INFLUENCE OF MOBILE BANKING ON INTERNATIONAL BUSINESS OPERATIONS BY LETSHEGO HOLDING

BY

JOLLY KAGURE MWANGI

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DECLARATION

This research project is my original work and has not been presented for examination at any other university

Signature………………………………..   Date……………………………

JOLLY KAGURE MWANGI

This research project has been submitted for examination with my approval as university supervisor

Signature………………………………..   Date……………………………

MR.ELIUD MUDUDA

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

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ABSTRACT

Banking today is undergoing a radical transformation. It has been argued that symptoms are obvious; whereby in a day, new products are launched, new players emerge and new channels are created. Mobile technology has played part in creating these new products and services. It has acted as a major force to bring about this transformation that has caused existing legal, geographical and trade barriers to break. Previous studies have showed the importance of mobile network technologies in the banking services. A good number of these studies were conducted at the domestic market level financial institutions and may therefore not reflect the effect on the growth and achievement of international businesses in an evolving country like in Kenya. The studies concentrated on traditional way of banking as opposed to the specific focus on other types of banks in Kenya especially on microfinance institutions. However, the foregoing studies do not address the issue of mobile banking in relation to facilitation of international business operations. The study adopted a case study research design. Data was collected from the interview guide with respondents being from the managerial positions. The study found that mobile banking by Letshego has influenced operations, efficiency of the company and on customer levels. This was revealed in business of operations of both the company and the employees particularly, on improved the efficiency of loans disbursements. Respondents' highlighted one of the major challenges in mobile banking is the non-payment from customers. However, it was established that the company has in place strategic measures to prevent loan defaulting. The researcher recommended that a similar study be done although investigating the cause and effect of each mobile banking activity, risk or benefit. This will call for an experimental or explanatory research design utilizing fundamental concepts of statistics.

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ACRONYMS

CBK	Central Bank of Kenya
KWFT	Kenya Women Finance Trust
CRB	Credit Reference Bureau
TAT	Technology Acceptance Theory
CRM	Customer Relationship Management
DTM	Deposit Taking Microfinance Institutions
PR	Perceived Risks
PI	Personal Innovation
SBI	State Bank of India
USA	United States of America
IFRS9	International Financial Reporting Standards
SMS	Short Message Service
ICT	Information Communication Technology
USSD	Unstructured Supplementary Service Data
CBA	Common Wealth Broadcasting Association
PEOU	Perceived Ease of USE
SN	Social Norms
CGAP	Consultative Group to Assist the Poor
DOI	diffusion of innovation theory

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Corderias (2017) defines M-banking or Mobile banking as the carrying out of banking transactions via mobile phones. Banking today is undergoing a radical transformation. It has been argued that symptoms are obvious; whereby in a day, new products are launched, new players emerge and new channels are created. Mobile technology has played part in creating these new products and services. It has acted as a major force to bring about this transformation that has caused existing legal, geographical and trade barriers to break (Khraim, 2011). Similar studies have also explained that the growth and convergence of wireless telecommunications have been able to create a functioning avenue to conduct business services. Advertisers and network operators are keen enough to connect with people through mobile phones, especially with the recent finding that the number using the mobile phone is approaching 3 billion across the globe (Hibberd, 2007).

Technology is becoming a must have tool in the field of financial services. Today, telecommunications innovations have contributed to the use of mobile devices in the banking field. Creating advanced mobile features that have added value to the earlier services offered by mobile phones. The concept of Mobile banking, in short, is a relatively recent technological development. It has been variously defined as a platform that allows a person to interact with a bank without his physical appearance but through a mobile device (Barnes & Corbitt, 2003).

In banking circles, M-banking is an important technological development as it allows customers to easily access their banking operations through their mobile phones (Yu & Fang, 2009). In the past, banks and micro finance institutions continuously came up with unique products, so as to meet the customers demand and satisfaction (Toroitich, Jelaga & Omwono 2016). Today, these products and services are availed to the customers through M-banking/Mobile banking concept (Saleem & Rashid, 2011).

1.1.1 Concept of international business

When we talk about International business, a wide range of events that involves business dealings across nations comes in mind. International business denotes all international trades of a country that comprise of goods, services and information exchange because of money or commercial purposes (Ndolo, 2015). International business helps nations to exchange goods between one another as well as exchange of technologies, getting products cheaper than producing them domestically (Kanogo, 2013). The concept and adoption of mobile banking in financial lending institutions has enhanced international banking by providing a platform for corporates to do business worldwide through electronic funds transfer modules. The trading of cross currencies has remarkably enhanced business transactions. For there to be a competitive international business environment several factors such as physical and societal factors (PESTEL), competitive factors such as pricing and marketing as well as risk e.g. operational and economic risk have to be taken into account to ensure success (Kanogo, 2013).

A good number of important environmental factors and variables of international business are irrelevant when it comes to domestic business.

In fact, in the domestic context they are reduced in terms of range and complexity in order to diminish their significance. Some of these factors are; cultural differences, foreign legal systems, foreign exchange markets, and different rates of inflation. The environment, in that, brings about the main difference, international firms operate in highly uncertain environment, where the rules of business are contradictory and rapidly change.

The nature of international business can be explained in the cornerstones, which include; participants, activities undertaken and environment. Participants include individuals, companies, countries and financial institutions etc. Activities include, importing, exporting, investments, financial transactions and licensing. The environment include political, economic, regulatory, technological, social etc. Participants undertaking international business activities do so within the context of international business environment and all entities engaging in international business activities need to be aware of opportunities present and challenges that are likely to be encountered in there environments.

1.1.2 International business operations

Mobile banking has been in operation across the globe, from the remote areas to the urban. An observation has been made that most of the people that have adopted mobile commerce are located in the remote areas where they have a limited access to the bank. For example, consumers in Iran, Mexico and Guatemala use the local mobile network to access mobile banking. In most of these places, customers cover long distances to get to the big cities where these banks are located. In the year 2009, mobile cash transfer was launched in both Kenya and Pakistan. In Kenya, Airtel introduced Zain while Pakistan collaborated with Taameer Bank to introduce Easy Paisa.

Other countries like India, banking services like deposits, withdrawal, Micro-finance facilities, insurance were availed to customers through mobile phones technology. This was aided by their State Bank of India (SBI), (Thomas, 2010). In Brazil, China and Kenya a growth of over 100% in 12 months was noted, as far as the use of mobile banking is concerned. This is because banks enhance technology innovations by diversifying from their old methods of offering services to mobile banking. These increases were also felt in developed nations like UK, Sweden, USA, Singapore and South Korea where customers enjoyed new bank services via their mobile handset. An example of the increase is in South Korea where transactions went a note high to 287.000(daily average) in 2005, that is, there was an increase of 4% from the previous year. Subsequently, the number of registered users also rose by 8% in 2005 from the previous year (Korea Times, 2006).

1.1.3 Banking sector in Kenya

Kenyan banking sector is categorized in the following common examples; Central bank-the primary regulator. Commercial banks an example is Equity bank and Kenya commercial bank (Tier one), Credit bank and Prime bank (Tier 3) also known as retail banks. Micro Finance examples include Faulu, Rafiki, KWFT; these are deposit taking. Then we have Letshego, platinum and premier these are credit only microfinance banks. Investment banks an example is Citi bank, CFC Stanbic bank. Savings and credit cooperatives examples include Safaricom Sacco, Jitegemee, Kenya bankers. Mortgage banks an example is Housing finance group.

