EFFECT OF FINTECH STRATEGY ON FINANCIAL SERVICES DELIVERY TO THE UNBANKED LOW INCOME EARNERS IN NAIROBI COUNTY

BY

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DECLARATION

This research project report is my original work and has not been submitted to any other college, institution or university.

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This research project report has been presented with my approval as the appointed university supervisor.

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DEDICATION

I dedicate this thesis to my family. A special feeling of gratitude goes to my loving parents Johnsone and Alice Kimiri, who have always stressed the importance of education. They not only gave me moral, emotional and financial support, but instilled in me a tireless look ethic and persistent determination to be whatever I wanted to be in life without limitations. And my siblings Ben, Angie, Tony & Maurice, who are my pillars of strength.

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ABBREVIATIONS AND ACRONYMS

ASIC	Australian Securities and Investments Commission
CMA	Capital Markets Authority of Kenya
FINTECH	Financial Technologies
FSD	Financial Sector Deepening
PEOU	Perceived Ease of Use
PU	Perceived Usefulness
SMEs	Small and Medium Enterprises
TAM	Technology Acceptance Model

ABSTRACT

The objective was to establish the effect of Fintech strategy on the financial services delivery to the low income earners in Nairobi County. The study anchored on Porter's Model of Generic Strategies for Competitive Advantage, Financial Intermediation Theory, Theory of financial innovations, and Technology Acceptance Model. The study adopted a cross-sectional survey design. The study population comprised of 38 Fintech companies in Kenya. The study targetted the management staff, one in each of the Fintech company. The study collected primary data. The primary data was collected through a questionnaire. The data was analyzed using descriptive statistics and inferential statistics through use of SPSS (Version 21). The study found out that Fintechs operating in Kenya offered varied financial products and services which ranged from credit, business advisory services and digital payment platforms. The study findings showed that the cost of financial intermediation by Fintechs was low which enhanced cheaper delivery of services and products. The FinTechs had an efficient service delivery process which minimized costs and which reduced the transaction costs in financial services delivery. The study results further indicates that majority of the participants reported that FinTechs improved financial inclusion of low income earners and small businesses to a great extent. The Fintechs expanded the pool of affordable financial services and products accessible to low income individuals and small enterprises. The regression results also established that there is a positive and statistically significant relationship between FinTechs and financial services delivery to the low income earners. The study concludes that Fintechs in Kenya used cost leadership, differentiation and focus strategies in serving their markets. The study also concludes that FinTechs enhanced delivery of financial services to low income earners and small businesses to a great extent, which subsequently leads to financial inclusion. The study recommends that the government should promote and support FinTechs in the country, since they have the potential to provide financial services faster, more efficiently, more conveniently, and more cheaply to everyone, including the under-served by conventional financial institutions. The study also recommends that FinTech Companies should continue to develop products and services that target the low income earners, and the small and micro businesses who are described as risky and non-profitable and therefore shunned away by financial institutions.

CHAPTER ONE: INTRODUCTION

Chapter one introduces the study. It covers the background to the study, which gives the general outline on the concept and the setting of the study. likewise exhibits the exploration issue that provoked this examination. The chapter part further exhibits the goal of the examination and centrality of the investigation to the different stakeholders.

1.1 Background of the Study

The computerized age has released a disruptive development over the money related industry enabling monetary establishments to pull in beforehand "unbanked" people in developing markets, while holding effectively existing conventional bank customer base. Digitalization has introduced advanced money related administrations, which give imaginative budgetary innovations that offer a more prominent number of people access to monetary items and administrations (Martin, 2016). Financial inclusion, for example, is an increasingly hot topic among stakeholders, with fintech corporations now focusing on everything from micropayments, micro lending to remittances and micro-insurance (KPMG, 2018).

The impact of FinTech on financial services goes beyond retail and customer-facing applications and services to include all elements of the financial services delivery process. FinTech companies are focused on delivering financial services to those whom the traditional financial service providers tend to shun (Martin, 2016). This study was anchored on Porter's Model of Generic Strategies (cost leadership, differentiation, and focus) which businesses can adopt in order to gain competitive advantage.

The strategies relate to the extent to which the scope of a business' activities are narrow and the extent to which a business seeks to differentiate its products (Porter, 1985). Competitive advantage is gained by offering consumers more value, either by having lowerv prices or by giving out better benefits. FinTech is shifting the paradigm of financial services delivery by offering low cost products and focusing on the lower-income groups who have limited access to financial services.

According to Ozili (2018) digital finance reduces the cost of financial intermediation for Fintech. Financial innovations theory posits that financial technologies developments have changed the way financial services are delivered, improving efficiency and reducing financial and administration costs, hence deepening financial inclusion (Omwansa & Waema, 2014). Fintech has long been lauded for its ability to disrupt either by creating new businesses or reforming existing operational models (KPMG, 2018). Fintechs have revolutionalised the financial market and they seem are seeking to fulfill their customer's ever growing expectations, they have come up with competitive services in certain niches in the market (Muigai, 2017). This rise of innovative solutions in Kenya has fueled a need for research especially on how these financial technologies are affecting delivery of financial services.

The influence of FinTech in Kenya became notable in 2016 after the Capital Markets Authority of Kenya (CMA) and the Australian Securities and Investments Commission (ASIC) signed a Co-operation Agreement to support FinTech. Currently, there are over 38 companies in Kenya that belong to the FinTech Group. New market trends, growth in innovation are among the factors have led to the massive increase in the influence of Fintech in the Kenyan market (Kasyoka, 2017).

1.1.1 Financial Technologies (FinTechs) Strategy

FinTech stands for Financial Technologies, and in its broadest definition, it means technologies used and applied in the financial services sector or used to help firms manage their financial features

companies manage the financial aspects of their business (Mearian, 2017). Fintechs work in various zones going from loaning to individual fund, advanced portable installments, and virtual monetary standards. These zones are ready to particularly affect the unbanked in Africa by jumping conventional money related administrations and conveyance imperatives for less expensive and progressively effective choices (Fatah, 2017).

Fintech is changing the monetary administrations showcase in an extraordinary way. Today, fintech organizations straightforwardly contend with banks in many zones of the money related sectors to pitch monetary administrations and responses for customers. For the most part due to regulatory causes and their interior structures, banks still battle to stay aware of fintech new companies as far as development speed. Fintechs have approved early that financial administrations of all sorts of need to seamlessly integrate with needs of today's customers (Marr, 2017).

Fintech offers the potential of increased productivity and efficiencies in the way financial services are delivered (KPMG, 2018). The report explains, by improving access to, and convenience of, financial services for individuals and businesses. A report done in 2017 by the Financial Stability Board, from FinTech indicates that technology can aid in enhancing better comorehension and convenience for the services offered. This tend to have less costs in terms of adoption and les barriers for customers.

