Kenya, mobile provider Vodafone has developed the M-PESA mobile banking system in partnership with the local network provider Safaricom, a commercial bank of Africa and Faulu Kenya a local microfinance organisation. M-PESA allows customers to borrow money, check accounts and transfer money using their mobile phone. Vodafone CEO Arun Sarin notes: "M-PESA, if successfully managed, could provide banking services to millions of people who would otherwise have no access to conventional retail banking." It is also of benefit to the banking industry as it offers a cost-effective mechanism to access a new marketplace" (Kraft, 2006).

A 2007 survey on mobile wallets and mobile financial services showed that respondents expected the number of subscribers using mobile domestic money transfers to grow more rapidly for developed markets than for developing markets (GSMA 2008b). These results imply that consumers in developed markets are interested in electronic P2P payment options and would be willing to conduct them via the mobile device. The survey found similarly that cross-border remittances are expected to grow significantly over the same projected time period.

Figure 1: Outlook for mobile domestic money transfers



Source: GSMA 2008b

The approach to adopting mobile financial services differs throughout the world due to a variety of factors, including the regulatory and legal environments, access to supporting technologies, and economic constraints, as well as experience with antecedent products and services. Consumer need and experience represent key components of each of these variables and are the ultimate determinants of adoption.

1.2. Statement of the problem

The Mobile Network Operators (MNO's) offer Mobile Money Transfer service as one of the additional services products besides voice and data services to their customers and thus for the MNO, it's a way of ensuring that the organization retains its competitive edge and is innovative. The study aimed to investigate the sustainability and viability of the mobile money transfer service in the industry by so doing analyze the providers of the mobile money transfer service uptake of the service as a business venture and how its impacts on their socio economic status as they ensure the provision of the mobile money transfer service penetrates to the customers who are the determinants of the longevity of any product or service that is introduced the latter will review the impact of the mobile money transfer service in relation to the security and risk that the service has to offer to the business owners in terms of investment, reputation, growth and their socio economic status. This study therefore aimed at investigating issues that affect and influence the mobile money transfer providers to take up the business opportunity as well the choice of the MMT service.

1.3 Objectives of the Study

The main objective of the study is to find out the influence of the provision of the Mobile Money Transfer service on the Socio-Economic status of service providers in Nairobi CBD.

To achieve these, the following specific objectives were formulated.

1.3.1 Specific Objectives

1. To determine how customers loyalty influences the socio economic status of the service providers within NCBD
2. To determine whether the investment cost of Mobile money transfer affects the socio economic status of the service provider within NCBD

3. To determine how customer service influences the socio economic status of the service provider within NCBD
4. To access how the location of the provision of MMT service affects the socio economic status of the service provider within NCBD

1.4 Research Questions

1. How does customer loyalty affect the socio economic status of the service provider within NCBD?
2. How does the investment cost affect the socio economic status of the service provider within NCBD?
3. How does customer service provision influence the socio economic status of the service provider within NCBD?
4. Does the location of the provision of mobile Money Transfer Services affect the socio economic status of the service provider within NCBD?

1.5 Assumption of the study

To achieve the above objectives of the study, the following assumptions were made:

- a) The mobile money transfer providers will be much willing to disclose their financial performance and the required information on their individual business development will be disclosed to the researcher upon request.
- b) That the role of Mobile Network Operators(MNO's) as the key institutions responsible for providing advisory services shall remain relevant to the Mobile Money Transfer industry.
- c) That most providers in the Central Business District do have a mobile money transfer business.

1.6 Limitation

During the research report, some challenges were encountered as highlighted below:

- a) The providers were not willing to participate in the study in fear of their competitors spying on them or in fear of exposing their financial performance to strangers where some of them would suspect that the researcher is a thief trying to identify some potential areas. This was overcome by explaining to them the intent of the study and issuing the transmittal letter as well as the supervisors contact for verification purposes.
- b) The data collection and analysis to take a long time as the researcher solicited for personal information and lifestyle from the subjects.
- c) Due to lack of documented information of Mobile Money Transfer, the researcher was forced to cover a vast area when trying to carry out Literature Review.

1.7 Scope of the Study

Geographically, the study was conducted in Nairobi Central Business District which takes a rectangular shape, around the Uhuru Highway, Haille Selassie Avenue, Moi Avenue and University Way. Nairobi is the largest capital City of Kenya. According to the 2009 Census, in the administrative area of Nairobi, 3,138,295 inhabitants lived within 696 km² (269 sq mi). The population of the study comprised the businesses licensed by the City Council of Nairobi to operate in the Central Business District. The sample frame was drawn from the total number of businesses on the ground floor of the streets studied namely; Kimathi, Mama Ngina, Tom Mboya, Koinange, Kaunda, Kenyatta and Moi Avenues. A total of 777 businesses are located on the ground floor of these streets.

Table 1. Population Size per Street

STREET	POPULATION
Kimathi	94
Mama Ngina	51
Moi Avenue	137
Kenyatta	122
Tom Mboya	159
Koinange	100
Kaunda	114
TOTAL	777

Source: Nairobi City Council (2009)

1.8 Justification of the study

In Vision 2030, the Kenya government aims to improve the prosperity of all Kenyans through an economic development programme, covering all the regions of Kenya. It aims to achieve an average Gross Domestic Product (GDP) growth rate of 10% per annum beginning in 2012. To achieve this target, Kenya is continuing with the tradition of macro-economic stability that has been established since 2002. The informal sector is being supported in ways that will raise productivity and distribution and increase jobs, owner's incomes and public revenues. The country is continuing with the governance and institutional reforms necessary to accelerate economic growth.

Developing a global partnership is one of the Millennium Development Goals (MDG's) in which Kenya is a signatory. The key target being in co-operation with the private sector, make available the benefits of new technologies, especially information and communications. This is whereby the mobile money transfer providers can be in partnership with the MNO's which are private sectors to bring about new technologies in terms of Mobile Money Transfer.

In addition mobile money transfer providers in Kenya are geared towards employment creation for poverty eradication as envisioned in Sessional Paper No. 2 of 2005 on

Development of Micro and Small Enterprises for wealth and employment creation for poverty reduction. The government is therefore expected to ensure that the provider is supported by ensuring the policies such as taxes are favorable and in terms of security to operate their businesses is met as well as provision of friendly, cheaper and easier access to funds and loans.

1.9 Definition of Significant Terms

Major terms used in this study are defined in this section. The definition is based on how these terms were used in the study.

1.9.1 Mobile Money Transfer Service- This is the transferring of money from one person to another through use of mobile phone. There are various MMT services available such as M-PESA, Orange Money, Zap, Yu-cash, PESA-Pap by Family Bank, M-KESHO by equity

1.9.2 Mobile Money Transfer Providers (also known as the providers)- These are the small business or individuals who have existing businesses and incorporate the Mobile Money Transfer service to their business and act as banking agents for the mobile network operators who dispense the cash to customers.

1.9.3 Mobile banking (also known as M-Banking, m-banking, SMS Banking) is a term used for performing balance checks, account transactions, payments, credit applications and other banking transactions through a mobile device such as a mobile phone or Personal Digital Assistant (PDA).

1.9.4 A central business District (CBD), also called a central activities district is the commercial and often geographic heart of a city.

1.9.5 Socio-Economic Status (SES) is an economic and sociological combined total measure of a person's work experience and of an individual's or family's economic and social position relative to others, based on income, education, occupation and lifestyle.

1.9.6 Jua Kali Business is a Swahili term meaning Entrepreneurs. They are business people who invest in informal business as a way of sustainability.

1.9.7 Mobile Money Transfer Factors are the various factors that influence the existence of the service either positively or negatively.

1.10. Organization of the Report

This report has five chapters. Chapter one described the background of the study, problem, the chapter presents the study objectives, research question and study assumptions. Chapter two focused on the literature review and conceptual framework. The necessary literature related to the study problem has been reviewed with an objective of developing a conceptual framework model that provided the socio-economic impact of mobile money transfer on providers in the study. Chapter three presents the methodology used in the study. The researcher adopted descriptive design so as to capture the socio economic impact of mobile money transfer on the providers. The pertinent issues discussed in this chapter include the target population, sample and sampling technique to be used, the research design, description of tools to be used in data collection, the measurement of the variables and techniques used in analyzing the collected data. Chapter four discusses the findings of the questionnaire that was administered with discussions on the same while chapter five highlights the answers to the questions with recommendations of the study.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter has reviewed literature that is relevant to the study with a purpose of exploring research work and other secondary data useful to the study. The chapter examines what other researchers and scholars have said regarding the identified variables that influence socio economic status of the mobile money transfer providers.

2.1 Background of Mobile Money Transfer

Mobile Money Transfer is a technology that was to create a service which allowed microfinance borrowers to conveniently receive and repay loans using the mobile phone. This would enable microfinance institutions (MFIs) 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. But when the service was trialed, customers adopted the service for a variety of alternative uses; complications arose with Faulu, the partnering microfinance institution (MFI). M-PESA was re-focused and launched with a different value proposition: sending remittances home across the country and making payments. Hughes, N., & Lonie, S. (2007).

M-PESA is a branchless banking service, meaning that it is designed to enable users to complete basic banking transactions without the need to visit a bank branch. 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 system was developed and ran by Sagentia from initial development to the 6 million customer mark. The service has now been transitioned to be operationally run by IBM Global Services on behalf of Vodafone, the initial 3 markets (Kenya, Tanzania & Afghanistan) are hosted between Rackspace and Vodafone. Ivatury, G., & Mas, I. (2008, April)

Orange Money-IKO PESA Services is also picking up after it was launched, with its main mechanisms being that it's able to retain money within circulation as it's a partnership between Orange Telecoms and Equity Bank. The East African (22-11-2010). Zap from Airtel is a money transfer service that keeps Cash in on the latest evolution. Money has changed forms many times throughout history. From bartering chickens, to using seashells, up until credit cards, the history of money has been colorful, to say the least. Money has taken another new form: Zap is the innovative service from Airtel that allows you to.

The terms m-banking, m-payments, m-transfers, m-payments, and m-finance refer collectively to a set of applications that enable people to use their mobile telephones to manipulate their bank accounts, store value in an account linked to their handsets, transfer funds, or even access credit or insurance products. This paper uses the compound term m-banking/m-payments systems to refer to the most common features. The first targets for these applications were consumers in the developed world. By complementing services offered by the banking system, such as checkbooks, ATMs, voicemail/landline interfaces, smart cards, point-of-sale networks, and internet resources, the mobile platform offers a convenient additional method for managing money without handling cash (Karjaluoto, 2002).

For users in the developing world, on the other hand, the appeal of the sem-banking/m-payments systems may be less about convenience and more about accessibility and affordability (Cracknell, 2004; infoDEV, 2006). An exploration is underway between banks, mobile operators, hardware and software providers, regulatory agencies, donors, and users to determine the shape of m-banking/m-payments services in the developing world (infoDEV, 2006; Ivatury, 2004; Ivatury & Pickens, 2006; Porteous, 2006). Mobile phone operators have identified m-banking/m-payments systems as a potential service to offer customers, increasing loyalty while generating fees and messaging charges (infoDEV, 2006).

Financial institutions, which have had difficulty providing profitable services through traditional channels to poor clients, see m-banking/m-payments as a form of “branchless banking” (Ivatury & Mas, 2008), which lowers the costs of serving low-income customers. Government regulators see a similar appeal but are working out the legal implications of the technologies, particularly concerning security and taxation.

Most m-banking/m-payments systems in the developing world enable users to do three things: Store value (currency) in an account accessible via the handset. If the user already has a bank account, this is generally a question of linking to a bank account. If the user does not have an account, then the process creates a bank account for her or creates a pseudo bank account, held by a third party or the user’s mobile operator. Convert cash in and out of the stored value account. If the account is linked to a bank account, then users can visit banks to cash-in and cash-out. In many cases, users can also visit the GSM providers’ retail stores. In the most flexible services, a user can visit a corner kiosk or grocery store perhaps the same one where he or she purchases airtime and transact with an independent retailer working as an agent for the transaction system. Transfer stored value between accounts. Users can generally transfer funds between accounts linked to two mobile phones, by using a set of SMS messages (or menu commands) and PIN numbers (Mortimer- Schutts, 2007).