This is further broken down to the ownership; some are privately owned e.g. Victoria commercial bank. Publicly traded an example is Kenya commercial Bank.

Some banks are even foreign in nature but with local registered agencies, an example is Dubai Islamic bank. These financial institutions have immensely transformed due to innovation in technology.

Information and communication technology has served as the main lead of the world wide transformation of internet and mobile banking in Kenya (Omondi, 2015). In the Kenyan banking sector, infrastructure expanded from the year 2006 to 2008. That was as a result of an increase in the total number of financial institutions from 581 branches in 2006 to 849 branches in 2008 (Ambrose, 2015); that is, 46% upsurge (CBK, 2009). Subsequently, financial institutions branches grew from 849 in 2008 to 1072 branches in 2012 (Dembyness & Thegeya, 2012).

1.1.4 Mobile Banking as a financial facilitating activity

For the last 15 years, the outstanding growing technology in terms of speed is mobile technology (Michaels, 2011). From the year 1990-1994, only 3% and less of households in Kenya had a telephone and a few of them possessed mobile phones. Researchers have noted that Kenya has been experiencing growth in ICT, whereby in 2012, an estimated 93% of the Kenyan households owned a mobile phone (Dembyness & Thegeya, 2012).

The surge in the mobile phone industry has triggered many monetary firms to partner with companies that provide network to offer efficient banking services to their customers. It has been further noted that by 2012, over 70% of people who owned mobile phone were potential M-banking customers (Ambrose, 2015). In the Kenyan context, mobile banking is mostly done through mobile internet or short message services (SMS), but changes in technology these days shows that banks have had mobile application programs developed for this specific function.

And they are downloaded by the clients to their mobile devices (Coderias, 2017). The competition for the customers and the rising innovations by the telecommunication firms sparked the adoption of virtual banking by commercial and microfinance banks. In Kenya, we have several mobile networks, namely; M-pesa owned by Safaricom, Airtel money owned by Airtel, Yu-cash directed by Essar, and Orange money owned by Orange. Currently we have 15 million mobile money users transferring Kshs. 2 billion on a daily basis, whereby Mpesa leads with over 14 million customers. The services are handy in enabling the customers to make transactions without the hassle of travelling long distances to access and make financial transactions or long periods of queuing in the banks (Coderias, 2017).

The structural process of many commercial banks has been the main hindrance for customers in interior rural areas to open their individual accounts. However, with innovations and growth of new competition from the telecommunication firms, banks were forced to improve, devise and simply their operations processes by inventing numerous ways of achieving the same. Therefore, mobile money providers have partnered with local mobile network providers via sim card; commercial banks e.g. Mshwari via CBA, easy plus via equity bank. Microfinance institutions examples include Letshego, Musoni, Rafiki. Saccos e.g Sheria, Safaricom Sacco. Fintech e.g. Tala (Mkopo Rahisi) branches among many other financial lending institutions to supply monetary products through mobiles to the underserved group (Coderias, 2017).

1.1.5 Letshego holding

Letshego holding limited received its incorporation in the year 1998 with it's headquarter in Gaborone Botswana. Since 2002, this microfinance institution has appeared in the Botswana Stock Exchange list.

Letshego finance agenda mainly focuses on supplying underserved customers with straight forward, effective and accessible financial services. Letshego undertook diversification in terms of the services it offers in 2012. That transpired when they acquired Micro Africa Limited in East Africa, which helped the group to offer loans to all from low to middle-income earners. Letshego holding is found across Africa, that is, there is a branch in Botswana, Tanzania, Ghana, Lesotho, Mozambique, Uganda, Namibia, Nigeria, Rwanda, Kenya, and Swaziland, and this branches offer the same services.

Letshego Kenya provides credit serviced to micro and small entrepreneurs, government and non-government employees, Letshego Kenya focus is to improve customers lives. It has very many solutions tailored to meet each customer needs some of the solution include e-loan which is mobile phone based, housing loans, agriculture loans, education loan among others. Letshego kenya puts their customers at the center of everything they do.

1.2 Research problem

Kenyas' 2030 vision highlights financial services as a lead element under the economic sector (Mutinda, 2017). Therefore, financial system is a key facet for economic development if Kenya is going to achieve its goal of enabling Kenyans to effectively access financial services. Mobile banking is one of the financial innovations that banks have offered in the market which has seen customers being able to access financial services effectively, conveniently and most cheaply. Financial institutions in Kenya have been forced to shift from old ways of offering services, so as to integrate mobile transactions that are convenient, affordable, secure, and easy to operate (Mbiti 2011).

Today there are over 65,000 money agents like M-pesa. These money shops are evenly dispersed, from rural to urban unlike commercial banks.

With this, mobile money users are able to acquire credit facilities, deposit, make bills, pay salaries and even inquire balance conveniently. However, this has been achieved at a very high cost, Kumar (2010). The study reveals that communication firms are focused in offering services to the population in Kenya that has not been served by other financial lending institutions.

M-banking growth in Kenya and the usage or adoption of M banking has been growing at a slow rate. According to the Central Bank of Kenya (CBK, 2012) report on the growth of mobile banking usage in relation to Kenya population that was estimated to be 40 million peoples (Kenya Bureau of statistics). The numbers of the bank in Kenya are 44 as per the Central Bank of Kenya – (CBK, 2012) with 3.1 million registered bank customers at the age of 18 years and above. Out of this figure of 3.1 million people, only 1.04 million have adopted Mobile banking. Another 6.6 million are in the informal sector where M- banking as a payment system is not used as per the Steadman Group report of January 2011.

Statistics reveal that there has been a rapid growth in the number of mobile subscribers. This is according to the ministry of information and communication which showed an increase from 26.49 million in the year 2012 to 28.08 million, an equivalent of 5.99% increase (Ngera, 2013). However, the statistics from the Kenya Bureau of statistics shows that only few MSEs particularly in the informal sectors use their mobiles for banking services. Hence it is evident that the adoption and usage of M- banking is growing at a slower pace in comparison to the population that is eligible to have them (Clark, 2011).

Previous studies have showed the importance of mobile network technologies in the banking services.

A good number of these studies were conducted at the domestic market level financial institutions and may therefore not reflect the effect on the growth and achievement of international businesses in an evolving country like in Kenya. For example, Ambrose (2016) undertook a study on mobile banking and financial performance of commercial banks in Kenya. Mutindi (2017) studied factors influencing mobile banking technology by bank customers in Machakos town.

Kihara (2015) investigated the effect of mobile banking on the competitive advantage of commercial banks in Kenya. The studies concentrated on commercial banks as opposed to the specific focus on microfinance institution in addition to the geographical limitation, which limits the applicability of the findings since Kenya presents a different environment. The foregoing studies do not address the issue of mobile banking in relation to facilitation of international business operations hence the basis of this study. What is the influence of mobile banking on international business operations?

1.3 Research objective

The objective of this study is to determine the influence of mobile banking on international business operations in Letshego holding.

1.4 Value of the study

This study is significant in that it is quite crucial to both developing and already developed financial institutions to provide answers to the influence of mobile banking in the international business operations in Kenya.

The study will also validate the success and growths associated with the implementation of mobile banking and highlight the areas of banking operations that can be boosted via mobile banking.

The study will also be of great significance to investors who may have an interest of investing in microfinance institutions in Kenya. These investors include donors, government, commercial banks etc. The study will also give understanding on the current stand of money services offered via mobile phones as a form of competition to the financial lending sectors in Kenya.