1.1.2 Financial Service Delivery

Customer expectations in terms of service delivery have increased dramatically in recent years. Service delivery can be defined as the interaction between providers and clients where the provider offers a service, either information or a task, and the client either finds value or loses value as a result (Sabir*et al.,* 2014). A perfect service occurs at customer's moment of value especially when the customers want service, where they want it, how they want it and in a manner that is guaranteed to the customers known as perfect service delivery (Adewoye, 2013).

Client practices are at the front line of the FinTech upheaval. While customers are quickly embracing new advancements in their day-today lives, customary budgetary administrations organizations are falling behind. Bigger, progressively conventional money related organizations are hampered with complex advancement forms, attentiveness about control and heritage frameworks. Then, FinTechs are utilizing lean, spry strategies for item advancement and development to react to clients' rising needs (Krijnsen & Velthuijsen, 2016).

FinTechs include made gradual gains inside these zones and are achieving a minimum amount of bank clients by setting new guidelines for development and client encounter (Evans, 2018). Clients have higher desires on conveyance of money related administrations exchanges than at any other time and expect their monetary administrations supplier to give tweaked items and administrations. They need procedures and administrations that are quick, consistent, natural, and simple (Evans, 2018).

FinTech organizations are firmly centered around those regions in which the customary budgetary specialist organizations will in general be flimsier. For example, FinTech have upgraded web based loaning where stages enable people and organizations to loan and get between one another. Robo-guides are reworking the rulebook of money related basic leadership by bypassing the human monetary counselor.

1.1.3 Unbanked Low Income Earners in Kenya

According to Financial Sector Deepening (FSD) Kenya's (2017) report, titled '*The price of being banked*', 61.6% of the Kenyan population is still unbanked. The report further established that the costs for basic bundles of transactions such as opening, running and closing bank accounts are too high. The report recommended that banks must drive down cost of banking if they are to add value to Kenyans (Totolo, Gwer & Odero, 2017). Fintech developments have enabled higher rates of financial inclusion, by utilizing the network of mobile phones found in underserved populations (World Bank, 2018).

The concept of financial inclusion, also known as inclusive finance, has been accelerated by the spread of mobile phone networks and Fintech developments (Ozili, 2018). Financial inclusion means ability of those underserved by current banking services to access financial services that are high quality, fairly priced, and assist them to maintain or improve their financial health. Kenya build a reputation as a pioneer notoriety as a pioneer of budgetary incorporation through its initial reception of a versatile cash framework that empowers individuals to exchange money and make installments on phones without a financial balance. With the multiplication FinTech, moneylenders are utilizing a similar innovation to stretch out credit to the saved money and unbanked alikeof budgetary incorporation through its initial reception of a versatile cash framework that empowers individuals to exchange money and make installments on phones without a financial balance. With the multiplication FinTech, moneylenders are utilizing a similar innovation to stretch out credit to the saved money and unbanked alike (Fick & Mohammed, 2018).

A boom in lending by financial technology (fintech) firms in Kenya has led to an increase in lending practices, though unregulated. This country's has even caught the attention of central bank of the Kenya, which is seeking to regulate this market of fintechs in the country (Fick, 2018). According to Manyika *et al.* (2016) Fintech influences financial inclusion and have several benefits such as accumulating access to financial services among needy individuals, and bringing down the expense of money related intermediation for Fintech suppliers. This study will be seeking to determine the extent to which Fintech solutions strategy has influenced financial services delivery to the unbanked in Kenya.

1.2 Research Problem

Digital finance solutions "fintech" included offer great possibility to expand access to financial services. The rapid development of fintech is dramatically transforming the financial services landscape. They are providing easy and affordable access to financial services which is a critical aspect of sustainable economic development as it can help smoothen consumption, and improve livelihoods by having better saving techniques, to have access to credit and be able to make cheaper payments (Martin, 2016). Fintech solutions have the potential to promote sustainable economic development by improving wider right to use financial services to the unbanked population in emerging markets (Jao, 2017) also assert that Fintech can spur efficiency gains in the financial sector, offer better and more targeted products and services, and deepen financial inclusion in the developing world. Kenya is grappling with high number of unbanked population.

According to a FSD report an estimated 61.6% of the Kenyan population is still unbanked (Totolo*et al.* 2017). However, Kenyans excluded from any form of financial service dropped from over 40% of adults to 17% between 2006 and 2016. Inclusion was driven largely by mobile money services, used by over 71% of adults (FSD, 2017). Various authors (Martin, 2016; Jao, 2017; He *et al*. 2017) have established that Fintech solutions are now the most effective ways to expand financial inclusion to the unbanked population. In Kenya, there has been remarkable growth of Fintech with increased adoption of these digital financial services by consumers, which has introduced new opportunities to increase access to financial services (e.g. lending- short term loans and digital mobile payments). However, little is know on how these Fintechs are enhancing financial services delivery to the unbanked population in Kenya. This study therefore seeks to establish the effect of Fintech solutions strategy on financial services delivery to the unbanked in Kenya.

A review of the existing studies Gibson (2015) conducted examined the impact financial of FinTech on the financial services industry in Ireland. This study was however conductred on a more developed economy and therefore cmay not be gerelaised in Kenyan context. Erman (2017) also examined the effect of Fintech on financial services. This study wss conducted in Finland, and collcted both primary and secondary data. The context and methodology of this study is different from that of the proposed study. Truong (2016) conducted a study to examine how fintech industry is changing the world. This study was very braod and did not look at any particular country. The study was an empirical analysis, different from the proposed study which was limited to Kenya, and collect primary data to make conclusion on the subject matter. Waagmeester (2016) also examined FinTech sector in Netherlands. This was an explorative case study in Netherlands. The context of this study is different thus cannot be generalized as per the Kenyan context. A review of the local existing studies shows that Kithinji (2017) examined effects of digital banking strategy on financial Inclusion among commercial banks in Kenya. This study was limited to digital banking strategy and was conducted on copmmercial banks in Kenya. The proposed study seeks to look at FinTechs in Kenya and show the link between with finanancial inclusion.

Agufa (2016) investigated the effect of digital finance on financial inclusion in the banking industry in Kenya. The study looked at digital finance, which is different from FinTechs. The context of this study is also different from that of the proposed study; the study was conducted in commercial banks different from FinTechs companies. Mbevi (2015) also explored the effect of innovation strategies on performance of commercial banks in Kenya. Just like the other two studies, this study was limited to financial innovations in commercial, which makes the study diverse from the anticipated one, in terms of the concept and context.