2.3 Mobile Money Transfer Types

In Kenya today, there are various mobile money transfer services being embraced by the various providers as a way of business and sustainability used to reach the customer. The Mobile network operators and banking institutions have devised various services to meet the customer needs and enhance the socio economic status of the providers of the service. The Mobile money transfer types offered by the Mobile Network Operators are: M-PESA by Safaricom, Zap by Airtel, Orange Money by Orange Telecoms and Yu cash by Essar

Telecom. The Mobile Money Transfer services and Banking services available by banks include: Western Union, PESA Pap by Family bank and M-KESHO by Equity

2.3.1 M-PESA as an established Mobile Money Transfer service

Safaricom and Vodafone launched M-PESA, a mobile-based payment service targeting the un-banked, pre-pay mobile subscribers in Kenya on a pilot basis in October 2005. M-PESA started as a public/private sector initiative. Vodafone was successful in winning funds from the Financial Deepening Challenge Fund competition established by the UK Government's Department for International Development to encourage private sector companies to engage in innovative projects to deepen the provision of financial services in emerging economies. The full commercial launch was initiated in March 2007 (Ondieki, 2007).

The service comprises a simple registration process to set-up a customer's new M-PESA account into which they can upload (deposit) and download (withdraw) cash at a large number of Safaricom's re-seller airtime distribution agents. Making a deposit is a similar process to topping up their airtime pre-pay balance: the account identifier is the mobile phone number and the customer goes to the very same place that they would go to buy airtime. There the similarity ends; the M-PESA account is entirely separate to the pre-pay airtime credit. Once registered, the customer can send funds to any other phone number, on any network Nardi (Steve, 2000). The receiver gets a text message that can be taken to a re-seller agent and, cashed in, enabling person-to-person money transfer instantly over large distances. A customer can also use their M-PESA account balance to buy goods and services (including airtime credit for any other Safaricom pre-payphone). It comes with a full transaction tracking and reporting system, customer care support and anti-money laundering measures, and is being developed to allow international use for remittances, allowing Kenyans overseas

to send money home quickly and much more cost effectively than most alternative means (Hampe 2002).

2.4 Mobile phones in Kenya in relations to socio-economic development

The Kenya government recognizes the role-played by the mobile phones, and associated technologies in the economic growth and development (sessional paper, 2005). Therefore together with other stakeholders and development partners, Kenyan government has encouraged the development of communication infrastructure such as communication commission of Kenya (CCK), which is regulating the mobile service providers, fixed line service providers, and other stakeholders in provision of the service industry (Research ICT Africa 2004). At the same time the government has recognized with concern the growth of micro-enterprises as the foundation blocks of development and industrialization. The ministry of labor and human resources development has set up a department to deal with the development of the micro- and small enterprises. Through this ministry the government has identified that inappropriate technology as a major constraint in the country achieving the economic benefits resulting from the SMEs (Sessional paper 2005). The government through ministry of Information and communication has encouraged the Kenyan population to join the information superhighways, to make them competitive and have a global reach, penetrate more markets, access information from different sources (customers, suppliers, banks), which are some of the factors hindering the productivity, and profitability of the SMEs, their growth and expansion.

2.4.1 Adoption and use of mobile phones in Kenya

Mobile telephony adoption is on the rise and the related technological innovations have dramatically enhanced the capabilities of the mobile phones (Salzaman et al 2001). About two billion people worldwide are using a mobile phone. As the number of mobile phone

increases there has been a pervasive impact on people's lives (ITU 2006). Mobile phones adoption and use has a positive and significant impact on economic growth, and this impact may be twice as large in developing countries as in developed countries (ITU 2005, Salzman et al 2001). In Africa particularly it has been said "people in Africa use mobile phones very differently. Most strikingly is the accessibility of mobile as the overall impact of mobile extends well beyond what might be suggested by the number of subscriptions alone"(ITU 2005).

In Kenya there has been a sporadic mobile phone subscription by the rural and urban populations. The number of mobile subscribers in Kenya has risen to 8 million subscribers from 6.5 million subscribers in June 2006, from the country's two operators (Safaricom and Zain) against 293,400 fixed lines (ITU 2007). This increased accessibility to mobile phones have introduced changes in most sectors of the economy and particularly the urban informal sector consequently Jua Kali Business (SMEs) changing their business and operation environment, thereby creating an impact on Kenya's fastest growing sector and employer (ITU 2007).

2.4.2 Integration of Mobile Phones in Kenyan SMEs

According to Donner (2005), there have been relatively few studies focusing directly on the way mobile phones are used in enhancing productivity among the users in the developing world. Some business also lacks the awareness regarding the potentials that exist in the use of mobile phones and ICTs (Adeya 2003). Mobile phones provide technological services that reduce costs; increase income and increases reach ability and mobility. They can help to extend social and business networks and they clearly substitute for journeys and, for brokers, traders and other business intermediaries (Donner 2005, Hughes & Lonie 2007). By 2005, SMEs in Kenya had employed approximately 5.9 million people. Of this population, 1.9

million was in the urban areas while the rest was in the rural parts of Kenya (CBS 2005, Economic Review 2005) out of the total population of 35 million, which translates to 18.5% of the Kenyans have a mobile phone compared to 0.84 % of the fixed lines (ITU 2007, Chogi 2006).

It is therefore important to note that the adoption, usage and the influence mobile phones have on the Micro enterprises of Kenya. The uses can be categorized as social, business/economic and political. For micro entrepreneurs, just like all other users use mobile phones same device for both business and social purposes, as a result there were increased profits in business, and enhanced social networks (Chogi 2006). The emergence of M-PESA service, a Text messaging (SMS) provide the solution to small businesses banking needs for the majority of the Kenyan population, because the majority don't hold bank accounts but they do have the services of a mobile phone, hence they could settle bills by building up credit on the mobile phones and then sending a text (SMS) to make a payment. The leading mobile service providers in Kenya have introduced some money transfer services whose objective is to enable Kenyans to make 'micro payments' using their mobile phones. These services are supposed to provide an e-commerce platform of choice in a country where credit cards have struggled to reach most the population without the bank accounts. M-PESA, an innovative new mobile payment solution that enables customers to complete simple financial transactions by use of mobile phone (Hughes & Lonie 2007, Chogi 2005).

2.5 Socio-economic impact of Mobile Money Transfer Services

In terms of general macroeconomic impacts, there are only a couple key studies that have demonstrated the positive influence of mobile phone penetration in developing countries. One well-known study found that while mobile phones in less developed countries are playing the same crucial role that fixed telephony played in richer countries in the 1970s and 1980s, the

growth impact of mobiles is around twice as important in developing countries, where there is also a critical mass effect, and that a rise of ten mobile phones per 100 people boosts GDP growth by 0.6% (Waverman, Meschi & Fuss 2005). Another reported that the impact of mobile phone penetration is positively linked to Foreign Direct Investment (FDI), and that this impact has grown more significant in recent years, with a 1% increase in mobile penetration rates associated with 0.5-0.6% higher rates of FDI and GDP (Williams 2005).

One aspect of mobile phones in the developing world that is being looked at with some anticipation is the introduction of mobile financial services and transactions. Many if not most rural users in less developed countries have no access to financial services of any kind, and getting these "unbanked" citizens linked somehow into the formal banking sector is a priority for many governments. However, the evidence to date of initial efforts in this regard is mixed. While users are employing the mobile banking systems to make payments for things such as airtime and pre-paid electricity, and many are using them for sending remittances back to friends and relatives in their rural villages, there is little evidence to date of an increase in the number of users registering for more formal banking services via mobile phone, such as savings and credit services (Morawczynski 2008). Initial analysis seems to indicate that while today's mobile banking systems are providing good money transfer and payment services to early users, there will need to be better marketing and training involved to help consumers understand what the systems are capable of, as well as improved policy measures to ensure that the benefits of mobile banking are evenly distributed across all banking and consumer sectors (Ivatury, Pickens 2006)

2.5.1 To the Public

If the key to acceptance of Mobile money transfer is in the hands of customers, this leads to the question of determinants influencing the acceptance of a single Mobile Phone procedure.

Furthermore, other participants (in particular, merchants) will only be able to follow customer preferences up to a defined point, where disadvantages begin to outweigh the advantages. While the issue of acceptance has had a significant Buhan et al., 2002; Kruppa, 2001; Robben, 2001 most arguments can be subsumed into three categories:

Cost- includes direct transaction costs and fixed costs of usage, plus the cost of the technical infrastructure for the customer (e.g., a new mobile phone) and the merchant (e.g., the integration of the payment solution into the existing IT infrastructure).

Security- includes not only integrity, authorization, authentication, confidentiality, and non-repudiation of transactions, but also the issue of subjective security from the customer's perspective.

Convenience- includes ease and comfort of use, as well as the attainment of concrete benefits from use.

2.5.2 To the Provider

According to CBS (2005) Kenya has over 5,970,600 people employed in the informal sector, which has translated to about 19% of the total Kenyan population. This sector has continuously experienced growth, and becoming a key sector in the economy of the country, creating most of the new jobs in Kenya. Malick (2004) adds that Kenya's informal sector constitutes 98% of all businesses in the country, absorbing a high population of school, college and university leavers. The number of enterprises have grown from 910,000 in 1993 to 1.8 million in 2006 (Baseline Survey 2006). Out of 1.3 enterprises in 2006, 66% was located in the rural areas, while women owned 48% of the enterprises. 64.3% of the SMEs was in trade, 14.8% in services, 13.4% in manufacturing while 7.7% involved other activities. The informal sector is segmented into three according to Haans (2001).

The smallest segment is the Income-Generating Activities (IGAs). This is a segment of the informal sector is the predominant type of informal businesses, e.g. seasonal trading and hawking, keeping domestic animals, and many traditional craft activities, especially in rural areas that have the following characteristics: Pre-entrepreneurial, subsistence type of self-employment, supplements farming incomes. Usually they concern part-time, seasonal activities, based on traditional technologies, local materials and local markets (Malick, 2004). They have little if any potential for growth, and might be best supported by assisting the women to diversify their activities. The second segment the micro-enterprises (SMEs) has businesses that are slightly bigger than IGAs, which includes small shops, metal working, carpentry, tailoring, and various forms of repair services (e.g. radio & TV, cars, household appliances). The main Characteristics are: they work with a few family workers, apprentices with one or a few (up to 10 including the owner(s) of the business) permanent workers. Their technology is a mix of traditional and more-modern-but-obsolete (Malick, 2004).

They lack access to capital, have modest technical skills and lack management. They are more linked with markets as part of their production inputs are imported and they serve local and nearby markets. They found in larger villages, rural towns and regional centers. Some of them have some potential for growth, or at least for the development of entrepreneurial skills.

Small enterprises (SEs) are firms with roughly 10 to 20 (sometimes 50) workers that are at the boundary between formal and informal sector and have the following characteristics: they use non-traditional or 'modern' technologies in at least some of the productive aspects of the transformation process Kothari, (2001). Their products and services range from simple to complex and similarly span a range of consumer types .The marketing pattern may be somewhat complex, reflecting innovation in raw material procurement and in output sales.