Also expound on the influence that have greatly swayed their growth. Telecommunications industry and financial institutions will also benefit from this study in that they can form strategies as to how they can mutually benefit from this technological change brought about by mobile banking using the findings. Central bank of Kenya (CBK), policy makers and other agencies can use the study's findings in policy formulation especially when they sit to improve and setup regulations of mobile banking services in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter highlights literature related to works of other scholars and writers in relation to the study topic. The chapter is divided into sections covering; theoretical review, empirical review and the knowledge gap of the study.

2.2 Theoretical underpinnings

Mobile banking literature relied on Adoption Theory and Technology Acceptance Theory.

2.2.1 Adoption theory

Technology adoption is an inherently social, developmental and composite process. Mairura (2017) further notes that individuals come up with unique but flexible concepts of technology that governs the whole process of adoption. Mairura (2017) concludes that successfully facilitating a technology adoption needs to address cognitive, emotional, and contextual concerns. Rogers (1995) further asserts that the relevant people involved in adopting a technology do it through a five-step diffusion process. He notes the first step is to study on innovation knowledge, second they must have a surety of the importance of the innovation and that they must be ready to embrace the decision. He further notes that the innovation must be executed and at end the decision must be upheld or rejected (Mairura, 2017).

According to Oliveira and Martins (2011) diffusion of innovation theory (DOI) is a theory that explains how and why, and the rate at which new ideas and technology are passed through cultures, either at an individual or at a firm level. The theory, however, does not specifically point out at specific business types in addressing issues of technology adoption. DOI theory evaluates innovations as a process that is transferred through certain passages over a period of time and within a particular system in the society (Rogers, 1995).

The theory also argues that business owners must be in possession of different capabilities and be flexible in adopting innovations. Rogers (1995) observes that the population percentage that adopts an innovation is approximately normally distributed over time. According to this theory of DOI, innovativeness is related to independent variables at the organizational level i.e. organizational leader characteristics, internal structure and external factors of the organization, (Oliveira & Martins 2011).

Oliveira and Martins (2011) argue that if a leader's personal characteristics are known then it is easy to establish his attitude toward acceptance of changes in an organization. They also noted that observations are part of the internal characteristics of an organization structure. According to Rogers (1995) power centralization in a system causes only few individuals to be in control. The theory further notes that complexity issues relate to the extent organization's members can go in acquiring a high level of knowledge and proficiency in relation to the technology adoption. Formalization is the range which an organization goes in encouraging its personnel with a view of embracing changes that are brought along by embracing new technology. The theory acknowledges the importance of organizations ability to avail uncommitted resources that are available to an organization to enhance its capacity of handling and affording new technology (Oliveira & Martins (2011).

2.2.2 Technology acceptance theory (TAT)

TAT addresses two factors that are used to explain the willingness of a user to adopt and the specific stage. These factors are perceived usefulness (PU) and perceived ease of use (PEOU) respectively. Davis (1989) defines PU as the extent an individual goes in believing that his performance would shoot as long as he/she uses a given system. He also notes that PEOU can be defined as the level of one's belief that given a particular system to use then no effort will be needed. TAT theory has been widely approved and it is subject to modification using other constructs.

In his Masinge, (2010) focused on the elements that cause people to adopt mobile banking services in South Africa using the bottom of the pyramid (BOP). The study findings revealed that trust, perceived cost and perceived risk contribute in developing TAT. For perceived risk it comprised of performance, financial, security, privacy, social, time and convenience risk. Further, with an exception of perceived risk (PR), all other constructs of TAT namely; customer's trust, PU, PEOU, perceived cost were found to be major contributors in adoption of M- banking at the BOP. Lee (2009) says that performance risk is the loss incurred if the M-banking serves fail. Security or privacy is defined as possible loss by a mobile banking user in case of a fraud into his/her account. Time risk refers to time loss due to system delays or difficulty in navigation. Social risk entails chances of losing intimacy with your family, friends or colleague at work due to the usage of mobile banking.

Financial risk refers to possible loss of money due to transactions error or bank account misuse. Cheah (2011) on his study of inspecting the elements that cause the adoption of mobile banking in Malaysia, found that, PEOU, relative advantage (RA).

PU and personal innovativeness (PI) were closely related to the intent of adopting mobile banking services. It is important to note that, there was a negative association between perceived risk (PR) and mobile banking adoption and social norms (SN) as a factor was not significant.

2.2.3 Environmental dependency theory

Environment dependency theory describes about the external resources of the company and how they impact the company's competitive advantage. Through these resources, firm can capitalize on them in a way that when there is bad time they use them to stay competitive and sustain in the market (Aldrich and Pfeffer, 1976). The theory is borrows from the idea that environments have scarce resources and firms depend on these resources for their competitive and survival course. The common consensus is that a lack of control on these limited resources leads to uncertainty for firms operating in that environment (Pfefer and Salncik, 1978).

Environments are collective and interconnected and firms must be responsive to external demands and expectations in order to remain competitive and survive. Firm's adaptation to environment concept is adopted from biology and it relates to the firm's capability to change itself with the changes in the environment. Technological advancements are literally part of evolutionary theory of virtually every successful firm. The strategic response of a firm can be triggered by two streams. The first stream deals with the response to types of environmental changes and the second deals with the choice of strategy that is, whether the response was voluntarily or environmentally determined (Astley, 1983).

This reflects the current situation of the multinational companies since they operate under different environments, their strategic response can come in handy.

For example, Letshego is operating in highly mobile-based in Kenya. According to both streams of influence, a number of environmental pressures limits organizational choice. Therefore, adoption of mobile banking culture by Letshego is boils from an environmental element of strategic response through both proactive and reactive adaptation. At a higher level, adaptation is characterized by evolution at the firm both at the firm level and industry level.

2.3 Mobile banking as a perspective of banking

Mobile banking is more of a software or system that makes it easy for customers of a particular financial group to make monetary transactions via mobile phones (Pousttchi, 2003). In most countries, banks have established retail payments agents that can be easily accessed for deposits to enable loan deployment and other accepted investments. Financial institutions can add value to the depository services of their customers using the mobile technology and in turn customers will retain the resulting benefits. In addition, they are well grounded to set up programs that regulate possible risks and money laundering.

The mobile banking space continues to be dominated by Safaricom's M-PESA service. It is accountable for the larger percentage of money transfers having an estimate of 15.2m customers and 35,000 agents nationwide. There are also other innovations; Mobile Pay Ltd launched their Tangaza service, which operates across any mobile phone provider. Airtel, Standard Chartered Bank and MasterCard established a payments service. Family Bank set-up a mobile payment platform to enable easy, convenient and fast payment of rent by tenants. Orange Money offered a product that enables subscribers to send or receive money without relying on SIM cards among other Innovations.

2.4 Micro finance banking and international banking

In most part of the world and especially the developing countries, Microfinance has been a powerful tool for fighting poverty for low-income individuals. With increased access to good and services supported by microfinance, the effect is felt beyond individual levels to the whole business chain (Kandiri, 2015). The first deposit taking microfinance institutions (DTM) were licensed in 2009 under Microfinance Act 2006 and are supervised directly by the Central Bank of Kenya (CBK). Microfinance banks play a crucial role of financial intermediation by providing services to poor and low-income households enabling them to develop economic base that is necessary for the growth and development of every economy. Such services include deposit collection, funds transfer and loans provisioning.