Blythin and Cooten (2017) also investigated the development of FinTech in Nairobi and their contributions to financial inclusion. This study however, only looked at how FinTech influences financial inclusion, but did not show how they enhance delivery of financial services. Moreover, the study only interviewed fourteen FinTech companies, a smaller number than the one proposed in this study of 38 companies. From the above, no notable study has been conducted on financial technology (Fintechs) and how they are influencing financial services delivery to the unbanked in Kenya. There is very little evidence on the subject matter and and this is the gap that this study sought to fill. The question that this study sought to answer is, what is the effect of Fintech strategy on financial services delivery to the unbanked in Kenya?

1.3 Research Objective

The objective was to determine the effect of Fintech strategy on the financial services delivery to the low income earners in Nairobi County.

1.4 Value of the Study

The study was expected to be of great significant to the Fintech companies operating in Kenya. The findings would enlighten the management of Fintech companies on how the strategy is influencing financial services delivery to the unbanked population in the country. The management would also get insight on key areas in which to focus on in order to successfully implement this strategy so as to enhance financial inclusion in the country.

This study would be of value to policy makers, specifically the central bank of Kenya as the regulator of financial institutions and services in the country. The current boom of Fintech has already caught the attention of central bank of the Kenya, which is seeking to regulate this market. May provide valuable insight into the nature of operations of Fintech which may help in formulation of appropriate policies to regulate Fintechs.

Lastly, this study would be beneficial to the scholars and researchers. First, the study will add value to the existing body of knowledge on Fintech strategy and financial services delivery. Secondly, the study will be a source of reference as it would provide literature to current and future scholars and researchers on subject matter. They may also find useful research gaps that may stimulate interest in further research in future.

This study would add knowledge to the existing theories that this study is anchored. These theories are: Porter's Model of Generic Strategies for Competitive Advantage, Financial Intermediation theory, theory of financial innovations, and Technology Acceptance Model. The study would advance the understanding of these theories in informing the concept of Fintech strategy and delivery of financial services.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section covers literature reviewed related to the research. It starts by discussing the theories that guide the study under the theoretical foundation. The theoretical foundation is important to the study since helps understand the problem under study. The study is anchored on Porter's Model of Generic Strategies for Competitive Advantage, Financial Intermediation Theory, Theory of financial innovations, and Technology Acceptance Model.

The chapter also presents the empirical literature which is a synopsis of other research in an interdisciplinary field of research. In this section, the study reviews and discusses empirical literature related to Fintech strategy and financial services delivery to the low income earners. The empirical review involves the critique of the existing literature which helps identify the research gaps that have not been filled by the empirical studies. The empirical literature is discussed based on local and international persepective. The chapter ends by highlighting the gaps indetified in the empirical literature.

2.2 Theoretical Foundation

This section of the research discusses the theories developed by schorlars and are relevant in guiding the concepts of this study. The theoretical foundation is essential to the study since helps understand the concepts under review in the study. The research study was guided by Porter's Model of Generic Strategies for Competitive Advantage, Financial Intermediation Theory, Theory of financial innovations, and Technology Acceptance Model.

2.2.1 Porter's Model of Generic Strategies for Competitive Advantage

Porter in the early 1980s, aimed at determining the methods in which organizations are able to ensure long-haul advantages over their rivals. In his quest he developed Porter’s Generic Strategies. There are concepts that are intercomnnected used by many institutions to enhace procedure of operations and win over their rivals. The strategic management field has received Porter’s generic strategies model. It depicts strategy as the actions taken that create positions that are defendable in an industry (Porter, 1985).

There exists two competitive advantage types that can be possessed by an organizations: low cost and differentiation. The two essential kinds of competitive advantage together with the activities scope that an organization tries to attain them, result in 3 generic strategies for ensuring performance that is above average in an industry: focus, differentiation and cost leadership. Strategy focus has two variants, differentiation focus and cost focus (Tanwar, 2013).

According to cost leadership, an organization works to be the lowest producer of cost in its business industry. The cost advantage sources are different and are reliant on industry structure. The sources may involve economies of scale, prorprietary innovation, and different variables. In a strategy of differentiation an institution tries to stand out in its business industry across a few dimensions that are generally valued by the purchaser. The focusers chooses a segment or segment groups and tailors its procedure to operating for them to the avoidance of others (Pretorious, 2008). The strategy of focus has two variations (Differentiation and cost focus). In cost focus an institution identifies cost advantage in its segment that is targeted, while in focus on differentiation an organization looks for separation in its segment that is targeted.

The two variants of the strategy focus is based on focuser's segment and different segment differences in the business industry. Cost focus assesses cost conduct differences in a few segments, while focus of differentiation aim on the purchaser's needs that are unique in particular segments (Thompson et al., 2008). An understanding of the Porter's generic strategies relevant to competitive advantage offer knowledge into the components that make and dictate most models of a business. From the model, there are 3 fundamental key alternatives accessible to firms to enhance competitive advantage. These include: focus, cost leadership, and differentiation. This theory clarifies the strategies being utilized by Fintech organizations, with the end goal for them to be competitive against conventional financial companies

2.2.2 Financial Intermediation Theory

In 1960 Gurley and Shaw developed the theory of financial intermediation which they dependent on the information asymmetry theory and the theory of agency. Financial intermediaries are organizations that borrow from savers and loan to organizations or people that require investment resources (Andries, 2009). With respect to principles, the presence of financial intermediaries is clarified by the presence of the accompanying classes of variables: high transaction costs, lack of on time useful complete information; and regulation method (Scholtens, 2003). The primary and most utilized factor in the researches with respect to financial intermediation is established by the contention in regards to informational asymmetry. This asymmetry varies and can be: ex ante generating the called problem of adverse selection; concomitant generating the moral hazard; or ex post leading to the need of applying some exorbitant verification and procedures of auditing or even the constrained execution of the indebted person.

The informational asymmetry produces market flaws, deviations from the perfect market theory in an Arrow-Benreu sense (Andries, 2009). Current theory of financial intermediation expands on the thought that intermediaries operate to diminish costs of transactions and informational asymmetries. As advancements in IT, deregulation, and financial markets deepening, in general lessen costs of transaction and informational asymmetries, The theory of financial intermediation is fundamental in clarifying these improvements (Scholtens and Wensveen, 2003).

The theory of financial intermediation elaborates the financial intermediaries' roles in economy. By lending, Fintechs influence the economy on the whole since they are giving the much needed credit especially to the unbanked population for investment to spur economic growth. This theory helps to explain why increased adoption of Fintechs to access various forms of financial services, short term loans being the most sought services by the unbanked population.