SEs is on the margin of formal: they are usually registered with the local government and tend to be paying some taxes. SEs is more urban than rural-based. Some examples of small

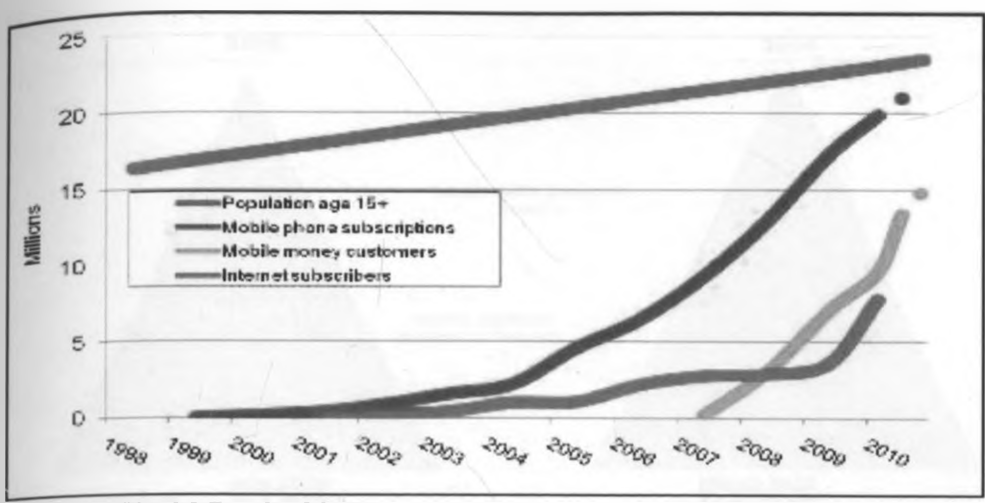
enterprises are: saw mills, garment assembly, motorized transport, building & construction and medium-scale industrial agro-processing Malick, (2004).

2.5.3 To the SME

Small and Medium Enterprises (SMEs) have had a privileged treatment in the development literature, particularly over the last two decades. Hardly any arguments are put forward against SMEs, even if development policies do not necessarily favour them and economic programs, voluntarily or not, often continue to result in large capital investment. Arguments for SMEs come from almost all corners of the development literature, and economic programs, particularly in the less developed countries (LDCs), tend to emphasize the role of SMEs, even if practical results differ from the rhetoric. Therefore, SMEs seem to be an accepted wisdom within the development debate (Castel-Branco, 2003)

According to World Bank (2010) Kenya's strong economic recovery in 2010 reached 4.9% of GDP. With a forecast growth of 5.3% in 2011. With the special Focus on the ICT Revolution and mobile money captures the economic momentum which is now spreading across Africa. Kenya now has 21 million phone subscribers, the vast majority connected by cell phones. With prices falling and coverage increasing, almost every Kenyan above the age of 15 will soon be connected by a mobile phone (see figure 2.1, red line). Among the many uses of cell phones, the most innovative is mobile money, money that is stored and transferred by mobile phone. By the end of 2010, two-thirds of Kenyan above 15 years will be using mobile money (see figure 2.1, green line) transferring an estimated US\$ 7 billion (or 20 percent of GDP). Even internet access seems to have reached a tipping point with an expected more than 8 million subscribers (see figure 2.1, purple line), many accessing it through mobile phones. However, prices need to decline further to make Internet accessible to the majority of Kenyans.

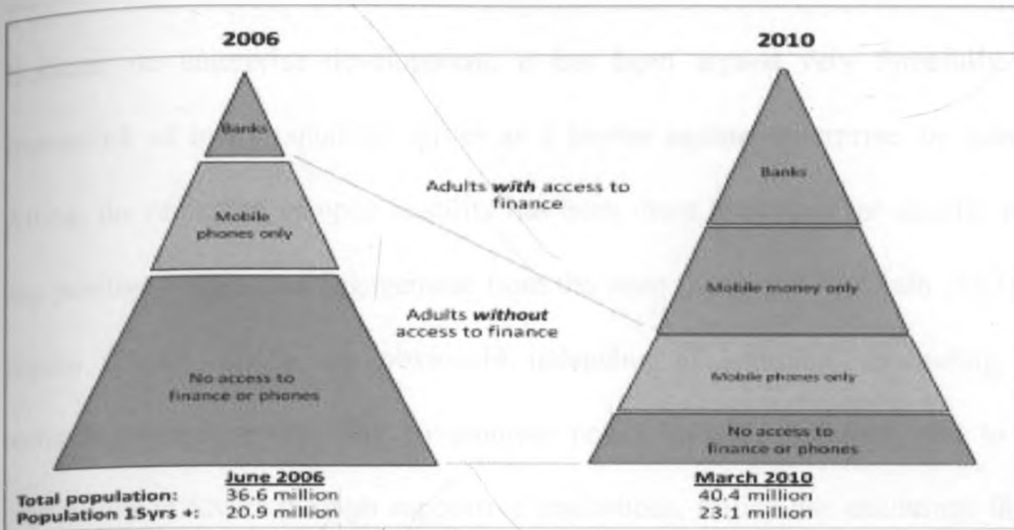
Figure 2: Kenya's ICT Revolution



Source: World Bank (2010)

Initially, mobile money transfer was used mainly by the rich but it has now started to change the lives of average Kenyans, spreading rapidly into the middle and the bottom of the wealth pyramid. This has vastly expanded Kenyan's access to finance (see figure 2. 2). Africa is now in a position to export innovation not just to import it. The SME's in Kenya are taking up the business of MMT and now can access funds to facilitate development in business and person lifestyle and being.

Figure 3: Expanding access to Finance



Source: World Bank (2010)

Network involves a group of people who exchange information, experience and contacts for professional, business or social purposes. Shaw and Conway (2000) say that networks are important during the establishment, development and growth of small businesses. The network may include family members, or even friends, or professionals. Networks are of growing importance to SMEs in any economy. Africans being notoriously social, networking becomes a vital tool for success of SMEs; it becomes like 'an inborn trait' or an opportunity that comes by natural flow. Networking involves distance. According to Tulus (2005) in an Indonesian perspective, he observes that clustering plays an important role in the growth of small businesses and governments should support it. Hence, close proximity is crucial to enterprise. From the context of Kenya, small enterprises like mitumba (selling of second hand cloths); we find the business clustered in one place. This is aimed at creating a closely-knit network that ultimately increases the inflow of customers.

An enabling environment is an opportunity that should be utilized by the micro and small enterprises in Kenya. With changing governments, which come with promises of a better tomorrow and definition of new business policies, reconstruction of economy, improvement

of infrastructures and security, small businesses are expected to do well. The legal and economic framework in which enterprises operate is crucial to their performance. In the literature on enterprise development, it has been argued very forcefully that the legal framework of many countries serves as a barrier against enterprise. In many cases across Africa, the reduction of open hostility has been more important for smaller enterprises than any positive program of engagement from the state (King and McGrath 2002). According to Ngahu (2000), SMEs are obviously incapable of sourcing, evaluating, and adapting technologies effectively. The government policy should, therefore, aim to develop these capabilities in SMEs through supportive institutions. Policy can encourage the development of assistance programs to facilitate SMEs' access to resources, information, training, and technology. Further, policy should promote the development of technologies appropriate for SMEs. Although it is possible to develop policies designed to improve the circumstances of SMEs, it may be more feasible to support the development of technologies compatible with the SMEs' circumstances.

2.6 Factors that influence the socio economic status of the providers

This section will discuss the factors that influence the provision of mobile money transfer services geared towards influencing the socio economic status of the providers:

2.6.1 Customer Loyalty

Customer loyalty is not always easy to construe and many definitions have been proposed.

Let's first settle what customer loyalty is not (Prus & Randall, 1995):

Customer loyalty is not customer satisfaction. Satisfaction is a necessary but not sufficient criterion. We know that "very satisfied" to "satisfied" customers sometimes switch to competitors. Customer loyalty is not a response to trial offers or incentives. Customers who

react to incentives are often highly disloyal and they often leave as fast as they came. They are very much inclined to respond to a competitor's incentive.

Customer loyalty is not a strong market share. High level of market share can also be influenced by other factors such as poor performance by competitors or price issues. Customer loyalty is not repeat buying or habitual buying. Some of your consumers choose your products because of convenience or habits and they can be tempted to defect for any reason.

Prus & Randall then describe customer loyalty as follows: "*Customer loyalty is a composite of a number of qualities. It is driven by customer satisfaction, yet it also involves a commitment on the part of the customer to make a sustained investment in an ongoing relationship with a brand or company. Finally, customer loyalty is reflected by a combination of attitudes (intention to buy again and/or buy additional products or services from the same company, willingness to recommend the company to others, commitment to the company demonstrated by a resistance to switching to a competitor) and behaviors (repeat purchasing, purchasing more and different products or services from the same company, recommending the company to others)*".

Most present-day strategic plans focus on a profit target and work backward to arrive at required revenue growth and cost reduction. Time spent on studying loyalty leaders has convinced Reichheld to develop a totally different model. The decisive key in this model is not profit but, instead, the creation of value for the customers. The three forces - customers, employees, and investors - that play an important role in the enterprise form the *forces of loyalty*. Since a linkage between loyalty, value, and profits exists, these forces can be measured in terms of cash flow. "Loyalty is inextricably linked to the creation of value both as a cause and an effect." Reichheld, (1996) As an effect, loyalty measures permanently

whether or not the company has delivered superior value. Defects can doubtlessly be explained by a lack of value for the customer. As a cause, loyalty creates a chain reaction. Reichheld describes it as follow:

Revenues and market share grow as the best customers are swept into the company's business, building repeat sales and referrals. Because the firm's value proposition is strong, it can afford to be more selective in new customer acquisition and to concentrate its investment on the most profitable and potentially loyal prospects, further simulating sustainable growth.

Sustainable growth enables the firm to attract and retain the best employees. Consistent delivery of superior value to customers increases employee's loyalty by giving them pride and satisfaction in their work. Furthermore, as long-term employees get to know their long-term customers, they learn how to deliver still more value, which further reinforces both customer and employee loyalty.

Long-term employees learn on the job how to reduce costs and improve quality, which further enriches the customer value proposition and generates superior productivity. The company can then use this productivity surplus to fund superior compensation and better tools and training, which further reinforce employee productivity, compensation growth, and loyalty.

Spiraling productivity coupled with the increased efficiency of dealing with loyal customers generates the kind of cost advantage that is very difficult for competitors to match. Sustainable cost advantage coupled with steady growth in the number of loyal customers generates the kind of profits that are very appealing to investors, which makes it easier for the firm to attract and retain the right investors.

Loyal investors behave like partners. They stabilize the system; lower the cost of capital, and ensure that appropriate cash is put back into the business to fund investments that will increase the company's value-creation potential.

2.6.2 Investment Cost

The investment cost of mobile money transfer services is embedded in the transactions to be carried out. The provider should therefore invest in electronic money and ensure it is available for availability of the service Schofielf&Kubin, 2002). The conceptualization of the electronic money is structured within the phone use and is a concept that will be adopted by the mobile network operator and the provider to be issued to the customer as a means to facilitate the payment of their services Cracknell. (2004), Peevers, Douglas & Jack, (2008)

The marketing and branding of the premise or outlet which will be used for the provision of the mobile money transfer services by the providers is one of the investments costs that have to be looked into. The American Marketing Association (AMA) defines a brand as a "name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers. Therefore it makes sense to understand that branding is not about getting your target market to choose you over the competition, but it is about getting your prospects to see you as the only one that provides a solution to their problem. Source: AMA (2011).

2.6.3 Customer Care

Zeithaml, et. al. (1990), Bowen and Lawler (1990), Reichheld and Kenny (1990) and Schlesinger and Heskett (1991) cited the need for customer-contact personnel to "take responsibility, think for themselves and respond well to pressure from customers" (Schlesinger and Heskett, 1991). They emphasized the importance of training and support in "communication, performance management, team building, coaching and empowerment" for front-line workers and their managers. Both Reichheld and Kenny (1990) and Schlesinger

and Heskett (1991) found that companies that exhibited these policies and attitudes experienced not only higher customer retention and profits, but also an increase in employee loyalty and a reduction in job turnover. Zeithaml, et.al. (1990) found that a "Service Performance Gap" occurred when employees were unable or unwilling to perform the service at the desired level. They found that this gap was common among the service businesses they studied due to problems related to: role ambiguity; role conflict; employee-job fit, technology-job fit, supervisory control systems; perceived control; and teamwork.

Zeithaml, et. al. (1990) defined role ambiguity as a situation in which employees were: (1) uncertain about what their managers or supervisors expected from them and how to satisfy those expectations; (2) lacked the training or skills to provide the service needed for customer satisfaction; and (3) did not know how their performance would be evaluated and rewarded.