Traditionally, banking services were offered in the banking halls with the customer filling paper requests and a bank staff providing the service. It depended on the physical presence and face-to-face meeting of the customer and the bank employee. In the recent past, banking has moved from the tradition brick and motor banking to on line and self-service model and customer no longer need to spend time to travel to the distance placed bank branches.

Low-income communities have unsatisfied financial services demands especially due to lack of banks nearby and lack of the necessary infrastructure to facilitate banking. The cost of setting up banking halls by banks forces the banks to push the cost to customers in form of transaction cost, which makes it difficult for poor people to afford banking services (Kazi & Manan 2013).

The poor people value Mobile-banking services more. In a case of South Africa, it is more affordable than traditional banking. In 2007, Kenya pioneered Mobile money transfer with the introduction of M-PESA, which has revolutionized the banking. The same benefits have been beneficial to microfinance banking customers. Mobile banking is the provisioning and the availing of financial services by use of mobile technology (Peachy & Roe 2006).

2.5 Empirical studies and research gap

Cheah (2011) on his study of inspecting the elements that cause the adoption of mobile banking in Malaysia, found that, PEOU, relative advantage (RA), PU and personal innovativeness (PI) were closely related to the intent of adopting mobile banking services. Further, Cheah found that, there was a negative association between perceived risk (PR) and mobile banking adoption and social norms (SN) as a factor was not significant. However, the study did not clearly establish the actual influence or direction of relation of mobile banking on firm's operations. Therefore, it is difficult to conquer that the mobile banking adoption had significance influence on PR, RA, PI and PU in triggering a strategic response.

In 2006, Consultative Group to Assist the Poor (CGAP) did a survey in South Africa. This survey encompassed 515 people. Data collection was done through a questionnaire mailed to mobile phone users and people with bank accounts. The study findings indicated that, on average the people who embraced mobile banking possessed higher educational level, formally employed and had higher income. For example CGAP found that only a small number (less than 100000) of the mobile banking customers fall below the South African poverty mark.

The group estimated the number of customers to be one million. Further, they indicate that these customers did not possess a bank account before (Ivatury & M, 2008). Although, the study focused on mobile banking, it did not establish any relationship with any operation variable. For that reason, the study is deemed to be study of prevalence and not that of a cause and effect which shows the association between variables.

Kimani (2012) conducted a survey on inclusion in Kenya's financial landscape was commissioned in Kenya in 2012. Empirical study data was collected through a questionnaire with a target of 800 respondents. The authors identified two main factors that influence financial service access, namely; gender and education. From the findings it was evident that more men were likely to have M-PESA accounts compared to their female counterparts. The study findings also proved to be the same, whereby young men were more likely to possess banks accounts than young women. On the other hand lack of education lowered the possibility of having M-PESA compared to any other level of education, that is, from primary level and above. It was found that the higher the level of education the higher the possibility of using M-PESA. However, there were no correlates of firms operations and mobile banking usage in the study since the study only sought to identify the demographic characteristics and usage of mobile banking. Although the study focuses on mobile banking it is limited in methodology and contextual focus on the effect of mobile banking on firms operations.

Another the study by Johnson (2012) in Kenya, established that location is a determiner of accessing financial services. Whereby, the people living far from banks are less likely to have a bank account. However, for people far from M-PESA agents, it was concluded that they were more likely to register in order to receive transfers.

On the contrary, it was concluded that people living further away from an M-PESA agent were more likely to have a registration to be able to receive transfers, but there was no significant association between greater proximity and frequent use, (Johnson, 2012).

The study might be handy in triggering a strategic response by every commercial and microfinance institution. However, the findings may not be useful for all companies and therefore the need to conduct a case study related study to capture the actual perceptions of staffs and customers.

Kingod (2010) studied the impact of virtual banking on transaction costs of microfinance institutions in South Africa where he found out that by then, virtual banking had reduced transaction costs considerably though they were not directly felt by the banks 22 because of the then small virtual banking customer base. He sought to determine the impact that virtual banking bore on transactional costs of commercial banks. Festher (2011) studied the relationship between electronic banking and financial performance of commercial banks in South Africa where he paid keen attention on the microfinance Institutions in Johannesburg. He actually looked at the wider electronic banking. The two studies looked into the wider electronic banking as opposed to specifically mobile banking. The studies also concentrated on commercial banks as opposed to the specific focus on microfinance institution in addition to the geographical limitation which limits the applicability of the findings since Kenya presents a different environment.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the methodology that was used for the study. The section covers the research design, the target population, location, sample size, sample procedure, data collection procedure and data analysis.

3.2 Research design

Research design, according to Upagade and Shende (2012) is the plan, structure, Strategy of investigation conceived to obtain answers to research questions, and Control variance. Mugenda (2003) proposes the use of a case study when an in depth of an individual group, Institution or phenomenon is required. Therefore, in this case, this was the most suitable research design .Thus the research adopted a case study. A case study research involves the study of an issue explored through one or more cases within a bounded system that is a setting and a context (Creswell, 2007).It focuses on understanding the dynamics present in a management situation the researcher will also be able to undertake an intensive research and conclusion of the specific factors implicated in the case.

3.3 Data collection

Data collection for this was done through an interview guide consisting of open ended questions. This was used to facilitate the collection of data from the respondents. The advantage of this method is it involved interviewing of a number of different respondents in a more systematic manner.

It also allowed real time data collection and allowed the opportunity to provide detailed information as well as clarification of responses. The interview was done on five key informants that are senior managers of the different departments in Letshego namely; Risk department, Office administration, Business development, Operations department and Information technology departments. The appended interview guide was used for the primary data collection stage. The interview will be a face-to-face interview, which will be self-administered.

3.4 Data analysis

Content analysis was used i.e. studying the information collected in this case information from the answers on the interview guide. In this approach the data collected was used to interpret meaning from the content. Hussey and Hussey (1997) state that if one has collected mainly quantitative data, they need to conduct some form of analysis. The researcher used qualitative content analysis for data analysis.

Cooper and Schindler (2011) emphasized that content analysis measures the semantic content of 'what' aspect of the message. Its breath makes it flexible and wide ranging tool that is used as a problem specific technique. Descriptive statistics was to analyze quantitative data. Quantitative research was collected through interviews. Identified challenges were grouped under respective themes and then discussed in line with the thematic approach in content analysis. Results were reported by means of narratives.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

The study findings presented in this chapter were in with the study goal of determining the influence of mobile banking on international business operations in Letshego holding Kenya. The information from the interview guide was curated and presented in content form. The design of interview guide was in tandem with the study objectives. This chapter presents results of the analysis of the study.

The study targeted the senior management who were drawn from various departments which are Risk department, Office administration, Business development, Operations department and Information technology departments. The interview and field report indicated that the business development manager who was crucial for the study was inaccessible however the interviewer managed to interview the regional manager (Nairobi). Another challenging attempt was to trace the operations department manager who had attended a business conference but was able to get online and make an appointment after which he availed for interview. Additionally, the interview with risk department manager was successful without distractions. Further, even though the information and technology department manager was instrumental in volunteering helpful information and guidance on how to meet other managers, the interview was done amid numerous calls from clients who were facing technical problems and who wanted his attention.

Every manager who was interviewed comprehended and responded to the interview questions appropriately, they had a good grip on their operations and virtual systems.