2.2.3 Theory of Financial Innovations

Silber (1983) proposed the financial innovations theory, introduced on the possibility that expansion of benefit of cash related establishments is the key reason of inclusion in finances (Li and Zeng, 2010). The theory shows that the essential idea behind the new advancements are the deformities of the cash related business part, for the most part the veered off information, office costs and costs of exchange (Blach, 2011). The theory attest that innovations related to finances can be new goals or essentially standard means whereby most recent development components has been offered, upgrading company's liquidity and also growing new applicant quantity, because of their capabilities on the circumstance (Ionescu, 2012).

Innovations of technologies of finances is a basic force of motivation of the financial framework, which prompts better competence of the economy and upgraded economic advantage from the new and recurrence changes (Sekhar, 2013). Financial innovations characterize financial advancements by thinking of better approaches for production, solutions that are technically based, ensuring better rates of returns consequently boosting the economy of the nation. Financial innovations upgrade liquidity of financial markets; guarantee the distribution of assets to insufficient areas and in addition enhancing the availability to rising prospects (Blach, 2011) henceforth financial inclusion deepening.

The rising inventive models of financial inclusion through mobile and other computerized financial services are helping with addressing the gap of financial instruments which exists in these nations (Omwansa and Waema, 2014). This theory help understand how Fintech as one of the financial technology innovation can enhance financial inclusion to the unbanked population. Financial Innovation" means finding new products and new features for existing financial products. Thus creating a new financial product or adding new features to existing financial product is the central theme of financial engineering. The theory shows how these technological innovations have improved the features for existing financial products, accessibility to financial services and how they are changing the way financial services are delivered to the consumers.

2.2.4 Technology Acceptance Model

This model was originally put forward by Davis in 1986 (Park, 2009). TAM deals with perceptions and not systems real usage and argues when new technological advancement is introduced to the customers, either one of this occurs that is, Perceived Ease of Use (PEOU) and Perceived Usefulness (PU) influence their decision (Davis, 1989). PEOU is the level of confidence that people put on a system and if users perceive a new technology to be beneficial in support of both short and long-run, there is that encouragement to use the system (Mojtahed, Nunes & Peng, 2011).

The TAM affirms that the systems real utilization is established by each user's behavioral intention for usage and is inspired by an individual's perception to the system. The theory also explains that the perception towards new technology has a direct relation to its functionality as well as the simplicity of the system (Lim & Ting, 2012). TAM considers that acceptance of technology and functionality is influenced by consumer's intentions that establish the customer's perception towards system (Mojtahed, Nunes & Peng, 2011).

TAM also explores the attitude of individuals towards particular system (Lule, Omwansa & Waema, 2012). The TAM gives the reasons why a consumer may embrace (use) or not use a certain technology. As the theory suggests, the technology being adopted should be easy to use and it should posses or bring some benefit to the consumer. This means that the extent of use of Fintech solutions in Kenya is dependent on the ease of use of these technologies and the benefits they are offering to the consumers.

2.3 Empirical Studies and Knowledge Gaps

A review of existing empirtial literature shows that, Ozili (2018) carried out a research on the influence of digital finance on stability and financial inclusion. The research uncovered that digital finance via Fintech suppliers has significant positive outcomes for financial inclusion in developing and developed nations, and the digital finances convenience faciliatates people with incomes that are low and varying is regularly more significant to them in comparison to the greater expense they will pay to acquire the exact services from banks that are conventional. Notwithstanding, the research explains that in spite of the advantages of digital finances, it faces some difficulties for financial inclusion and stability.

Gibson (2015) conducted a study on the impact that financial technology (FinTech) is having on the financial services industry in Ireland. The study revealed that FinTech had disrupted the traditional financial services model, which has reduced the barriers to entry hence increasing financial inclusion. It had changed the way financial services are delivered to the consumers. The author recommends that financial institutions will need to incorporate or develop financial technology in order to remain competitive, and above all in business.

The above findings are also in agreement with those of Erman (2017) who conducted a study on financial technologies (Fintech) effect on financial services from an open innovation perspective. The study established that the new entrants were attracting customers with their new technologies and services. They have changed the way financial services are delivered to the consumers, giving various financial services to consumers. As a result traditional financial institutions are being forced to collaborate with them and trying to adopt the new environment and protect their interests.

World Bank (2014) additionally recognized that Fintech has a few advantages. For example, Fintech can elad to more noteworthy financial inclusion, extension of financial services to non-financial areas, and the extension of fundamental services to people since almost half of individuals in the developing world officially possess a mobile phone. Digital finance can possibly give convenient, affordable and secre services of banking to poor people in developing nations.

Waagmeester (2016) in his study on FinTech sector in Netherlands revealed that increased focus on innovation of financial services has led to a continued shift of financial service delivery from the conventional banks in the direction of new service providing companies (FinTech). FinTech start-ups are developing new payment-as-a-service solutions and payment platforms. This shift in payment services towards new businesses and the development of new payment platforms is diminishing the power position of incumbent banks and results in several new possibilities for customers to enhance their payment experience.

The FinTech Start-ups are often more successful in developing overarching solutions where big incumbent banks may be struggling with their cumbersome structure and competitive character towards other banks, resulting in a lacking supporting organisation, unable to efficiently encourage innovative behavior (Schilling, 2013). Gorham and Dorrance (2017) explored the potential for technology innovation in the financial services sector, with a focus on fintech. The study established that fintech has the potential to expand access to safe and affordable financial services to more people.

The advantages of these innovations include lower costs for services driven by greater efficiencies and targeted marketing, improved transparency about product and service terms and costs, greater financial control, faster and/or real-time deposits and expenses reflected in account balances, new products and services specifically aimed at the underserved, and improved safety and security of funds. All of these fintech advantages have great potential and already benefit many consumers, including those who are currently underserved. Muthiora (2015) examined how enabling Mobile money policies in Kenya had fostered a Digital Financial Revolution.

The study established that Kenya had created an enabling regulatory environment and nurturing new technologies such as mobile money, which have become agents of change for financial inclusion. The study demonstrated that mobile money has not only been a catalyst for financial inclusion, it has also stimulated the development of the digital ecosystem. Kenyoru (2013) examined empirically the link between financial innovations and financial deepening by assessing the effect of increasing financial innovations in Kenya on financial sector development, as a result of increasing rollout of new products such as mobile money payment systems, mobile banking and agency banking affect access to financial services to the Kenyan population.

The study concluded that financial innovation has an insignificant positive impact on financial deepening. Both mobile money innovations and mobile banking have insignificant effects on financial deepening in Kenya.This means that the rise in mobile money transactions as well as in m-banking in Kenya do not significantly influence financial deepening.