To achieve role clarity, Zeithaml, et. al. (1990) suggested the use of four tools: communication, feedback, confidence and competence. They emphasized that employees need accurate information about their roles; specific and frequent communication from managers about what they were expected to do; and complete and current information about products, services and customer expectations. Zeithaml, et. al. (1990) concluded that training and feedback in two areas, technical knowledge and interpersonal skills (which were related to their "SERVQUAL" dimensions of responsiveness, assurance and empathy), could increase employees' confidence and competence, and provide greater clarity regarding their roles. Bitran and Hoech (1990) also noted the importance of providing feedback to employees on their interactive skills

2.6.4 Location

Source: www.entrepreneursabout.com discusses that there are many factors to consider in choosing the location for your business. While cost is obviously a major consideration, you must also think about your various constituencies. Is your location important to.

Provider -The space has to work for you, or it won't work. Remember, you're the one has to work there every day.

Your customers- It also has to work for your customers, or it won't work. No customers = no business.

Your employees- This issue may not be as critical at first, especially if you don't have any employees yet. But the ability to attract and keep good employees will be affected by your location.

Strategic partners While this may not seem like a big issue, the reality is that strategic partnerships happen more easily when the partners are local to each other.

Potential investors or buyers- You may not even be thinking about that yet, but potential investors looking at the long-term value of the business will see location as an important factor.

Each of these groups has different concerns about the location:

Cost - Most obviously, can you afford it? Also, though, consider whether your customers and employees can afford it. For example, is there free parking, or is it expensive? Will higher rent cause you to charge higher prices to your customers? That's not necessarily a bad thing, but a factor to consider. What about taxes? Income taxes and sales taxes vary greatly from state to state, and if you buy your own property,

Convenience - Is it easy to find? Is parking close by? Consider your clients. If you're dealing with pregnant mothers and the elderly, they may have a different concept of "convenient".

Safety - This is an increasingly important issue for both customers and employees. Is the parking close by? Well lit? Is there security on the premises?

Prestige - Would a downtown address add credibility? Will wealthy clients favor a business in their own neighborhood? Some places even provide virtual offices with prestigious addresses, such as Beverly Hills, Silicon Valley, or Manhattan.

Traffic - Retailers and restaurants love it, office workers don't.

Facility requirements - Do you have any special needs, such as high power consumption or specialized wiring? Do you need meeting space, but only occasionally? You might consider a shared office suite (often called executive suites) in that case.

2.7 Conceptual Framework

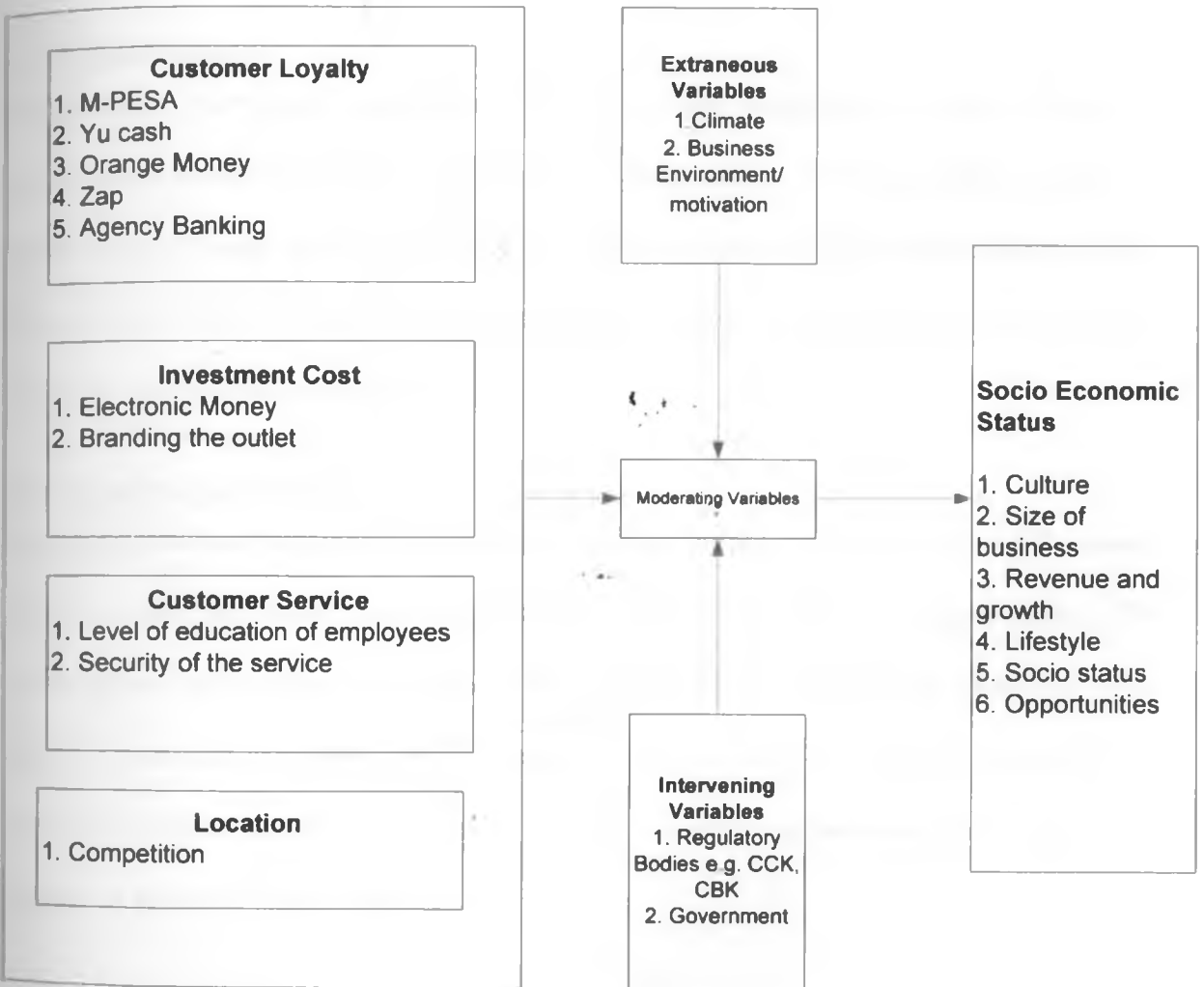
The forgoing literature review has revealed the emergence and trend of mobile money transfer with the need for small and medium enterprises adopting the business. However there is need to further study the field and develop literature

2.7.1: Conceptual Model

Figure 4: Conceptual Model

Independent variables
variable

Dependent



Source: Author (2012)

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the method was used for the study and adopts the following structure: research design, population and sample, population description, data collection methods, research procedures and data analysis and methods.

3.1 Research Design

The research study used descriptive study. The data collection was through use of questionnaire in order to answer questions on participation, revenue, security, trends of mobile money transfer and the socio economic status of the small and medium entrepreneurs. The data collection tool was both open- ended and closed- ended questions where the data was cross sectional and comparative.

3.2 Survey Design Rationale

The study site was Nairobi Central business district with a focus on the mobile money transfer service providers. The research design used for the study was survey design. The cross-sectional survey design was used. This design entailed the collection of data of more than one case and at a single point in time in order to collect a body of qualitative or quantifiable data in connection with several variables which are then examined to detect the patterns of association (Bryman 2001).

3.3 Target Population

The target population of the study involved people from the mobile money transfer industry that is dominated by M-PESA services. All mobile money transfer services were targeted for the study where the Zap, IkoPESA, Yu Cash and M-Banking agent services were also targeted for the study. On average, there are about two hundred and fifty mobile money transfer services outlets in Nairobi Central Business District; therefore a total of 5 mobile money transfer services will be targeted for the study.

3.4 Sampling Design

A sampling design of the study was prepared to ensure that all the observations were adequately presented without bias. Kiplagat (1999) observes that stratified sampling increases precision. The stratified sampling technique used ensured that adequate number of providers were sampled so that comparison of parameters of interest could be made between the two (strata) within a population that outlines their influence on the socio economic status before and after adoption of mobile money transfer service as a form of business.

3.5 Sampling Technique

In line with the above and to ensure good representation in both categories, the researcher applied both probability and non-probability sampling technique. The researcher will use stratified sampling method. The reason for using this method is because the study aims at capturing information from all the diverse groups of people, those with mobile money transfer services as a business of different age groups, different business ventures, different income, gender and level of education. The study was cross related the differences to see if there is an influence of the provision of mobile money transfer service on the socio economic status of the provider. Items in each stratum constitute a sample. A simple random sample of 200 firms was selected. In determination of the sample size, geographical location of the firms was considered in order to have all streets within the NCBD represented. The respondents from the firms were people knowledgeable with the questions at hand.

3.6 Sample Size

The size of the sample was selected as representatively as possible to minimize sampling error. A minimum sample of 200 was taken since the population in the area of study was above 700 as guided by Nairobi City Council (2009). This figure was reached after consideration of the finances available for data collection and resources of the self-sponsored

researcher bearing in mind that interviews and schedules were the main instruments of data collection. The method will be time consuming hence the reason for taking a minimum sample size. Table 3.1: Shows sample size for each category of the population

Table 3.1: Sample Procedure matrix

Target Group	Sampled Population
Owners	10
Attendants	150
Managers	30
Supervisors	10
Totals	200

Source: Author (2012)

3.7 Data Collection Methods and Procedures

The main data collection instrument that was used by the researcher was a questionnaire. Data was collected using a semi-structured questionnaire served on respondents through the drop and pick method. The questionnaire had both open and closed questions to allow for varied responses. The method was chosen because it saves time and cost. The questionnaire aimed at obtaining core information and supplementary information through further probing of the respondents and by reading relevant publications of other firms in the industry.

3.7.1 Primary Data Collection Method

These are instruments which were used to collect the required data. One questionnaire was developed by the researcher. The questionnaire contained both structured (closed- ended questions) as well as unstructured questions (open-ended). In some questions, the researcher used a Likert type scale to measure perception and attitude of the respondent to some issues. Each questionnaire had an identification number for tracking purposes. Respondents also needed to be aware of the research for them to cooperate. The researcher thus used a letter of transmittal to accompany the questionnaire. The letter briefly described the purpose, the importance and the significance of the study and also assured respondents of their confidentiality. The researcher employed several instruments for data collection. The instruments are described below.

a. Questionnaire

The questionnaire used had both open ended and closed ended questions to capture information for both the entrepreneurs with mobile money transfer service and those without. The enumerator was taken through the questionnaire explaining each question. The researcher explained the objectives of the study and ensured that the enumerator had an understanding of the questions.

b. Interviews Schedule Method

Appendix 2b shows the questionnaire that was used for data collection. The researcher used face to face interviews. Structured and semi structured as well as in-depth interviews were employed for the study. The researcher had predetermined questions grouped together to address particular objectives of the study. Majority of the questions were unstructured, this is because the researcher wanted to gather as much information as possible in regards to the influence of mobile money transfer on socio economic status of the small and medium entrepreneurs. The main reasons for using interview method of data collection was to ensure that the questions were understood and to minimize the risk of collecting incomplete and wrong information as it is with questionnaires particularly when people are unable to understand the questions properly. This data collection method was considered by the researcher as the most appropriate in providing safe basis for generalization and high accuracy.

In case of need, supplementary questions were asked and at times omitted or the sequence changed where the situation required. This method allowed for freedom in recording responses and included some aspects and excluded others.

To guarantee accuracy of the interview the researcher ensured that:

- a. Interviewers were carefully selected, trained and briefed.
- b. The researcher will made official field checks to ensure the interviewers were neither cheating no deviating from instructions given to them.
- c. Made effort to create friendly atmosphere of trust and confidence so that the respondents felt at ease.
- d. The researcher also participated in interviewing.

c. Observation

The researcher used Observation as a systematic process of identifying, categorizing and recording the behavior of the respondent in a natured setting.