This was solely because every manager was well versed with the company progress and strategic operational measures to remain competitive in the fast paced industry. Overall, five senior managers were interviewed which was a good response rate.

4.2 General information

This section aimed at reporting general information from senior management respondents. The first question aimed at establishing the working years of the managers. This question was particularly important so as to ensure that the managers were well versed with the company's operations and activities and ensured that the information given was reliable. Most of the managers had worked in the company for the over 4 years. Risk manager, Regional manager and operations manager have been working in the organization for the over 5 years, while information technology manager was entering his fourth year at the company. Only the administration manager had stayed there for less than four years having been there for only two years. This is an indication that the managers were well equipped to responding to the interview questions in the most relevant manner.

Most of the respondents agreed that they had worked somewhere else before being employed by Letshego. Administrative manager said that he worked at Kenya Women Trust Fund as an intern and then promoted to a permanent position but later he left the firm in search of green pastures. Additionally, the operation manager said that he was working with Faulu prior to joining Letshego although he did not disclose his position at the previous firm.

Regional manager (Nairobi) said that he once worked as a credit officer previously as he was building his career.

Risk manager and IT manager reported that they had worked in so many commercial banks. The findings indicated that all the managers were well versed with banking and finance industry and therefore could give sufficient insights.

4.3 Influence of mobile banking on business operations

In response to how the company handle the cost implication associated with mobile banking, three interviewees responded with different answers while two managers gave almost similar response. The first respondent said that in an attempt to manage the cost implication, they have allowed heavy investors in form of grants and equity in order to manage the costs. The second respondent replied that they charge low interest to accommodate the low end customers which will give them the advantage of numbers. The fifth respondent indicated that they have other products that have high returns that e.g housing loans that helps cover most of the costs. The fourth and the third respondent were of the same verdict that they charge administration fees to counter the costs of mobile banking.

For the question regarding the scope of mobile banking in the context of Letshego, the responses were divergently although there was almost one similar answer provided by three respondents. The first respondent said that mobile bank covers all clients from small medium and big including civil servants they borrow money using the mobile link for Letshego. The third respondent said that customers use mobile banking to pay loans and access financial services conveniently while the second, fourth and fifth respondent were for the notion that mobile bank helps in disbursing loan to customers without an actual bank use.

The finding implies that mobile are not becoming just channels but are developing to avenues for financial services, which means that companies should be mobile-centric if they purport to be customer centric.

On the question on how mobile banking by Letshego has influenced operations, efficiency of the company and on customer levels, three respondents gave differing answers while two gave similar answers. The second and fourth respondent said that the operations had improved as the TATs are faster. There is efficiency as customers do not have to come to the bank to get money since it’s done on their phones .There is efficiency as disbursements even for other loans are done through the phones. The third respondent reported that there is less paper work involved, customers drastically increased, and the bottom lines increased especially on the payout side. The first respondent replied on the customer side citing how Letshego is helping the customers with business to meet their financial obligations conveniently which is the most strategic part of the business hence influencing the company’s bottom line.

The fifth explained that the company is now more efficient with less cost of marketing and advertising citing that with increase of the brand image reputation, Letshego has been able to attract more customers through mobile banking hence improving the company’s bottom line especially on revenue. This gives an implication that mobile banking is influencing the operation efficiency for both customer and company positively.

On the question regarding other benefits Letshego had since the adoption of mobile banking, one respondent replied that the company has developed more customer friendly products that does not need customer to the bank.

Another respondent said that customers are more aware who Letshego is hence it has been a tool for advertising, while the third respondent replied that the company has gained efficiency as there are few paper transactions. The fourth respondent explained that the company has gained tremendous benefit such as reaching a wider market from partnering hence increase in customers. The fifth respondent replied that the company has gained reputation of trustworthy financial service providers hence attracting investors. Following these benefits, it is becoming crystal clear that mobile banking is influencing the operations of the firm positively.

4.4 Challenges facing mobile banking on business operations

On question regarding risks posed by mobile banking that Letshego has experienced, the respondents gave different answers. One respondent mention that the company has faced increased number of loan defaulters, has been vulnerable to fraudsters who use stolen sim cards to borrow but not pay loans and has been used to by malicious people to de fraud customers. This has led to bad reputation by some customers who have experienced some of these risks while other customers who don't service their loans are difficult to trace. Another respondent said that through poor security on hacking and tracking the malicious people who use their brand name to fraud the customers have ruined the reputation risk.

Additionally, the respondent reported that the company has been subject to few times of system down times where customers try to borrow but do not get their money or others try to pay but the system do not post the amounts this poses a reputational risk as customers think Letshego is refusing with their money. Another respondent mentioned that on the problem of overfunding saying there is overfunding in the market as customers access funds from at least five companies that offer mobile banking hence repayment of the loans becomes a problem as there is no screening and customers can be given any amount.

The fifth respondents lamented on the errors, which makes some customers, pay for other customers loans or pay for other loans in Letshego hence posting risk associated with accounting. The fifth respondent noted the issue that comes with more players in mobile banking he said that mobile system depends on players many of which fall outside the scope of core financial services. These players create privacy issues which emerge as technology emerges such as those of geo-location. This responses reflects the vulnerability of the mobile banking which the companies are faced with and which make some of the companies shy from investing in mobile banking.

On the question on how Letshego has mitigated the security risk associated with mobile banking, one of the respondent replied that the company has strategically putted measures to improve the security. He cited continuous training to customers and staff, system updates and ensuring that customers have created strong passwords. The second respondent said that they regularly check the security and by making sure that the downtimes are working on urgently. He mentioned few times when the systems have failed to work due to attempted hacking and how they reported fraudulent activities to the regulator. Another respondent emphasized on the customer privacy expounding that customers should not share passwords or even give personal information to people even if they are relatives. He said that the company has created campaigns to sensitize customers on the matter. Another respondent said that they are in the process of implementing user authentication that will require physical tokens such as voice or fingerprinting. Additionally, he mentioned of the use of an end-to-end channel like secure sockets layer that will promote strong encryption.

The last respondent said that they conduct effective audit validation and feedback related to the intended control environment. He explained that this mitigation allowed safer and more successful transactions. This implies that the success of mobile banking depends significantly only on risk identification and appropriate mitigation controls on both customer side and company security system.

On the question on what extent Letshego has experienced non-payment from customers, the respondents gave almost similar reply. They all said to a big extent however, there are customers who are still servicing their loans and a few who have defaulted and others have promised to pay. The managers noted that CRB has enabled them to make the customers pay loan by sending them notice of CRB listing after which most customers pay. They also conquered that most of the defaulters are young people aged between 19- 34 years noting that they are young people who are accessing the money but have no idea where the repayment will come from some are even involved in betting activities. One respondent said gave an example saying one defaulter said that it is his teenage son who borrowed using his phone. This suggests that majority of the customers pay but requires constant reminders. This also calls for market segmentation since majority of the defaulters are young people and the company can find a way to mitigate defaulting risk associated with loaning to young people.

On the question regarding how Letshego manage competition risk, the responses were a bit different. One of the respondent noted that they have set marketing strategies to ensure they reach the common mwananchi. He explained that pricing of their loans is crucial in attracting low-end customers, which explains their low interest rates and administration rates on mobile banking.

Another respondent noted that they focus on the low end customers such as mama mbogas and bodaboda people who cannot afford the expensive rates of commercial banks. The third manager said that they focus on improving customers lives fund to improve their lives and ensure that they are included in financial services.