Okiro and Ndungu (2013) examined the impact of mobile and internet banking in Kenya. The study established that financial institutions have been in the process of significant transformation due to innovation in information technology. The study found out that rapid development of information technology had made banking tasks more efficient and cheaper. It had changed how customers interact with their financial institutions. The findingsd are in agreement with those of Ndirangu and Thairu (2016) who examined the effects of technological innovations on financial inclusion initiatives by banks within Nakuru town in Kenya. The study concludes that technological innovations have led to improved financial inclusion by commercial banks in Kenya.

A study by Omanga and Dreyer (2017) assessed the function of mobile technologies and financial innovations on financial inclusion in Kenya. It adopted a case study of the Mpesa, the main mobile money transfer service in Africa, offered by the telecommunication company called Safaricom. It was discovered that this type of innovation takes care of two distinct issues in Kenya: clients don't need travel for long distances to get the services and more individuals can bear the cost of the services. The research presumed that M-PESA services can be viewed as a kind of troublesome advancement that enhances financial inclusion and growth of wealth in Kenya.

A study by Omwansa and Waema (2014) assessed financial inclusion deepening through joint effort to make appropriate and innovative financial products for the poor individuals. The research discovered that entrance to formal financial services in Kenya was still low. In Particular, the poor individuals who are portrayed by low education levels and low, unpredictable and sporadic salaries, in most instances did not have the appropriate financial tools that fit their way of life and can help reduce their level of poverty.

However, the research discovered that mobile money channels and the network of the agent give the best path so far for reaching the poor, however the business case for serving this portion of the market has not been developed properly to boost the fundamental players to be involved actively. Otieno et al. (2015) assessed financial innovations and the financial intermediary future. The research uncovered that benefits gathered from financial advancements incorporate regulations avoidance and taxes optimization, reducing costs of transactions and expanding regulations and expanding liquidity of market-based items, lessening costs of agency, lessening informational asymmetry, expanding chances for risk sharing and making capital intermediation progressively effective and less expensive for customers.

In any case, new financial instruments create repercussions through different channels. For example, credit streams are stimulated by utilization of options of rates of interest and agreements of forward rates and clients are bound to ask for and submit debts. On the other hand, Truong (2016) and Maurer (2015) established that FinTechs had enhanced expansion into unique financial products which are more useful, more versatile and more affordable for the consumers. However, all these studies have been conducted in more developed economies and therefore the findings cannot be generalized in the Kenyan context. Locally, there is little evidence to show the how Fintechs in Kenya have affected delivery of financial services to the low income earners.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section sets out the research methodology utilized in the research.. It involves a the gathering, measuring and analyzing of data. The research methodology helps identify the procedures used to collect, process, and analyze data to achieve the study goals.

The chapter starts with discussing the research design adopted for the study to ensure the study effectively address the research problem. It constitutes the procedures utilized used in the collection and analysis of the variables specified in the research problem research. It further describes the population of the study upon which data was collected to help form inference on the research objective. The chapter also presents the data collection methods and data analysis procedures. Under the data collection section, the study highlights the type of data that was collected, the instrument for data collection, the respondents and procedures for data collection. The section ends with a section on data analysis procures and how the analyzed data was presented.

3.2 Research Design

Research design is a set of methods and procedures used in collecting and analyzing measures of the variables specified in the research problem research (McLaughlin, 2012). The study adopted a cross-sectional survey design. A cross-sectional survey collects data to make inferences about a population of interest (universe) at one point in time. Cross-sectional surveys have been described as snapshots of the populations about which they gather data.

Cross-sectional design is a useful tool which helps the researchers to better understand relationships that might exist between certain variables (Bethlehem, 1999). Cross-sectional survey design is deemed appropriate this study since they allow to collect data on different variables, they are relatively expensive and provides for researchers to collect the data using little time. Cross-section studies are helpful in identifying the number of people influenced by a specific phenomenon and whether there is a variation in the frequency of occurence (Cherry, 2018).

In regard to this study, the study sought to establish how financial services delivery to the low income earners has been affected by strategies being employed by Fintech companies in Kenya. Due to the nature of the study which seeks to understand the effect of Fintech strategy on the financial services delivery, through data collection approach, Cross-sectional design is best suited to help make inference on the subject matter.

3.3 Study Population

Target population is defined as a universal set of the study of all members or set of people, to which an investigator wishes to generalize the result (Bryman, 2012). The study targetted all the 38 Fintech companies in Kenya that belong to the FinTech Group (Fintech Group, 2018). The study targetted the management staff, one in each of the Fintech company. Since the population is small, all the 38 Fintech companies were considered in the study. These companies were chosen since they opertate in the country and they largely serve the Kenyan population.

Therefore, they better positioned to offer data on how the Fintech strategy is influencing financial services delivery to the low income earners in the country. Due to the small population, a census was adopted that involved the utilization of the whole population. Cooper and Schindler (2011) posit that a census is applicable in the instance of a small population and when the population subjects differ from one another. In this case, the population comprised of 38 Fintech companies, which are different from each other. Hence, a census study was appropriate for the study; thus all the 38 management staff formed the sample size for the study.

3.4 Data Collection

The study collected primary data. The primary data was collected through a questionnaire. The data was collected from the management staff in the targeted Fintech companies. The researcher sought permission from the relavant authorities and more so from the management of Fintech companies, to conduct the study. The researcher administered the questionnaire to the respondents through drop and pick later method.

The questionnaire was considered as the appropriate data collection instrument for this study since they provide a high degree of data standardization. They are also relatively quick to collect information from people in a non-threatening way and they are cheap to administer. Questionnaires are also able to give a detailed answer to complex problems (Kombo & Tromp, 2009).

3.5 Data Analysis

Analysis of data can be defined as the process of inspecting, cleaning, transforming, and modeling data with the goal of discovering useful information, suggesting conclusions, and supporting decision making. After receiving the data from the questionnaires, the data was inspected and cleaned and entered in the SPSS (Version 21), for purposes of data analysis.The questionnaire generated both qualitative and quantitative data. The quantitative data was analyzed using descriptive statistics and inferential statistics to enable the researcher to summarize and organize data in an effective and meaningful way.

The descriptive statistics included frequency distribution tables and the mean, and standard deviation. The qualitative data was analysed through content analysis and presented alongside the descriptive results. The inferential statistics applied a regression analysis. The regression analysis helped establish the form of relationship between Fintech strategy and financial services delivery to the low income earners. The regression model took the following form:

$Y= \beta_0 + \beta_1 X_1 + \varepsilon_i$

Where: Y = Financial services delivery (to the low income earners)

X_1 = Fintech Strategy (Personal finance, micro-lending, digital mobile payments)

$\beta_0 =$ the intercept (value of EY when X = 0)

$\beta_1 =$ the regression coefficient or change included in Y by each X.