3.7.2 Secondary Data Collection and procedure

Secondary data involves the systematic identification, location and analysis of documents containing information related to the influence of the provision of Mobile money transfer services on the socio economic status of the providers. Both published and unpublished information was reviewed. The purpose of reviewing secondary data was to set a stage for the study and explore the challenges and success of mobile money transfer services on small and medium enterprises in other countries and also in Kenya. Sessional data, past business research on socio economic status of small and medium entrepreneurs, past feasibility studies on challenges of small and medium entrepreneurs. Journals, Vision 2030 document, amongst others. These publications are very useful in providing valuable information on the efforts being put by such organizations documenting the influence of mobile money transfer in Kenya.

The study area analysis was carried out through literature review, internet browsing, journals and magazines. The objective was to capture general information on the area in order to

develop clear understanding and insight of the context of which data was collected. The information gathered on background of the study culminated into development of research tools, scoping of the entire work and also assisted in drawing recommendations and conclusions.

3.8 Operational Definition of Variables

An operational definition is a definition that defines the exact manner in which variable is measured (Tuckman 1978) Table 3.2 indicates the types of variables and how these variables will be measured in the course of the research.

Table 3.2: Types of Variables and their Measurement

Variables	Indicator	Measure	Scale	Approach	Type of Analysis
Customer Loyalty	The various customers of the MMT service provision	Preference MMT service	Ordinal	Qualitative and Quantitative	Descriptive
Investment Cost	Cost of investing in electronic money and Branding of outlet	Financial inclusion	Ordinal	Qualitative and Quantitative	Descriptive
Customer Service	Level of education of employees	Customers lost due to quality of service	Ordinal	Qualitative and Quantitative	Descriptive
Location	Geographical location of the providers premise	Competitive advantage	Ordinal	Qualitative and Quantitative	Descriptive

Source: Author (2012)

3.9 Pilot Study

For the purpose of this study the data collection instrument was piloted using fifteen mobile money transfer service providers within the NCBD. The post pilot adjusted data collection instruments were used to collect data for analysis. The purpose of pretesting is to assess the

clarity of the instruments and the suitability of the language used in the instruments; a pilot study is used to measure the validity and reliability of the instruments

3.10. Data Processing and Analysis

Data analysis was conducted through Statistical Package for Social Science (SPSS). Qualitative data was analyzed by coding according to variables in the study while quantitative data will be analyzed through the use of descriptive statistics where the mean and mode of the responses were established and the results then presented in form of tables.

Reliability is the consistency or accuracy of the research instrument, in measuring whatever is measured, it is the degree to which an instrument gives similar results for the same individual at different times. On the other hand, validity refers to the extent to which a measurement does what it is supposed to do.

Internal validity refers to the extent to which relationships between independent and dependent variables in a research study can be said to be genuine implying the minimum control arrangement of conditions necessary to interpret the results. Whereas external validity, refers to the extent to which the research findings/ results can be generalized to other populations other than the research setting.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.0 Introduction

The chapter examines data collected to help and assists in drawing relevant conclusions. The principal guiding factors in this section is study objectives highlighted in earlier in chapter one. The data was interpreted according to research objectives and research questions. Appropriate data analysis and presentation techniques are used. The primary objective of the study was to find out the influence of Mobile Money Transfer service on the Socio-Economic status of the service providers within the NCBD.

4.1 Response Rate

The response rate was at 100% comprising M-PESA operators from various locations. This is shown in table 4.1 below. It can be concluded that data obtained from those who responded was sufficient enough to answer research questions.

Table 4.1 Response Rate

Categories	Frequency	Percentage %
Returned	200	100
Not Returned	0	0
Total	200	100

4.2 Gender of respondents

The table 4.2 on gender of the respondents, majority of the respondents who participated in this survey was female at 62% while 38% were male.

Table 4.2: Gender of respondents

Category	Number of respondents	Percentage
Male	76	38
Female	124	62
TOTAL	200	100

4.3 Age of respondents

The table 4.3 on age of respondents, it was noted that all the respondents were aged above eighteen years. Those between the ages of 21-30 were 65%, between the ages of 31-40 were 30% and between the ages of 41-50 were 5%. We did not have any respondents for the ages below 18 years, 51-60 years and above 60 years

Table 4.3: Age of respondents

Category	Number of respondents	Percentage
Below 18 years	0	0
21- 30	121	65
31- 40	57	30
41-50	9	5
51-60	0	0
Above 60 years	0	0
TOTAL	187	100

4.4 Level of education of respondent

Table 4.4 shows that all respondents had at least attained some level of formal education with 67% having attended college, 17% having attended secondary education, and 15% attended a university and 1% having some other form of education i.e. tertiary or apprenticeship.

Table 4.4: Level of education of respondent

Category	Number of respondents	Percentage
College	128	67
Secondary education	34	17
University	28	15
Other e.g. tertiary or apprenticeship	1	1
TOTAL	191	100

4.5 Marital Status

Table 4.5 shows that most of the interviewed respondents were single at 55%, with those who were married being 42%. There were a very small proportion of those respondents who were widowed with a minor 3%.

Table 4.5: Marital Status

Category	Number of respondents	Percentage
Married	80	42
Single	105	55
Windowed	6	3
Separated	0	0
TOTAL	191	100

4.6 Ownership of the business

Table 4.6 above shows the ownership of the business operated by the MMT provider. The survey targeted the business owners, supervisors, managers and attendants. The owners of the businesses were 8%, Attendants employed to work in the mobile money transfer business was 75%, managers were 10% and supervisors were 7%.

Table 4.6: Ownership of the business

Category	Number of respondents	Percentage
Owner	16	8
Attendant	148	75
Manager	20	10
Supervisor	14	7
TOTAL	198	100

4.7 Location of business

Table 4.7 explains that all the businesses that were sampled for the purpose of this survey were located in Nairobi and were drawn from the Central Business District (CBD). The streets from which the sample was drawn are represented as Tom Mboya Street 53%, Mama Ngina Street 12%, Moi Avenue 13%, Kenyatta Avenue 10%, Kimathi Street 9% and Koinange Street 3%.

Table 4.7: Location of business

Category	Number of respondents	Percentage
Tom Mboya Street	57	53
Kenyatta Avenue	11	10
Mama Ngina Street	14	12
Moi Avenue	13	13
Kimathi Street	9	9
Koinange, Street	4	3
TOTAL	108	100

4.8 Length of operation

Table 4.8 explains that some businesses 17% have been operating for less than 2 years, 60% who are the majority have operated between 2-4 years, 22% have operated between 4-6 years, 1% has operated between 6-10 years and only 1% has operated above 10 years.

Table 4.8: Length of operation

Category	Number of respondents	Percentage
Less than 2 years	34	17
2-4 years	119	60
4-6 years	43	22
6-10 years	1	1
Above 10 years	1	1
TOTAL	198	100

4.9 Other businesses operated alongside the MMT business

Most MMT business owners run other businesses alongside these ventures. Majority of the side businesses are however related to telecommunications. These include the sale of mobile phone handsets and accessories and airtime scratch cards; this is shown in table 4.9.

Table 4.9: Other businesses run alongside the MMT

Category	Number of respondents	Percentage
Sale mobile phone of accessories	92	67
Shop and hardware	10	7
Chemist	8	6
Beauty products	5	4
Equity agent M-PESA	4	3
Cyber café	4	3
Food kiosk cafeteria	4	3
Other mobile money transfer services	3	3
Kinyozi/Salon	2	2
Bookshop	2	2
Cooperative agent	2	1
Boutique	1	1
Photoshop	1	1
TOTAL	138	100

4.10 Gross income derived from the business

Table 4.10 on gross income per month before the provision of mobile money service indicates that the gross income from the MMT service businesses falls within the range of Ksh. 10,000 – 50,000 per month at 36%. With 1% of the providers earning less than Ksh. 3000

Table 4.10: Gross income per month

Category	Number of respondents	Percentage
Less than 3000	3	1
Ksh 3000-5000	6	3
Ksh5001-10000	23	13
Ksh 10000-20000	66	36
Ksh20000-50000	66	36
Ksh 50000-70000	13	7
Over Ksh 70000	7	4
TOTAL	184	100

4.11 On Customer Loyalty-Mobile money transfer service offered

Table 4.11 below indicates that majority of the businesses offering M-PESA money transfer services which was at 77% while other money transfer services that were being offered are ZAP at 9%, M-Banking at 6%, Orange Money at 4% and YU Cash at 4%.

Table 4.11: Type of MMT business

Category	Number of respondents	Percentage
M- PESA	152	77
Orange Money	9	5
ZAP	18	9
Yu Cash	8	4
M-Banking	11	6
TOTAL	198	100

4.12 Reason for having the above mobile money service transfer

Most of the respondents stated that they were in the MMT business for income generation and to earn a livelihood. The choice of the specific MMT is however dependent on many factors such as the popularity, convenience, effectiveness and availability. Table 4.10 indicates that M-PESA was considered to be more popular than other MMT services. 38% indicated

they operated the MMT service for income generation, while 29% was to earn a living, 26% was because M-PESA was popular while 1% said that it was easy to operate and numbers of agents were few as shown in Table 4.12

Table 4.12: Reason for operating MMT services

Category	Percentage
It's a business for income generation	38
To earn a living	29
M- PESA services are popular than others	26
To provide easy way of transferring money via mobile phone	16
It's convenient and effective	10
Its profitable than other banking services	6
Empower social economic growth on society	2
It's the best service available	2
They are easy to operate	1
It's doesn't have many agents	1
TOTAL	100

4.13 MMT business motivating customers to visit again

Businesses operated by mobile money transfer owners do encourage customers to visit them back 100%. Although the visiting back duration varied in accordance to the revisiting was done by different customers. Most of them revisited the shops back in more than once per week 80%, while weekly re-visitors were 18%, and a few 2% revisiting twice a month as indicated in table 4.13

Table 4.13 MMT business motivating customers to visit again

Do customers buy other goods/ services that you sell when they come for MMTs?		
Category	Number of respondents	Percentage.
Yes	197	100%
No	0	0%
TOTAL	197	100%
How often do customers buy other goods/ services that you sell when they come for MMTs?		
Category	Number of Respondents	Percentage.
Twice per month	3	2%
Weekly	36	18%
More than once per week	152	80%
TOTAL	191	100%

4.14 Do MMT customers buy other goods offered by the providers?

The survey established that 77% of the customers who visit their businesses also buy other goods/ services that are offered there. This is a more frequent occurrence and it implies that MMT services supplement other services as indicated in table 4.14

Table 4.14: Cross selling in MMT business

Do customers buy other goods/ services that you sell when they come for MMTs?	
Category	Percentage
Yes	77
No	23
TOTAL	100
How often do customers buy other goods/ services that you sell when they come for MMTs?	
Category	Percentage
Less frequently	1%
More frequently	60
Most frequently	39
TOTAL	100

4.15 Challenges faced by MMT providers

The main challenges that MMT providers are faced with include network failure which causes delays in transactions, fraudster and customer service complaints. Table 4.15 captures that 35% of the complaints arise from Network failures, while 1% complain because tariffs either being high or over charging/ hidden charges.

Table 4.15: What challenges are you faced with

Challenge	Percentage
Network failure	35
Float misconception - loading and withdrawal	15
Delays in transaction	11
High competition	9
Sending money to the wrong number/ person	9
Money fraudsters	5
Complaints from customers old, and for delays	4
Armed robbers stealing money	2
Arrogant customers	2
Lack of good customer staff relations	2
Customers not being able to operate their handsets	2
Being conned	2
High tariffs	1
Complaining customers- lower tariffs are relatively overcharged /hidden charges when sending money	1
TOTAL	100

4.16 Factors affecting revenue

The amount of float invested and the location of the outlet are perceived to be the most likely variables that affect revenue in MMT providers. The next most likely variable in determining revenue is marketing. Customer service, branding and staff training are seen as just likely.

Table 4.16 shows the extent to which various investment cost variables are perceived to influence revenue.

Table 4.16: To what extent do the following affect revenue?

	Investment float	Customer service	Outlet branding	Staff training	Marketing	Location of outlet
Most likely	80%	41%	48%	37%	67%	81%
Likely	19%	55%	43%	48%	29%	18%
Least likely	1%	4%	9%	15%	5%	1%
TOTAL	100%	100%	100%	100%	100%	100%

4.17 Access to financial assistance from banks

Mobile money transfer providers have created access to financial assistance from banks and other financial institutions. This is according to 96% of the respondents.