In another instance, the other respondents said that they have invested in marketing campaigns to create awareness of the company and to educate customers on financial management. Another manager indicated that they have aligned their loans products according to customer needs. This has created market sections where the firm target different people and customers have a wide range of products to choose from.

On the question on whether the security risk highlighted above impacted customer adoption of mobile banking, the respondent gave different replies but could fall under one theme. One of the respondent said that customers have responded by purchasing smart phones. He explained that virtually every member of the society now owns a phone and around 70% own a smart phone. Another responded that customers living within slums are afraid of owning smart phones because of high rates of high jacking and thieves. Another respondent noted with a lot of concern that mobile banking has increased security risk as thieves target everyone with mobile banking, the first thing they do is empty the balances and borrow loan. They then move to phone contacts for relatives to send money via mobile. The fourth respondent said that with the emergence of mobile banking, customers are overfunded which increases the risk of defaulting since they are not able to service the existing loans. Another respondent of the betting sites ruining a purposive borrowing. He said that mobile banking has opened doors for students to access funds for betting which after they lose never payback.

From these statements the bottom line is that mobile banking usage has grown exponentially over the last two years.

Regarding the question on strategies that Letshego has put in place to cater for customers who cannot afford smartphones, every manager responded with a different answer and unique explanation. The administrative manager said that they fund customers to improve their lives, which mean that they can afford to invest in business and afford smartphones.

He said that the strategy was double edge sword since they will fund the customer and after the customer pays back the loan, they will give initiatives that will help the customer make the decision of buying a smartphone after which now the customer can access the financial services through the mobile phone. Operation manager replied that they disbursed loans to customer m-pesa numbers.

She explained that Safaricom and other mobile network firms have done great work in facilitating financial inclusion. He stressed that M-pesa are crucial avenues for disbursing loans and ensuring that every member of the society is included in financial services. Further, the ICT manager said that the firm has been using ussd codes. He did not expound on the strategy as he embarked to answering clients query. The risk manager said that customers who do not have smartphones can be reached through advertisement such as television advertisement to sensitize and make them aware of the mobile opportunities training too can help. The diverse responses is an indication of large pool of mobile banking strategy to be exploited. It was noted that Letshego cater for all customers even the ones with no smart phone as they access the loan using a ussd.

On the question on which successful companies do Letshego benchmark, the respondents all mentioned safaricom M-shwari, KCB M-Pesa, Tala ,Equity and branch. One of the respondents said that M-Shwari low interest rates and administration fee attracts the customer. Another respondent said that Tala and Branch are more preferred for their flexibility and less strict rules. On the same question, the respondent said that what they have borrowed from these companies is their approach during loan recovery by informing their customers the impending CRB listing and the tracking and forceful loan recovery by the property recovery firms. Another respondent agreed that these strategies have helped the firm to reduce the number of defaulted loans. One responded said that proper appraisals, due diligence i.e kyc and market segmentation will help Letshego succeed.

On the question on examples of failed initiatives in the field of mobile banking, one of the respondent said that they faced Google non-payment fraud. Another respondent said that the development of Letshego application has faced challenges and it feels like a failing initiative since majority customers are skeptic of the application and also many defaulters. Another respondent replied that they have learnt that they should be well versed of their customers so as to always develop a subscription model that appeals to the poor.

4.4 Discussions of findings.

This section attempted to discuss the findings of the study. The discussion was done based on the literature theory and the study objectives. The current study tends to make conclusion on the basis of the responses by the Letshego managers and a discussion in case where there seems to be no consensus.

In line with responses from the managers, there is an indication that they may have considered cost budgeting and cost estimation techniques in managing the cost associated with mobile banking. The managers' responses outlined offering investors equity, low interest and administration fee to attract the low-end customers. The finding agree with that of Kazi & Manan (2013) who found out that low-income communities have unsatisfied financial services demands especially due to lack of banks nearby and lack of the necessary infrastructure to facilitate banking. This is reasonable since by lowering the transaction cost they attract more customers who enable them meet the cost of setting up the system.

On the question on how mobile banking by Letshego has influenced operations, efficiency of the company and on customer levels. It was evident that mobile banking has positively impacted the business of operations of both the company and the employees. Particularly, mobile banking has improved the efficiency of loans disbursements.

Additionally, there is less paper work involved, customers drastically increased, and the bottom lines increased especially on the payout side. Additionally, company is now more efficient with less cost of marketing and advertising citing that with increase of the brand image reputation. Letshego has been able to attract more customers through mobile banking hence improving the company's bottom line especially on revenue.

On the customer side, mobile banking is helping the customers with business to meet their financial obligations conveniently which is the most strategic part of the business hence influencing the company's bottom line. This gives an implication that mobile banking is influencing the operation efficiency for both customer and company positively.

The responses were in tandem those with Kingod (2010) who investigated the effect of virtual banking on transaction costs of microfinance institutions in South Africa. He found that virtual banking significantly reduced the transaction cost although this effect was not felt by the banks due to small virtual banking customer base at during that time. Mobile banking therefore has significant impact on operation efficiency of both the firm and the customers, which is evidenced in reduced transaction and operation costs.

On the question regarding other benefits Letshego had since the adoption of mobile banking. The responses inclined to the business performance of the companies whereby the managers cited the returns on investment, increased market share, and improved financial inclusion to the low end customers as a result of new customer friendly products development. Following these benefits, it is becoming crystal clear that mobile banking is influencing the operations of the firm positively. This is in line with Consultative Group to Assist the Poor (CGAP) survey.

The survey established tremendous customer benefits as a result of mobile banking in Africa. However, similar effect has been achieved by the firm since with large pool of customers companies are expected to make tremendous improvement in terms of business performance. On question regarding risks posed by mobile banking that Letshego has experienced, the respondents gave different answers.

The company faces system risks such as hacking and system failure compounded by large pool of players many of which fall outside the scope of core financial services. These players create privacy issues which emerge as technology emerges such as those of geo-location. This usually results to compromise of the transactions which has led to bad reputation by some customers who have experienced some of these risks.

Additionally, the company faces one of the common risk associated with credit firms which is loan defaulting. These customers who don't service their loans are difficult to trace. Further, there has been an issue of overfunding since the company operates under less strict industry as compared to commercial banks. This results to too much pressure on their cash reserves. These findings however are different to those of Rogers (1995).

According to Rogers (1995) power centralization in a system causes only few individuals to be in control. The theory further notes that complexity issues relate to the extent organization's members can go in acquiring a high level of knowledge and proficiency in relation to the technology adoption. The responses reflects the vulnerability of the mobile banking which the companies are faced with and which make some of the companies shy from investing in mobile banking.On the question on whether the security risk highlighted above impacted customer adoption of mobile banking. The responses implied that the risk affects the customers to a large extent.

One of the effect is the loss of trust which has led to company losing a good chunk of customers. However, some customer have understood the vulnerabilities of mobile banking and made a strategic responses such as buying of smart phones, enhancing privacy in terms of generating strong password among others. The customers who have not managed to buy smart phones use ussd sms to access the finances and therefore, even though there is risk, the need surpasses the risk.

This is reflected in the study by Ivatury (2008) who found that there is increase use of mobile banking in South Africa, highlighting the importance of system and how the challenges are under looked. From these statements the bottom line is that mobile banking usage has grown exponentially over the last two years.