ε_i = error term

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study as analyzed from the data collected. The study findings are based on the study objectives. The study sought to establish the effect of Fintech strategy on the financial services delivery to the low income earners in Nairobi County. The data was broken down through expressive measurements and exhibited in tables, charts and visual diagrams.

4.2 Response Rate

This section sought to determine the response rate of the study. This was important so as to determine whether it was adequate enough to provide reliable results that could help make inference on the study. The study response rate is shown in Table 4.1.

Table 4.1: Response Rate

Respondents	Frequency	Percent
Responded	35	92.1
Not Responded	3	7.9
Total Sample Size	**38**	**100.0**

Source: Research Data (2018)

The study sample size was 38 managers from Fintech companies in Kenya. Out of this sample size, 35 responses were successfully received in time for analysis, which translate to a response rate of 92.1% as shown in Table 4.1. This response rate was considered appropriate for the study to derive the inferences on the objectives of the research, as argued by authors such as Mugenda and Mugenda (2003), who pointed out that 50% response rate is adequate, 60% is good and above 70% rated very well.

4.3 Background Information

The section presents the background information of the participants and Fintechs companies that took part in the study. The participants' information captured includes: designation of the participants in the organisation, and the financial product/ services the Fintechs offered to the market. This indormation was important since it reflects the relevant attributes of the population which took part in the study.

4.3.1 Designation in the Company

The participants were asked to indicate description of their job or title they held in the Fintech companies. The study targeted managers in the Fintechs companies, since they were in a better position to give reliable information on the subject matter. The results are presented in in Table 4.2.

Table 4.2: Designation in the Company

Designation	**Frequency**	**Percent**
Administrative Manager	6	17.1
Operations manager	9	25.7
Business development manager	5	14.3
Marketing Manager	11	31.4
Financial/Busisness Analyst	2	5.7
Research & Development manager	2	5.7
Total	**35**	**100.0**

Source: Research Data (2018)

The study results in Table 4.2 shows that 31.4% of the participants who took part in the study were marketing managers, 25.7% were operations managers while 17.1% were Administrative Managers. A further 14.3% of the participants indicated thaty they were Busines development managers in their organizations while 5.7% were

Financial/ Busisness Analyst and Research & Development managers respectively. From the study results, it can be seen that the managers who part in the study were from various departments of the Fintechs companies. This ensured diversified opinions on the subject matter.

4.3.2 Period the Company has Operated in Kenya

The participants were asked to indicate the duration their companies have been operating in Kenya. This was important so as to understand whether the companies have been in operations long enough to understand their operations influenced financial services delivery to the low income earners. The findings are presented in Figue 4.1.

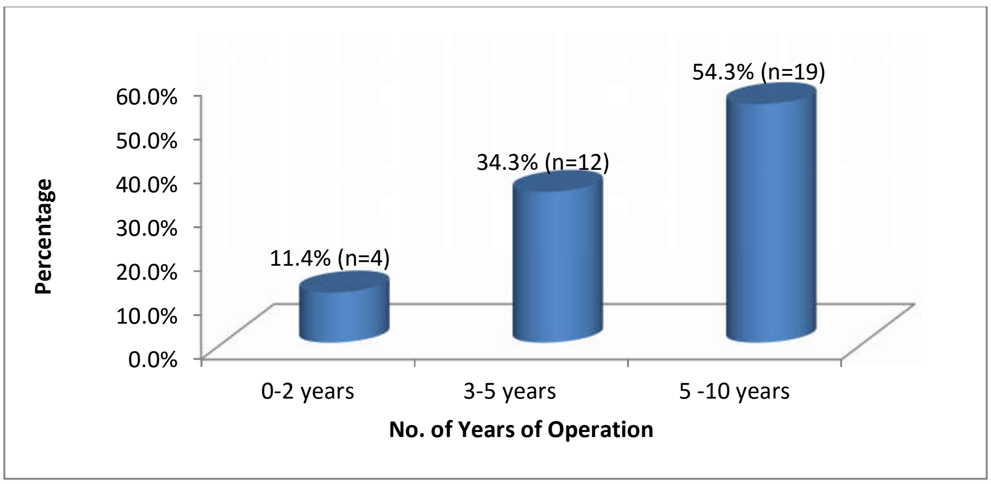

Figure 4.1: Period the Company has Operated in Kenya
Source: Research Data (2018)

The study findings in Figure 4.1 shows that majority of the participants s (54.3%) indicated that their Fintechs companies had operated in Kenya for a period of 5-10 years. On the other hand, 34.3% of the participants reported that their companies had operated in Kenya for a period of 3-5 years while 11.4% of the respondents indicated that their companies had operated for a lesser period of 2 years and below. From the findings, majority of the companies had operated in Kenya for period of three years and above. This is a substantial time for one to understand how their products and services influenced financial services delivery to the low income earners in Kenya. This therefore improves the reliability of the information given by the respondents.

4.3.3 Financial Product/ Services the companies Offers in the Market

The participants were asked to type of financial product and services they offered in the market. From the findings, the Fintechs operating in Kenya offered varied financial products and services which ranged from credit (short-term loans) over a smartphone, Kenya, travel and business advisory services while others provided a digital payment platform or send money services on a mobile phone which enabled one to pay for goods and services online while sellers can receive payments for purchases made online. For instance, ‘JamboPay’ allowed users to make and receive payments through mobile phone over the internet. ‘Chura’ Fintech also enabled credit/debit card holders to send money to Mpesa.

Others connected the users with financial services such as SACCOs and MFIs. For instance ‘Esacco’ offered products designed to manage needs of saving and credit cooperative organizations (SACCOs), Matatu Saccos, Welfare groups, Chamas with Table Banking Structure, Pension schemes, Housing Cooperatives and other microfinance organizations. On the other hand, ‘FarmDrive’ FinTech connected smallholder farmers and financial institutions so as to extend credit to farmers and bridge the huge funding gap. From the findings, it can be seen that the Fintechs offered varied financial product and services that were accessible even to the low income earners, since they only needed a mobile phone platform.

4.4. FinTechs Strategy

In this section, the respondents were asked to indicate their extent of agreement with statements on strategies used by FinTechs to deliver financial services to consumers. A five point likert scale where a mean score of 1- 2.5 implies that the participants disagreed with the statement, a mean score of 2.6-3.5 implies that the participants were neutral (did not agree or disagree), while a mean score of 3.6-5.0 implies that there was agreement with the statement. The findings are presented in Table 4.3.