Table 4.17: Access to financial assistance from banks

Category	Percentage
Yes	96
No	4
TOTAL	100

4.18 Effect of MMT on other businesses

MMT services affect the other businesses that are run alongside with both positively and negatively. The positive effects are however more than the negative effects. The positive impacts are the increase in revenue and increase in the number of customers streaming into the business. The negative effect is mainly that there is congestion at the premises and sometimes more focus is directed to the MMT line due to its popularity thus neglecting the other business this is clearly shown in table 4.18

Table 4.18: Whether Mobile Money Transfer business affected the other business

Category	Percentage
Yes	49
No	51
TOTAL	100

Figure 5: Positive and Negative effects

Positive effects

- Increase in revenue (40%)
- Increase the number of customers to the outlet (40%)

Negative effects

- Congestion (40%)

4.19: Profit Maximization in MMT business

Most MMT providers ensure that their businesses remain profitable by employing several tactics. The most fundamental ways are however ensuring that a business has adequate E-

float at all times and having good customer care services. Other ways through which businesses achieve profit maximizations are shown in the table 4.19

Table 4.19: How do you ensure profit is maintained within the business?

Category	Percentage
Having float at all times	49
Good customer services	13
Having enough cash for the transaction	12
Avoid doing direct deposit	11
Marketing and branding	6
Through interlinking	2
Effective communication to make customers satisfied	2
Providing seats to customers	1
Marketing	1
Having a queue for M-PESA customers	1
Selling other products	1
Locating the business strategically(in a place where there are few M-PESA	1
TOTAL	100

4.20 Satisfaction with rate of return on investment in MMT businesses

The satisfaction with the rate of return on investment in MMT businesses is generally good.

When asked to rate their satisfaction level with the Return on Investment (ROI) on investment on a 5 point scale where 1 is very dissatisfied and 4 is very satisfied. The respondent's average rating stands at 3.56. This is an above average rating indicating that customers are satisfied. Table 4.16 indicates that 66% of the respondents are actually satisfied with the level of return on investment that is derived from Mobile Money Transfer businesses.

Table 4.20: level of satisfaction with Return on Investment (ROI) in MMT business

Category	Percentage
Satisfied	66
Neither satisfied nor dissatisfied	24
Dissatisfied	9
Very dissatisfied	1
TOTAL	100
Satisfaction with the investment return	Means score = 3.56

4.21 Customer Care Importance

Customer care is perceived to be very important in driving MMT business growth. This perception is held by the majority of the respondents who participated in this survey. 78% of the respondents also stated that they had taken some of their employees through customer service trainings especially in regard to mobile money transfer. Majority of the respondents also stated that customer care is very important in driving business growth. This is illustrated in table 4.17

Table 4.21: Level of importance of customer care in driving business growth

Category			Percentage
Just important			10
Very important			90
To what extent is Customer care important in driving business growth?			Mean Score=2.90
		Frequency	Percentage
Have any of your employees undergone customer service training?	Yes	140	78
	No	40	22
	Total	180	100

4.22 Security of MMT services

MMT services are perceived to be secure by majority of the players with 47% of the respondents saying that they feel mobile money transfer services are indeed very secure while 46% felt that the services are moderately secure. The respondents who said that MMT services lack security cited cases of conmen posing as customers and instances where money is accidentally sent to the unintended recipients.

Table 4.22: Extent to which MMT service is secure

Category	Percentage
Completely insecure	7
Just secure	46
Very secure	47
To what extent do you believe MMT service is secure?	Mean score = 2.39

4.23 Extent to which MMT Service is Secure

Table 4.23 shows the extent to which each MMT is perceived to be secure. M-PESA customers felt that 4% was completely secure while 3% were from Orange, zap, Yu, cash and agency banking. It was notable that 46% of orange money customers felt slightly secure while 44% of agency banking and zap customers felt completely secure.

Table 4.23: Level of security for various MMTs

To what extent do you rate the security of the following MMT service?					
	M-PESA	Orange Money	ZAP	YU-Cash	Agency Banking
Completely unsure	4%	3%	3%	3%	3%
Slightly unsure	6%	5%	5%	5%	4%
Neither Nor	5%	5%	5%	7%	5%
Slightly secure	43%	46%	44%	45%	44%
Completely secure	43%	42%	44%	41%	44%

4.24 Incidences of theft among MMT

Table 4.22 shows the incidence of theft among MMTs has also been low with only 13% of the businesses having had affected by theft in the past. The most common forms of theft that face MMTs are;

- Use of fake money,
- Armed robbery at the MMT outlets
- Theft by employees
- Sending money to wrong recipients.

Table 4.24: Ways in which MMT businesses were affected by theft

Category	Percentage
Common use of fake money	38
Armed gangsters demanded cash in my outlet	29
Employees stealing	13
Sent money to the wrong person and never got refunded	8
Negligence	4
Fraudsters calling one to key in numbers	4
Others	4
TOTAL	100

4.25. Assistance accorded by MNOs in case of theft

Most of the MMT providers who were affected by theft cases in the past did not report the same to the MNOs. The main reasons that made the service providers shy away from reporting the theft incidences as the businesses opted to take the issue up with the police force instead where as others assumed negligence on their part thus focused on how to recover from the theft instead of taking the issue up with the MNO's. Table 4.25 indicates the various reasons that respondents gave for not reporting theft incidents to the mobile money service operators.

Table 4.25: Reason for not reporting the theft incident

Category	Percentage
I bothered on how I can refund the money and admitted the loss	34
I assumed negligence on my part and took responsibility	33
I decided to inform the police on the issue	33
TOTAL	100

4.26 Assistance accorded by the Mobile money transfer operators when theft cases were reported

Majority of the employees felt that although the Mobile Money Operators showed their concern over the theft incidences that were reported to them. However, no action was taken in most of the cases. This is indicated in table 4.26

Table 4.26: Level of assistance accorded to the MMT businesses in the event of theft

Category	Percentage
Showed their concern but took no action	47
Completely concerned	44
I did not inform them	9
TOTAL	100

4.27 Effect of theft on MMT businesses

Most (77%) of the businesses which had encountered theft incidences stated that those incidents affected them as shown in the table 4.27

Table 4.27 Effect of Theft on MMT business

Was your business affected by theft in any way	
Category	Percentage
Yes	77%
No	23%
TOTAL	100

4.28 How theft affected business performance

Table 4.28 indicates that majority of the theft cases however affected the businesses negatively with 48% being on reduced transaction, 18% being loss of customers because of the insecurity/lack of float.

Table 4.28: How theft affected business performance

Category	Frequency	Percentage
Reduction of transacting business e.g. float, stock	10	45
Loss of customers because of the insecurity/ lack of float	4	18
Business went down because of the general anxiety.	3	14
The business was not affected as much I had to replace the lost items/ money	2	9
Closed the business for a while	1	5
Safaricom does not have measures to handle this insecurity	1	5
Other M-PESA that seems little more secure gained more customers than us/our shops	1	4
TOTAL	22	100

4.29 Assistance in form of compensation from MNOs

Only a very small proportion (20%) of the businesses that encountered theft cases received network operator assistance in form of compensation.

Table 4.29: Assistance in form of compensation from MNOs

Did your network provider offer compensation for the theft?	
Category	Percentage
Yes	20
No	80
TOTAL	100%

4.30 Recommended ways on how to improve security

The various ways through which the security of MMT services can be improved are;

- Ensuring that the businesses are operated in secure premises i.e. enclosed shops
- Investing in fake money detectors
- Having security personnel's at premises etc.

Other suggestions on how security can be improved are shown in table 4.30

Table 4.30: Ways on how security can be improved for MMT service providers

Category	Number of respondents	Percentage
Operate in enclosed shop or kiosk	19	23
Using fake money detectors like fluorescent	16	19
Installation of security gadgets like Cameras alarms	8	10
No idling around the M-PESA just like in banks	7	8
Prior research to avoid insecurity prone areas	6	7
Demanding identification upon arrival of suspicious customers	5	6
Must produce original ID cards	5	6
Keep important numbers like the police hotline	5	6
Avoiding keeping large amounts of money during transactions	4	5
Reduce M-PESA working hours	4	5
Not working during late workers	4	5
Police patrols	3	4
Hiring security personals	2	2
Police patrols	2	2
Hiring security personnel	2	2
TOTAL	92	110

4.31 Location of business and its role in business volume

59% of the respondents agree that that the location of the business plays some role in determining the volume of business. This is because busy locations or those with a high

population density are bound to have more customers seeking M-PESA services. The effect of this on MMT service providers is that they may have a higher volume of transactions and thus more revenue for their businesses. Table 4.29 shows the effect of location on MMT businesses.

Table 4.31: Role of location on business volume

Category	Percentage
Location determines regular flow of customers making the business to run	59
Some areas have more transactions in a day compared to other areas.	23
Visibility of the agent shop/kiosk	12
Busy streets with have customers with lots of customers thus lots of cash flow	4
Some locations have customers with a lot of money	3
Social economic status of the people in the Area	3
Location ensures a lot of business.	2
TOTAL	106

4.32 Competition

Most of the MMT businesses are faced with competition. Findings show that competition plays a role in determining whether a business does well or not. It is worth noting that competition is not the only factor that determines whether a business does well or not. Some respondents stated that their businesses do not do well in spite of the fact that they do not have competition around them. Table 4.32 best explains the opinions.

Table 4.32: Perception of competition

Category	Percentage
I have competition around but it does not affect my business much	37
I have competition around and it affects my business a lot	32
I don't have competition around and my business does well	17
I don't have competition around though my business is always down	14
TOTAL	100

4.33 Nature of competition and effect on MMT businesses

Most MMT operators face competition in the form of many MMT businesses being located in the same area or even under the same roof. 70% of the operators actually face competition in form of many agents being closely located to each other while the remaining 30% are actually located under the same roof as indicated in table 4.33.

Table 4.33: Nature of competition facing MMT businesses

Category	Percentage
Several M-PESA / ZAP agents in the area competing for customers	70
Same nature of business under one roof	30
TOTAL	100

4.34: Effect of competition on MMT businesses

The effects of this kind of competition on the Money Transfer businesses are varied. The main way is that it leads to lower profitability since businesses compete for the same customers. Businesses are also forced to look for ways of being strategically located since the most visible agents are the ones that attract customers. The MMT businesses have to also look for ways of enticing customers/ marketing since customer numbers determine the volume of transactions and this has a direct effect on the profit as indicated in table 4.34

Table 4.34: Effect of competition on MMT businesses

Category	Percentage
Sharing of customers	66
Reduced sales	10
Reduction in profit	9
Not affected	7
It becomes tedious but get more clients	4
Customers will go to the lower rated service provider	2
Unregistered Zap subscribers thus few customers	1
Customers opt for M-PESA services that are close to entrances	1
TOTAL	100

4.35 Preferred MMT services

Respondents were asked to state the MMT services that they have a preference from the common providers that is between;

- M-PESA
- Orange Money
- ZAP and
- Yu Cash.

M-PESA is the most preferred by 96% of the respondents. This is shown in table 4.35.

Table 4.35: Given a choice, which MMT do you prefer?

	M-PESA	Orange Money	ZAP	YU- Cash
Most preferred	96%	3%	7%	1%
Preferred	4%	39%	82%	49%
Least preferred	—	58%	11%	50%

4.36 Incentives offered for loyalty service

Findings show that most respondents do have a preference for M-PESA. This is despite the fact that 80% of them are not offered any incentives by the MNO for loyalty to the service.

The 20% who stated that they are offered incentives for loyalty stated that they are given T-Shirts, Pens, umbrellas, Caps, stickers and Posters. Other forms of incentives are free training, free branding, and being given branded products by the operator as indicated in table

4.36

Table 4.36: Incentives offered for loyalty to service

Which incentives are you offered by the MMO for loyalty?	
Category	Percentage
T- Shirts umbrellas caps stickers posters	72%
Branded pens and uniform	15%
Diary	10%
Offer rewards for the best performed operators	8%
Free training	3%
Free branding	3%
Branded products	3%

4.37 Effect of MMT on various spheres of life

Table 4.36 shows the emergence of MMTs has affected various spheres of life majorly business opportunities, lifestyle and even status quo. The spheres of life that were perceived to have been affected greatly are however taste, status quo and lifestyle. Mobile money transfer services affected taste and status quo highly with a 65% score level each compared business size and growth & revenue with 44% and 42% score level respectively.