On the question on how Letshego has mitigated the security risk associated with mobile banking, the responses indicated various strategic responses to capture that extra customer. One of the strategic measure is to improve the security since it is one of the biggest hurdle that limits the customer trust. Additionally, the company has backed that strategy by offering training to customers and staff on system updates and ensuring that customers have created strong passwords. Further, it is reasonable and smart move for the firm to regularly check the security and by making sure that the downtimes are working on urgently. This could prevent system failure and fill any gaps which could allow hacking and fraudulent activities. This suggest that the success of mobile banking depends significantly only on risk identification and appropriate mitigation controls on both customer side and company security system.On the question on what extent Letshego has experienced non-payment from customers. It appears that the company has been able to put strategic measures to prevent loan defaulting.

Even though some of the customers still default, a large number of customers pay their loans when they are threatened with CRB listing and would risk future accessing of loans. Other measures that Letshego has put in place which is working at the moment is through sending messages to customer to remind them their dues. This suggests that majority of the customers pay. Letshego managers noted that the highest loan defaulters are youth who are engaged in sport betting activities.

To avoid loaning these kind of activities, it is reasonable enough for the company to come up with appraisal form where the customer is going to declare the use of the loan and his or her capacity to pay. This also calls for market segmentation since majority of the defaulters are young people.

On the question regarding how Letshego manage competition risk, the responses were a bit different. The responses were based on strategic responses and marketing. The company has set marketing strategies to ensure they reach the common mwananchi. One of the strategy is pricing of the loans which is crucial in attracting low end customers which explains their low interest rates and administration rates. Another strategy is to focus on the low end customers such as mama mbogas who cannot afford the expensive rates of commercial banks.

Additionally, they focus on improving customers' lives fund to improve their lives and ensure that they are included in financial services. Further, aligning their loans products according to customer needs has been instrumental in making them stay competitive. This has created market sections where the firm target different people and customers have a wide range of products to choose from. This is in tandem with (Johnson, 2012) findings who reported that M-pesa had triggered other marketing strategic responses by commercial banks and micro-finance institutions.

Letshego has put in place to strategies to cater for customers who cannot afford smartphones. One of the strategies of financial inclusion is to fund customers who cannot afford smart phones so that they work with money and get funds to buy smartphones. This essentially creates a form of relationship between the customer and the lender. Another strategy is to partner with safaricom and disburse loans to customers M-pesa number given the prevalence of M-pesa users in Kenya.

This seems to be a good strategy because M-pesa has gained recognition countrywide and it is a trustworthy channel of money transactions, which means that the company can utilize M-Pesa brand image to improve their brand.

Another working strategy is to use USSD codes which enables the customer to access financial services after dialing. The main advantage of this is that money can be directly delivered to the customer M-Pesa account therefore proving to be efficient and convenient. The diverse strategic responses is an indication of large pool of mobile banking strategies that can be exploited.M-shwari, KCB M-Pesa, Tala and Branch are among the successful companies that Letshego benchmark.

One of the reasons that M-Shwari and KCB M-Pesa are preferred is because of their low interest rates and administration fee. The company has already assimilated this strategy to their business model which accounts for a large percentage of the customers. Additionally, Tala and Branch are also preferred due to their flexibility and less strict rules. The main approach borrowed from these companies is their approach during loan recovery by informing their customers the impending CRB listing and the tracking and forceful loan recovery by the property recovery firms. Evidently, this has helped recovered good number of defaulted loans. In actuality, this reflects the diffusion theory which is very important in solving specific business challenges by adopting other successful companies' strategies. According to Oliveira and Martins (2011) diffusion of innovation theory (DOI) explains how and why, and the rate at which new technology and ideas are passed across cultures, either at an individual or at a firm level.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The conclusions, summary and recommendations were drawn from the analysis, presentation and discussion of the results. These were categorically done based on the study objectives. The researcher had intended to determine the impact of mobile banking on the operations using Letshego as the case study.

5.2 Summary of the findings

This section dwelt on the summary of the findings and discussions produced from the data analysis section. From the study the researcher found that all the respondents have been at the company for more than two years. This showed that they were well versed with the company development since it was ushered in the industry a few years ago. This was further compoundend by the finding that most of them had worked in another financial institution prior to joining Letshego which revealed their expertise in the area.

The study found that company considered cost budgeting and cost estimation techniques in managing the cost associated with mobile banking. The managers' responses outlined offering investors equity, low interest and administration fee to attract the low-end customers. The finding agree with that of Kazi & Manan (2013) who found out that low-income communities have unsatisfied financial services demands especially due to lack of banks nearby and lack of the necessary infrastructure to facilitate banking.

The study found that mobile banking by Letshego has influenced operations, efficiency of the company and on customer levels. This was revealed in business of operations of both the company and the employees particularly, on improved the efficiency of loans disbursements. Additionally, the study found that there is less paper work involved, customers drastically increased, and the bottom lines increased especially on the payout side. The findings also revealed that the company is now more efficient with less cost of marketing and advertising citing that with increase of the brand image reputation. On the customer side, the study found that mobile banking has helped the customers with business to meet their financial obligations conveniently, which is the most strategic part of the business hence influencing the company's bottom line. This gives an implication that mobile banking is influencing the operation efficiency for both customer and company positively. The responses were in tandem those with Kingod (2010) who found out virtual banking significantly reduced transaction costs.

The study also found out that Letshego has experienced benefits since adopting mobile banking. The study found that the company has increased its returns on investment, increased market share, and improved financial inclusion to the low end customers as a result of new customer friendly products development. Following these benefits, it is becoming crystal clear that mobile banking is influencing the operations of the firm positively. This is in line with Consultative Group to Assist the Poor (CGAP) survey. The survey established tremendous customer benefits as a result of mobile banking in Africa.

However, similar effect has been achieved by the firm since with large pool of customers companies are expected to make tremendous improvement in terms of business performance.

The study identified various forms of mobile banking that Letshego. Among the identified risks include hacking and system failure compounded by large pool of players many of which fall outside the scope of core financial services. Additionally, it was found that loan defaulting was common risk associated with credit firms. The study noted that customers who don't service their loans are difficult to trace. Further, the findings of the study revealed that there has been an issue of overfunding since the company operates under less strict industry as compared to commercial banks. These findings however are different to those of Rogers (1995).

According to Rogers (1995) power centralization in a system causes only few individuals to be in control. The theory further notes that complexity issues relate to the extent organization's members can go in acquiring a high level of knowledge and proficiency in relation to the technology adoption. The responses reflected the vulnerability of the mobile banking which the companies are faced with and which make some of the companies shy from investing in mobile banking.

The findings revealed that the security risk highlighted above impacted customer adoption of mobile banking. One of the effect noted was the loss of trust which has led to company losing a good chunk of customers. However, some customer have understood the vulnerabilities of mobile banking and made a strategic responses such as buying of smart phones, enhancing privacy in terms of generating strong password among others. The customers who have not managed to buy smart phones use ussd sms to access the finances and therefore, even though there is risk, the need surpasses the risk.

This was reflected in the study by Ivatury (2008) who found that there is increase use of mobile banking in South Africa.

He also highlighted the importance of system and how the challenges are under looked. From these findings the bottom line is that mobile banking usage has grown exponentially over the last two years.

The study found Letshego has put in place strategic measures to mitigate the security risk associated with mobile banking. One of the strategic measure identified is to improve the security since it is one of the biggest hurdle that limits the customer trust. Additionally, it was revealed that the company has backed that strategy by offering training to customers and staff on system updates and ensuring that customers have created strong passwords. The results suggest that the success of mobile banking depends significantly only on risk identification and appropriate mitigation controls on both customer side and company security system.