Table 4.3: FinTechs Strategy

Statements on FinTechs Strategy	N	Mean	Std. Deviation
Cost Leadership			
The cost of financial intermediation by Fintechs is low which enhances cheaper delivery of services/products.	35	4.17	0.747
Our company has an efficient service delivery process which minimizes costs.	35	4.14	0.601
FinTechs have reduced the transaction costs in financial services delivery.	35	4.06	0.838
Differentiation			
Our company offers products/services with unique characteristics	35	3.77	0.877
Our organization develops products/services with appealing features to the target market.	35	4.20	0.632
Our company has a dedicated new product development function that targets various markets/consumers.	35	4.20	0.531
Our company always strives to lead in product/service delivery to the target consumers.	35	4.51	0.742
Focus			
Our company offers tailor made financial products/services to our clients.	35	4.09	0.742
Our company targets the low income earners.	35	4.00	0.767
Our company constantly targets a specific market segment over other segments.	35	4.46	0.505
Our company always strives to remain in its target market.	35	4.03	0.747

Source: Research Data (2018)

The study findings in Table 4.3 show that the respondents agreed that the cost of financial intermediation by Fintechs was low which enhanced cheaper delivery of services and products (mean score = 4.17). The respondents also agreed that their companies had an efficient service delivery process which minimized costs (mean score = 4.14); and that FinTechs had reduced the transaction costs in financial services delivery (mean =4.06). The study findings also show that the respondents agreed their companies always strived to lead in product and service delivery to the target consumers (mean score =4.51). They further agreed that their companies developed products and services with appealing features to the target market (mean score=4.20); and they had a dedicated new product development function that targeted various markets/consumers (mean score = 4.20).

On focus market, the respondents agreed that the Fintechs companies constantly targeted a specific market segment over other segments (mean acore = 4.46). The respondents also agreed that their companies offered tailor made financial products and services to their consumers (mean score =4.09). Moreover, the respondents agreed that Fintechs strived to remain in its target market (mean score = 4.03), which was the low income earners (mean score = 4.00).

4.5 Financial Services Delivery to Low Income Earners

In this section, the study sought to establish how Fintech strategy affects financial services delivery to the low income earners. To achieve this objective, the respondents were asked to rate various statements on how Fintechs affects financial services delivery to low income earners. The respondents were also aked to extent to which FinTechs enhance financial inclusion of low income earners and small businesses through financial products and services.

4.5.1 Extent Fintechs Enhance Financial Inclusion

The respondents were asked to indicate the extent to which FinTechs enhanced financial inclusion in financial services for low income earners and small businesses in Kenya. The results are presented in Table 4.4.

Table 4.4: Extent Fintechs Enhance Financial Inclusion

Extent	Frequency	Percent
Very great extent	14	40.0
Great extent	18	51.4
Moderate extent	3	8.6
Small extent	-	-
No Extent	-	-
Total	**35**	**100.0**

Source: Research Data (2018)

The study results in Table 4.4 show that majority of the respondents (51.4%) indicated that FinTechs enhanced financial inclusion of low income earners and small businesses to a great extent. This was supported by 40% off the respondents who indicated that FinTechs enhanced financial inclusion to a very great extent. However, a small number of the respondents (8.6%) were of the opinion that FinTechs enhanced financial inclusion of low income earners and small businesses to a moderate extent.

4.5.2 FinTechs and Delivery of Financial Services to Low Income Earners

Thes respondents were asked to indicate their level of agreement on statements on how Fintechs inclunced delivery of financial services to low income earners. A five point likert scale where a mean score of 1- 2.5 implies that the participants differed with the statement, a mean score of 2.6-3.5 implies that the participants were neutral (neither agreed or disagreed with the statement), while a mean score of 3.6-5.0 implies that there was agreement with the statement. The findings are shown in Table 4.5.

Table 4.5: FinTechs and Delivery of Financial Services

Statements on Financial Services Delivery	N	Mean	Std. Deviation
Fintechs expands availability of information, such as investment advice to low income earners.	35	4.14	0.733
Fintechs have enhanced delivery of financial services and products to low income earners.	35	4.34	0.482
Fintechs enables design and delivery of new products tailored for the customer segments depending on their needs	35	3.94	0.765
Fintechs are largely serving the previously financially underserved markets.	35	4.46	0.505
Fintechs provide more (and cheaper) financial services options for low income individuals and small enterprises.	35	4.03	0.747
Financial technology has facilitated bringing together lenders and borrowers – e.g. small businesses and start-ups with investors	35	4.31	0.583
Fintechs have expanded the pool of affordable financial services and products.	35	4.11	0.631
Fintechs have unbundled financial services to allow for better-targeted products.	35	3.91	0.702

Source: Research Data (2018)

The study findings in Table 4.5 show that the respondents agreed that Fintechs were largely serving the previously financially underserved markets (mean score = 4.46); and that Fintechs had enhanced delivery of financial services and products to low income earners (mean score = 4.34). The respondents also agreed that Fintechs companies had facilitated bringing together lenders and borrowers – for example, small businesses, start-ups with investors (mean score = 4.31); and has also expanded availability of information, such as investment advice to low income earners (mean score = 4.14).

In addition, the respondents agreed that Fintechs had expanded the pool of affordable financial services and products (mean score = 4.11); and provided more and affordable financial services options for low income individuals and small enterprises (mean score = 4.03). The respondents also agreed that Fintechs had unbundled financial services to allow for better-targeted products, as well as enabling design and delivery of new products tailored for the customer segments depending on their needs, as shown by the mean scores 3.91 and 3.94 respectively.

4.6 Regression Analysis

This section of the study presents the regression analysis results. The regression analysis helped establish the form of relationship between Fintech strategy and financial services delivery to the low income earners. The regression results are presented below.

Table 4.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.745[a]	0.555	0.517	0.238

a. Predictors: (Constant), Fintechs

Source: Research Data (2018)

The regression results in Table 4.6 show an R value of 0.745 which implies that there is high relationship between the dependent and independent variable. The regression results further shows a value of coefficient of determination (Adjusted R Square) as 0.517. This implies that Fintechs (which comprised of components such as Personal finance, micro-lending, digital mobile payments) explained 51.7% of financial services delivery to the low income earners.

Table 4.7: ANOVA[b]

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	9.292	1	9.292	11.168	0.007[a]
Residual	13.421	33	0.407		
Total	**22.713**	**34**			

a. Predictors: (Constant), Fintechs

b. Dependent Variable: Financial services delivery

Source: Research Data (2018)

Analysis of Variance (ANOVA) consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance. The ANOVA results in Table 4.7 show an F- value (F =11.168) and significance p-value=0.007. This shows that the regression model has a high confidence level with a small probability of giving a wrong prediction. This therefore means that the regression results can be relied upon.