Other life aspects highlighted in the table above were lifestyle and the emerging of other business opportunities with 56% and 45% score respectively.

Table 4.37: Extent to which various mobile money services have affected various life spheres

Category	Mean score.	Percentage.
Taste	1.95	65%
Status quo	1.95	65%
Lifestyle	1.67	56%
Business opportunities	1.36	45%
Business size	1.31	44%
Growth & revenue	1.26	42%
Mean score	1.58	53%

4.38 Worry about the Enterprise

The overall score for the extent to which the respondents kept on worrying about their enterprise was at average score of 68%. This means that although the business continues to make profits, much of the worry is about the business security and continuity

Table 4.38 Worry about Enterprise

Category	Percentage
Yes	68
No	32
TOTAL	100

4.39 Ease of obtaining money for expenditure

Food was the first in the priorities list of the respondent's reason to hardly acquire money 82%. Other in the list as highlighted in the table above was: - Clothing 70%, Entertainment 63%, Education 61% and Shelter 65%. Travelling emerged as third though not commonly among the top in the list of expenditure

Table 4.39 Ease of obtaining money for expenditure

Spending on	Mean score	Percentage
Food	2.45	82
Clothing	2.11	70
Entertainment	1.88	63
Education	1.83	61
Travel	2.06	69
Shelter	1.94	65

4.40 Community Aspect/ Status quo

There was laxity in rating of the business aspect in relation to the community. A mean score of 2.6 means that the respondents did not actually agree or disagree with the facts such as: - The community is peaceful 53%, the community works together 54%, the community is open new Ideas 54%, and leadership works for one's good 49% as shown in table 4.39

Table 4.40 Community Aspect/ Status quo

	Mean Score	Percentage
This peaceful community	2.65	53
community works well together	2.69	54
Community is open to new Ideas	2.69	54
Leadership works for one good	2.47	49

4.41 Community Welfare

Most of the respondents attested to having joined a society, an organization association, structure or a grouping in the community 91%. Only 9% of the respondents had not joined.

Table 4.41 Community Welfare

Community grouping	Percentage
Yes	91
No	9
Grouping Objectives	
Work as a team	44
To have a better life	25
To provide economic growth to the society as whole	13
To develop	6
To mold members into self-reliant entrepreneurs and role models in the society	6
Increase security measures as well as beautification of business process	6

4.42 Qualitative survey**Factors affect the social economic consideration**

Various factors affect the social economic consideration of MMT providers. These are majorly

1. Cash investment.

The amount of cash investment determines how an MMT business operates. When the cash investment is adequate float will be available and customers can transact up to any amount they wish to be it for withdrawals or deposits. When the cash investment is little, customers transactions will be limited thus the business will not run normally.

2. Network availability.

The network availability largely influences the ability of MMT providers to carry out transactions. When the network experiences delays, M-PESA transactions are slow thus this affects the number of transactions that are successful during that period.

3. Availability of other businesses within the premises.

There are businesses such as boutique, phones and phones accessories, supermarkets, stalls, electronics shops, Stage, markets among others attract a large crowd of shoppers who in turn use the MMT services.

4. High Cash Flow.

If the businesses and community surrounding the mobile money transfer service have relatively large cash turnovers, the MMT service will equally settle for the high turnover precipitate.

5. Business Location.

If the MMT service shop is located in places where there is a concentration of people traffic, large cash flow, and high earning business neighbors it is likely to make more money other than being situated in alienated locations with less traffic.

6. Competition

Mobile Money Transfer services who are in locations that have little or no competition “*tend to have more profits*” compared to those that are located in a place that have several mobile money transfer locations with a lot of competitions.

Regulators role in ensuring that MMT Service is effective to the customer

The regulator

1. Ensure that there is no or there is minimal network failure occurrences.
2. Ensures that each customer's account is secure by providing customers with secret passwords, identities verification before service delivery, secret words among other security measures.
3. Provides a cash service revoke mechanism incase unintended transfers or withdrawals.
4. Handles the customers complains and assist them appropriately in case of any queries.
5. Providing a designated call number (234 in Safaricom) for customers to relay their issues for assistance.
6. There is proper registration of customers before enabling them to use the Mobile Money Transfer Service.
7. Provides education to customers on issues pertaining to Mobile Money Transfer Service in various ways including advertisements, flyers, magazines among others.
8. Provision of customer care centers with designated staff to assist Mobile Money Transfer Service customers.
9. Giving considerate, fair and proportionate charges to differentiated Mobile Money Transfer Service transactions.
10. Sends proper texts confirming the transacting agents, the customers identity and transaction details
11. Brings innovations by introducing new Mobile Money Transfer Services and rates.

How Climate and Other Variables affect MMT Service.

1. Climate majorly affects the availability of customers especially in cold and rainy seasons when customers tend to stay indoors.

2. It sometimes the availability of the Mobile Money Transfer Service providers thus hindering the Mobile Money Transfer Services.
3. It affects the businesses surrounding the Mobile Money Transfer Service providers' which translates to affecting the Mobile Money Transfer Service.
4. Seasonal earners like farmers do not transact a lot in off peak times like the dry seasons. Equally Mobile Money Transfer Service in these areas are also affected
5. Rainy cold and flooding reduce the Mobile Money Transfer Service transactions which in turn reduces the Mobile Money Transfer Service providers profit margins

Providers' awareness of the support the Mobile operator and bank issues

Those who are aware

1. Blocking Mobile Money Transfer Services delivered wrongly helping to recover money that is stolen or sent the wrong recipients.
2. Provision of support to Mobile Money Transfer Service in case of problems or queries.
3. They do advertisements on behalf of Mobile Money Transfer Service providers.

Opportunities available with the provision to the provider

1. The Mobile Money Transfer Service has brought employment to many people
2. It has brought a livelihood to many people Mobile Money Transfer Service providers and households.
3. It has boosted, improved and provided new avenues for the economic growth to the country.
4. It has introduced a secure reliable and efficient mode of money transfer
5. It has replaced banking services that do not provide services during holidays and weekends.

6. It has provided alternative means of paying bills, payment of salary without necessarily travelling far or handling cash insecurely.
7. It has boosted other businesses operated in conjunction with Mobile Money Transfer Service.

4.43 Summary of Findings

62% of the business person interviewed was women with 60% between 21-30 years and 67% having attended a college. 75% of those interviewed were attendants with 10% being managers. This is denoted as the business owners set up businesses and hire someone to run it on their behalf. 53% of the service providers interviewed were along Tom Mboya Street, as it's the location in Nairobi whereby the street accommodates vendors of Small businesses. In streets like Koinange with 3% representation of the MMT service is mostly habited with office blocks and banks. Therefore its noted that Location plays a significant role in the profitability since a densely populated area has more customers thus more transactions for MMT businesses as indicated

60% of those interviewed were in operation between 2-4 years and this is notably so because the first money transfer service was launched about 5 years ago and its uptake noted 2 years back hence proving to be a good venture of business. The highest number of service providers operating the largest MMT service having 77% of those interviewed was operating M-PESA agencies and 38% operate the business for the purpose of income generation. 67% of those interviewed run other businesses alongside these ventures. The businesses that are operated alongside MMT businesses supplement these ventures by way of cross- selling. The main challenges that MMT businesses are faced with are network failure which causes delays in transactions being conned and defrauded and even having to deal with complaints from customers with it being at 35%. The amount of e-float and cash invested and the location of

the outlet are perceived to be the main factors that affect revenue in MMT businesses followed by marketing at 49% Customer service at 13% and branding at 6% are perceived to play a lesser role in revenue generation. The Service providers have to keep the customers motivated so that they return to carry out transactions leading to increased revenue and it's done by selling other services alongside MMT as its was 100% response rate. And will guarantee a return customer policy of 80% at least once a week.

The income levels of the service providers notably increased through adoption of the mobile money transfer business as 36% were earning between Ksh. 10,000 and 50,000 a month with 4% earning above Ksh. 70,000 this is noted that the MMT business is lucrative and has potential. From the MMT business on a point 5 scale 1 is dissatisfied while 4 are satisfied and the respondent's average rate of return on investment is at 3.56 at 66% being satisfied. These businesses are also largely secure with isolated cases of insecurity being reported especially in cases of conmen posing as customers and instances where money is accidentally sent to the unintended recipients. 67% of the MMT businesses who were affected by theft cases in the past did not report the same to the MNOs. The main reasons that made the service providers shy away from reporting the theft incidences are that the businesses opted to take the issue up with the police instead where as some others assumed negligence on their part thus focused on how to recover from the theft instead of taking the issue up with the MNO. Insecurity also affects MMT businesses negatively because they reduce float/ stock thus lower the revenue/ profit. Security of the service as highlighted in Table 4.20 was viewed as very secure at a mean score of 2.39 with all the providers ranking at above 40%. The factors that were most likely to affect revenue were Investment of float at 80%, customer service was likely to affect revenue at 55%, and outlet location was 81% rated as most likely due to attraction of traffic.

It was noted that Banks and other financial institutions were willing to grant access financial assistance to the MMT service providers.

Competition was also a major concern with 32% reporting that it's around them and they are affected with 70% of it being completion of customers while 30% have to operate their MMT business in the same roof with others. The effect of competition is 66% sharing a customer which was noted amongst the M-PESA service providers who were the most preferred at 96%. This result to the service providers having to reward their customers 72% issue t-shirts, caps, stickers while 15% issue branded pens and uniforms. Which means that the service providers require being creative in order to retain customers. On the socio-economic status of the MMT service providers, varied from taste, status quo, lifestyles, business opportunities, business size and growth & revenue which was at a mean score of 1.58 this indicates that the MMT business, through their operation gets their socio-economic aspects affected. The service providers did worry about their enterprise and if they could afford basic needs and levels of expenditure, with Food being at 82% while luxurious items like Travel was at 69%. In the community aspect, there was laxity in response as they felt that the community works well together, is open to new ideas and leadership works well with some being exposed to it. The respondents did agree that they participated in community welfare with 91% having joined a group with the idea of working as a team with others, bettering their life, economic growth to the society, increase security.

The regulators role can adversely affect the MMT service provider as they control the adherence of how the service is run by the MNO. This allows for proper management of the services as per the Kenyan Laws. The providers noted that through the MMT business they have gotten other opportunities such as employment, the economic growth has been boosted and increased business opportunities.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS, DISCUSSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter the research findings are summarized, conclusion and recommendations to the study are drawn and research gaps are identified for future studies as the study aimed at evaluating the influence of mobile money transfer on the social economic impact of the service providers within the Nairobi business Central District.

5.1 Answers to research questions

5.1.1 How customer loyalty affect the socio economic status of the service provider within NCBD

Customer Loyalty assures the service provider of a regular customer base as shown in Table 4.13 This means that on any particular day, a provider with loyal customers will be able to carry out many transactions. The nature of MMT business is such that the provider's income is reliant on the customer numbers. Loyalty thus translates to more customer turnover thus more income. The end result is that a provider has a higher income and thus they are elevated in their socio economic standing. This is also achieved through the various businesses run in the premises as per Table 4.9 as it gives them greater income as indicated in Table 4.10.

5.1.2 How investment cost affect the socio economic status of the service provider within NCBD

The amount of float invested is very likely to affect revenue in MMT service providers. The investment cost determines the amount of float that is available to carryout transactions at any given time this is indicated on table 4.16. The absence of float will thus limit the number of transactions for a provider and this will directly affect their revenue. The higher the investment cost, the higher more the ability to do more transactions translating to more revenue. This means low investment cost will yield low revenue thus the provider's socio economic status may not improve while a higher investment cost may translate to more

revenue and a better socio economic status to the provide as indicated in Table 4.18 and Table 4.19. The providers also have to invest in additional businesses so that they can supplement their income and increase the revenue as indicated in Table 4.17.