The study found that Letshego has experienced non-payment from customers to a large extent. It was established that the company has in place strategic measures to prevent loan defaulting. It was found that, a large number of customers pay their loans when they are threatened with CRB listing and would risk future accessing of loans. Other measures identified were sending messages to customer to remind them their dues. This suggests that majority of the customers pay. It was also revealed that the highest number of loan defaulters are the youths. This finding called for market segmentation to mitigate the risk of loan defaulting.

Additionally, it was revealed that Letshego has measures in place to manage competition risk. Among the measures identified were marketing strategies to ensure they reach the common mwananchi.Additionally, it was found that the pricing strategy of loans was crucial in attracting low end customers which explains their low interest rates and administration rates.

It was also revealed that focus on the low end customers such as mama mbogas who cannot afford the expensive rates of commercial banks improved the market share. The findings suggested for market segmentation where the firm can target different people and customers have a wide range of products to choose from. The findings were in line with the findings of (Johnson, 2012) whose results indicated that M-pesa had triggered other marketing strategic responses by commercial banks and micro-finance institutions.

The findings revealed that Letshego has put in place to strategies to cater for customers who cannot afford smartphones. Among the strategies reported is the financial inclusion to fund customers who cannot afford smart phones so that they work with money and get funds to buy smartphones. It was also revealed that partnering with Safaricom to disburse loans to customers M-pesa number is a good strategy because M-pesa has gained recognition countrywide and it is a trustworthy channel of money transactions, which means that the company can utilize M-Pesa brand image to improve their brand. Another working strategy revealed is to use USSD codes which enables the customer to access financial services after dialing.

The findings revealed diverse strategic responses is an indication of large pool of mobile banking strategies that can be exploited. It was also revealed that M-shwari, KCB M-Pesa, Tala and Branch are among the successful companies that Letshego benchmark. It was established that M-Shwari and KCB M-Pesa are preferred because of their low interest rates and administration fee.

The study found that the company has already assimilated this strategy to their business model which accounts for a large percentage of the customers. Further, it was also found that Tala and Branch are also preferred due to their flexibility and less strict rules.

The study found that the main approach borrowed from these companies is their approach during loan recovery by informing their customers the impending CRB listing and the tracking and forceful loan recovery by the property recovery firms. Evidently, this has helped recovered good number of defaulted loans. The study related this approach to the diffusion theory which is very important in solving specific business challenges by adopting other successful companies' strategies.

The study also revealed failed initiatives which the company has endeavored to venture in. The failed initiatives revealed is the Google non-payment fraud. Additionally, it was found that development of Letshego application has faced challenges and it feels like a failing initiative since majority customers are skeptic of the application.

5.3 Conclusions

It was possible to conclude the following based on the research questions and the objectives of the study. The impact of mobile banking in Letshego listed the following critical tasks: Management of mobile banking cost, management of risks, management of competition risks, and customer centric approach. It was possible to conclude that there exists various risks associated with mobile banking which impacted the operations of both the firms and the customers.

These risks included security, system failure, hacking, loan defaulting, overfunding and customers servicing to the wrong account. However, it was concluded that these risks can be mitigated to improve the operations. Among the mitigating activities identified were frequent system update and check, educating customers, and training customers on financial management techniques.

It was possible to infer some risks associated to competition. Among the risks were poor reputation and risk of running bankruptcy due to loan defaulters. Among the strategies to improve competition and enhance operations is to come up with financial inclusion strategies such as use of USSD codes to include customers who don't have smartphones, improve marketing strategies to enlarge their market share through pricing of their loan products and to come up with solutions to mitigate loan defaulting such as CRB listing and informing the customers of their loan servicing obligation. Having met these mobile banking activities would ensure that there is improved efficiency in terms of firms operations and performance.

5.4 Recommendations for policy and practice

From the discussions and the conclusions, the researcher recommends that for an efficient and effective operations aided by mobile banking, the management should be involved and committed throughout the process. The management should ensure that the critical strategy implementation and risks mitigation tasks are regularly considered. These tasks include management commitment, security check and updates, training for all levels, developing an effective competition strategy, and establishing an internal auditing system.

In addition, the management should be more customer centric, ensuring that the customers are given the appropriate service. To build trust, the loan defaulters should not be approached harshly. Additionally, by taking the concerns of every customer, the mobile banking initiative will be successful which will reflect in improved operations of the firm.

5.5 Limitation of the study

The accuracy of the study findings was limited to the degree in which the respondents were candid in answering the questions. Give the sensitivity of the information given, there was a high chance that respondents answered questions in a way to avoid revealing away some crucial information and strategic secrets despite the confidentiality consensus. In addition, the findings cannot be generalized to other sectors because the structure of other sectors is different from the banking and finance industry in terms of regulations and industry structure.

Major conceptual gaps in current study are attributed to the fact that the study could not establish empirically the statistical relationship between the mobile banking and the operational performance of Letshego. This is because it is important to know the relative importance of each mobile banking activity to the operational performance of Letshego. The recommendations in our study therefore give rise to another problem of what risks of mobile banking can be addressed first and what is the cost benefit analysis of doing so.

5.6 Suggestion for further research

The study recommends that similar study be done on other microfinance companies so as to establish their approach on mobile banking and how it influences their operational performance in order to compare the findings.

The researcher further recommends that a similar study be done although investigating the cause and effect of each mobile banking activity, risk or benefit. This will call for an experimental or explanatory research design utilizing fundamental concepts of statistics.

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APPENDIX I. DATA COLLECTION FORM

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE......15/11/2018

TO WHOM IT MAY CONCERN

The bearer of this letter ......JOLLY......KAGURE....MWANGI........

Registration No..............D61/67649/2011..................

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
15 NOV 2018
P.O. Box 30197 – 00100, NAIROBI

PROF. JAMES M. NJIHIA
DEAN, SCHOOL OF BUSINESS

APPENDIX II: INTERVIEW GUIDE

The below structured questions will be used as the interview guide;

1. Which year was Letshego established in Kenya?
2. How long have you worked in Letshego
3. Have you worked in other financial institutions before Letshego?
4. In your own opinion, do you understand the meaning of mobile banking?
5. What strategic direction did Letshego take towards adoption of mobile banking?
6. How does Letshego handle the cost implication associated with mobile banking?
7. Since the adoption of mobile banking by Letshego, have the operations been influenced?
8. How has mobile banking influenced the operations?
9. How has mobile banking contributed to the efficiency of the company?
10. Has mobile banking influenced the bottom line?
11. If the answer to the above question is yes. How has it influenced?
12. Has mobile banking influenced increase of customers in Letshego?
13. Which other benefits has Letshego had since the adoption mobile banking?
14. With the introduction of mobile banking, has Letshego experienced any risks?
15. What nature of risks are these?
16. How has Letshego mitigated the security risk associated with mobile banking
17. Has the security risk highlighted above impacted customer adoption of mobile banking?
18. Since adoption of mobile banking, has Letshego experienced non-payment of loans from customers?

19. If yes to what extent?

20. How does Letshego manage competition risk?

21. How has Letshego managed to get customers who cannot afford smart phones?

22. Do you know any other company that has adopted mobile banking?

23. Did they succeed?

24. What did the other company that succeeded do right?

25. What did the company that failed do wrong?