5.1.3 How customer service provision influence the socio economic status of the service provider within NCBD

Customer service is very important in this day and age. When a customer receives good customer service, they are likely to go back to that provider. The MMT service requires being secure and trusted by customer as indicated in Table 4.21 and 4.22. Customer service thus assures Mobile money service provider of regular customers and this forms the bottom-line for more transactions and high revenue as indicated in Table 4.20. This will ultimately increase the provider's income and raise their socio economic standing. Through customer service one gets to please a customer who will come back for MMT service or any additional services as offered by the service providers. We also have aspects of theft in relation to MMT services that adversely affects the socio economic status of the service providers as indicated in Table 4.27 as they lose their investments as indicated on Table 4.26. The MNO provider does accord assistance in cases of theft as indicated in Table 4.25, there are suggestions to improve this such as fake money detectors, security personnel at the premises among others as indicated in table 4.29.

5.1.4 How location of the provision of mobile Money Transfer Services affect the socio economic status of the service provider within NCBD

Location of the business determines the volume of business as indicated in Table 4.30. A location with a high population is likely to assure providers more customer's thus high transaction volume. Eventually this increases their profit and they are elevated in the socio economic status ladder. The opposite stands in that a less busy location yields fewer transactions thus less revenue and thus little impact in provider's socio economic status.

There is competition that adversely affects the business performance as indicated in Table 4.31 and Table 4.32 with the effects being clearly highlighted in table 4.33. The service providers require to come up with incentives to boost customer loyalty as indicated in table 4.35.

5.2 Conclusion

Findings from this survey reveal that all the identified factors have direct influence in the socio economic status of the service providers as indicated in Table 4.36 which clearly indicates the various aspects that get affected such as status quo, lifestyle, business size, growth and revenue among others. Loyalty assures providers of a regular customer base. Investment costs also affect the ability of a provider to have float to carry out transactions. Good customer service also assures a provider of repeat customers. Location of business affects the number of customers seeking MMT services. All these factors determine the number of transactions for any one given provider and since the revenue flow of MMT business is directly proportional to the number of transactions they all therefore affect the MMT service provider's revenue. A negative impact as indicated in Table 5 shows from these factors lessens the socio economic status and a positive impact improves their socio economic standing. This leads to better lifestyle, recognition in community/ status quo, leading to how one tastes change, style art and culture. Table 4.37 clearly indicates that the service providers do worry when their businesses do not bring in profits as they cannot afford their basic needs and lifestyle like travel and entertainment. The need to feel accepted in and by society is evident as 90% do engage in community activities as indicated in Table 4.39.

What is evident from the study is that the MMT service business is well embraced and the service providers do expect to have it grow its revenue. Through the oral interview, we had aspects like climate being a major challenge affecting customer availability this affects

revenue. The regulators role is appreciated as its gives the service provider the surety that their business is safe and it can grow. It was noted that through the MMT business, there have been opportunities available to the service providers, banks are now willing to issue financing as indicated in 4.17

5.3 Recommendations

Customer Loyalty

MMT service providers should engage in practices that increase customer's loyalty through coming up with marketing strategies that retain the customers.

Investment Cost

MMT service providers should have adequate investment to sustain adequate float at all times. This will increase the number of transactions and earn a provider more revenue. Partnerships with people who can afford to have greater investment imparted into the business.

Customer Service

MMT service providers should train their personnel in good customer service. This will translate to satisfied customers who will regularly seek services from the same provider. This will increase transactions and revenue .

Location

MMT service providers should choose locations that guarantee them a regular customer flow. A good location will determine the number of transactions and revenue generation. For those locations that can't attract traffic, look at ways to partner with institutions such as universities, banks, salons so that they can provide the MMT service

5.4 Suggestion for further study

There is need for more research on other factors that are likely to affect profitability of MMT business with a focus on M-PESA business. Liquidity management is crucial for an agent to

be successful. Cash availability becomes an on-going issue with the agent network, people begin to lose confidence in the system and may no longer choose to use M-PESA.

Cash/float management has been identified as M-PESA agent's biggest challenges. There is need for research on this element since it's the largest money transfer service available.

Risk elements and how it affects the mobile money transfer services, what the role of the regulator and the MNO is in ensuring it's maintained.

How the MNO's manage the MMT providers to ensure growth in revenue for the organization and the investor.

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APPENDIX I: LETTER OF TRANSMITTAL

April 2012

Dear Sir/madam,

My name is Mercy Munyange and I'm a Masters of Arts (MA) student in Project Planning and Management at University of Nairobi. I'm writing to invite you to participate in research in the form of questionnaire.

My research project focuses on mobile money transfer influence on the socio economic status of small and medium entrepreneurs in Nairobi central Business District. An integral part of the research is to such factors as lifestyle, security, revenue growth and expansion as influenced by the adoption of mobile money transfer service as a form of business to the small and medium entrepreneur and its contribution to their socio economic status.

The questionnaire should take about 30 minutes to complete. The research findings will be submitted to the University of Nairobi in partial fulfillment for the degree of MA in Project Planning and Management.

I wish to assure you that the information you will provide will be treated as confidential and it will be kept in the faculty of the University of Nairobi. Access to the information provided in this questionnaire will be restricted to my supervisor and me.

I look forward to your support.

Yours Sincerely,

Mercy Munyange

Reg. No. L50/60949/2010

APPENDIX IIa: QUESTIONNAIRE

THE INFLUENCE OF THE PROVISION OF MOBILE MONEY TRANSFER SERVICE ON THE SOCIO-ECONOMIC STATUS OF THE SERVICE PROVIDERS: CASE OF NAIROBI CENTRAL BUSINESS DISTRICT, KENYA

Below is a self-administered questionnaire, please tick (✓) the appropriate answer or give suitable response in the space provided.

SECTION A: PERSONAL DETAILS.

Your name (optional)	
----------------------	--

Gender		Age		Highest level of education	
Male	01	Below 18 years	01	Primary education (class 1-8)	01
Female	02	21-30	02	Secondary Education (form 1-4)	02
MARITAL STATUS		31-40	03	College	03
Married	01	41-50	04	University	04
Single	02	51-60	05	Other e.g. tertiary or apprenticeship	05
Windowed	03	Above 60 years,			
Separated	04				

OWNERSHIP					
Owner	01	Manager			03
Attendant	02	Supervisor			04

STREET					
Kimathi	01	Moi Avenue	04	Tom Mboya	06
Mama Ngina	02	Kenyatta	05	Koinange	07
Kenyatta	03				

1. Other than Mobile Money Transfer Service, What other business do you operate in this premise?

--	--

2. What is your gross Income per month before Provision of Mobile Money Transfer Service

Less than Ksh. 3000	01	Ksh. 20,000 – Ksh. 50,000		05
Ksh. 3000 – Ksh. 5000	02	Ksh. 50,000 – Ksh. 70,000		06
Ksh. 5001 - Ksh. 10,000	03	Over Ksh. 70,000		07
Ksh. 10,000 – Ksh. 20,000	04			

3. How long have you been in operation?

Less than 2 year	01
------------------	----

Frequently	02
Most Frequently	03

9. How long have you had the Money Transfer Service?

Less than 6 months	01
6 months – 1 year	02
1 year – 2 years	03
2 years – 3 years	04
Above 3 years	05

10. What difficulties do you face while offering Mobile Money transfer service?

SECTION C: INVESTMENT COST

11. In your own opinion, to what extent do the following affect revenue?

	Most Likely	Likely	Least Likely
Investment of Float	01	02	03
Customer Service	01	02	03
Outlet branding	01	02	03
Staff Training	01	02	03
Marketing	01	02	03
Location of outlet	01	02	03

12. In your own opinion, does Mobile Money Transfer business Create access to financial assistance from Banks and Financial Institution?

Yes 01 No 02

13. If no, explain why

14. Has Mobile Money Transfer business affected your other business?

Yes 01 No 02

15. If yes, please specify the type of effect

Negative.....

Positive.....

16. How do you and your friends in the business of money transfer ensure you maintain profit within your businesses?

[Empty rectangular box for response]

17. To what extent would you say you are satisfied with rate of return of your investment in Mobile Money Transfer business?

Very Dissatisfied	01	Neither d. Satisfied	03
Dissatisfied	02	Very Satisfied	04

SECTION D: CUSTOMER SERVICE

18. In your own opinion, to what extent is Customer Care important in driving business growth?

Not Important	01
Just Important	02
Very Important	03

19. Have any of your employees undergone customer service training especially in regard to Mobile Money Transfer

Yes 01 No 02

20. If No, indicate why

.....
.....

21. To what extent to you believe Mobile Money transfer service is secure?

Completely insecure	01
Just secure	02
Very secure	03

22. If No, give reason in

23. To what extent do you rate the security of the following Mobile Money Transfer Service

	Completely Unsecure	slightly unsecure	Neither Secure nor Insecure	Slightly Secure	Completely Secure
M-PESA	01	02	03	04	05
Orange Money	01	02	03	04	05
Zap	01	02	03	04	05
Yu Cash	01	02	03	04	05
Agency Banking	01	02	03	04	05
Other					

24. In the recent past, have your business been affected by theft?

Yes 01 No 02

25. If Yes, Explain how

26. To what extent did Mobile Money transfer provider assist you?

Completely not concerned	01
Showed their concern but took no action	02
Completely concerned	03

I did not inform them	04
-----------------------	----

27. If you did not inform them, why

28. Was the Performance of business affected?

Yes 01 No 02

29. If yes, Explain How

30. Did the Mobile Network operator assist in Compensation?

Yes 01 No 02

31. If yes, Explain how

32. What are some of the recommendation you would give to increase security

.....

.....

.....

SECTION E: LOCATION

33. Do you think location of a business plays any role in determining business volume?

Yes 01 No 02

34. If yes, Explain why

35.

.....

.....

36. Which one of the following best explains your opinion?

I have competition around and it affects my business a lot	01
I have competition around but it does not affect my business much	02
I don't have competition around though my business is always down	03
I don't have competition around and my business does well.	04

37. If competition exists, describe the nature of competition

38. How does it affect your business?

39. Given a choice which Mobile Money Transfer service do you prefer?

	Most Preferred	Preferred	Least Preferred
M-PESA	01	02	03
Orange Money	01	02	03
Zap	01	02	03
Yu- Cash	01	02	03

40. Does the Mobile Network Operator issue an incentive to the provider for loyalty of the service?

Yes 01 No 02

41. If Yes, List How

SECTION F: SOCIO ECONOMIC CONSIDERATION

42. Based on your own opinion, to what extent do you think the following areas have been affected by provision of mobile money transfer

Factors	Most Likely	Likely	Least Likely
Art & Culture	01	02	03
Status quo	01	02	03
Business Opportunities	01	02	03
Lifestyle	01	02	03
Taste	01	02	03
Business size	01	02	03
Growth & revenue	01	02	03

43. How often is it you worry about your Enterprise?

Common	01
Average	02
Uncommon	03

44. How easy is it to obtain money for expenditure?

Factors	Not Easy at all	Neither Easy not difficult	Very Easy
Food	01	02	03
Clothing	01	02	03
Entertainment	01	02	03
Education	01	02	03
Travel	01	02	03
Shelter	01	02	03

45. Indicate to what extent you agree with the following statement

	Disagree	Neither	Agree
This is a peaceful community	01	02	03
Community works well together	01	02	03
Community is open to new ideas	01	02	03
Leadership works for one good	01	02	03

46. Do you belong to any society, organization association, structure or any grouping in your community?

Yes

01

No

02

47. If yes, what is the objective of your society, organization or grouping?

APPENDIX IIb: INTERVIEW SCHEDULE

- What are the major factors that determine the socio economic status of the provider?
- Does the regulator play a role in ensuring the provision of the mobile money transfer service is effective to the customer?
- How does the climate and other variables affect the provision of the mobile money transfer service?
- Are the providers aware of the support the mobile network operator/ bank issues to them? And is it in place?
- What opportunities are available with the provision to the provider?