Table 4.8: Regression Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.158	0.970		1.193	0.241
Financial Technologies (FinTechs).	0.618	0.216	0.445	2.858	0.007

a. Dependent Variable: Financial Services Delivery.

Source: Research Data (2018)

The regression co-efficient results in Table 4.8 show that there is a positive and statistically significant relationship between FinTechs and financial services delivery to the low income earners as shown by $\beta = 0.618$, $p= 0.007<0.05$). From the results, it can be deduced that FinTechs significantly enhances delivery of financial services to the low income earners in Kenya. These findings aree in agreement with those of Ozili (2018) who also found out that Fintechs have positive effects on financial inclusion in emerging and advanced economies, by providing convenient digital finance to individuals with low and variable income.

4.7 Discussion of Findings

The study established that Fintechs operating in Kenya offered varied financial products and services which ranged from credit (short-term loans) over a smartphone, Kenya, travel and business advisory services. Others provided a digital payment platform or send money services on a mobile phone which enabled one to pay for goods and services online while sellers can receive payments for purchases made online. These findings are in agreement with those of Fatah (2017) who established that Fintechs operate in a number of areas ranging from lending to personal finance, digital mobile payments, and virtual currencies.

The results show that the respondents agreed that the cost of financial intermediation by Fintechs was low which enhanced cheaper delivery of services and products. The respondents also agreed that their companies had an efficient service delivery process which minimized costs; and that FinTechs had reduced the transaction costs in financial services delivery.

These findings corroborates with those of Gorham and Dorrance (2017) who revealed that Fintechs have the potential to expand access to safe and affordable financial services to more people. The study further established that Fintechs confer various advantages to the users, these include lower costs for services driven by greater efficiencies, improved transparency about product and service terms and costs. The study findings also show that the respondents agreed that Fintechs always strived to lead in product and service delivery to the target consumers.

They further agreed that the companies developed products and services with appealing features to the target market. Their focus market was on the unbanked population that have been shunned away by conventional financial institutions. Fintechs have not only come to fill the financial inclusion gap that have been left out by the conventional financial institutions, but also to serve those who already have access to financial services by changing the way financial services are delivered to the consumers. These findings are in agreement with those of Gibson (2015) who revealed that FinTech had disrupted the traditional financial services model, which has reduced the barriers to entry hence increasing financial inclusion.

These findings are also supported by Erman (2017) who established that FinTechs were attracting customers with their new technologies and services. They have changed the way financial services are delivered to the consumers, giving a wide range of financial services to consumers. The study further established that Fintechs had enhanced delivery of financial services and products to low income earners. The respondents also agreed that Fintechs facilitated financial intermediation and provided more and affordable financial services options for low income individuals and small enterprises.

These findings are in agreement with those of Waagmeester (2016) who revealed that increase of Fintechs in the market had led to a continued shift of financial service delivery from the conventional banks. The findings are also supported by Ozili (2018) who indicated that Fintech services have a positive effects for financial inclusion in emerging economies. The sentiments are also echoed by World Bank (2014) who acknowledged that Fintechs lead to greater financial inclusion.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary of findings, conclusions and recommendations of the study. In this section, the study makes inferences on the objective of the study and on the entire research study. The chapter also outlines the recommendations made, both policy and recommendations for any further research.

5.2 Summary of Findings

The study found out that Fintechs operating in Kenya offered varied financial products and services which ranged from credit (short-term loans) over a smartphone, business advisory services. Others provided a digital platform to pay or send money on a mobile phone, while others enhanced financial aspects such as savings, marketing of products and giving investment advice by connecting their consumers with the relevant financial sercices and investment providers. Fintechs were accessible the low income earners since their services are delivered through a mobile phone platform which majority of Kenyans possess.

On the strategies used by FinTechs to deliver financial services to consumers, the study findings that the cost of financial intermediation by Fintechs was low which enhanced cheaper delivery of services and products. The FinTechs had an efficient service delivery process which minimized costs and which reduced the transaction costs in financial services delivery. The study also found out that Fintechs developed products and services with appealing features to their target market, which was the unbanked population, the low income earners and small business that have been shunned away by conventional financial institutions.

The companies revealed that hey had a dedicated new product development function that aimed at developing products aimed at meeting the needs of their target markets/consumers. It was found that Fintechs offered tailor made financial products and services to their consumers and they strived to remain in its target market. The study results further shows that majority of the respondents reported that FinTechs enhanced financial inclusion of low income earners and small businesses to a great extent. This is because Fintechs were largely serving the previously financially underserved markets.

They brought together lenders, borrowers, business and investment advisors, which facilitated the low income earners to get not only credit but also give an expanded pool of information, necessary for financial growth of low income earners. The Fintechs expanded the pool of affordable financial services and products accessible to low income individuals and small enterprises. Fintechs had also facilitated repackaging of financial services and products to allow for better-targeted products for their target market segments depending on their needs.

5.3 Conclusion

The study concludes that Fintechs in Kenya used cost leadership, differentiation and focus strategies in serving their markets. On cost leadership, Fintechs ensured that the cost of financial intermediation was low which enhanced delivery of affordale financial services and products. The delivery process was efficient since which minimized transaction costs in financial services delivery. On differentiation, Fintechs offered tailor made financial products and services with unique characteristics and features to a particular target market. This is unlike financial products offered by financial institutions which are almost similar to each other.

On Focus strategy, Fintechs had indentified its market (which was majorly the low income earners and small business that could not get financial services from financial instutions) and they always strive to develop products and services to serve their specific target market segment. The study concludes that FinTechs enhanced delivery of financial services to low income earners and small businesses to a great extent, which subsequently leads to financial inclusion. This was made possible by the fact that Fintechs were largely serving the financially underserved markets or consumers. Their products and services targeted the low income earners and small businesses that have been shunned away by conventional financial institutions. Their products seem to be appealing and attractive to this market segment.

5.4 Recommendations of the Study

The study recommends that the government should promote and support FinTechs in the country, since they have the potential to provide financial services faster, more efficiently, more conveniently, and more cheaply to everyone, including the underserved by conventional financial institutions. Kenya is still grappling with a high number of unbanked population, and FinTechs can be one way of solving that problem. In order to ensure that FinTechs are more credible and acceptable, the government should come up with legislations that formalizes and guides the operations of FinTechs. Currently FinTechs are unregulated and even though they are being largely used, they pose a threat to concumers since there are no regulations to oversee their operations and also how the concumers data is used. This would help to curb any exploitation of the consumers of FinTech products and services.

The study also recommends that FinTech Companies should continue to develop products and services that target the low income earners, and the small and micro businesses who are described as risky and non-profitable and therefore shunned away by financial institutions. Offering financial products and services to this market greatly enhances financial inclusion which is essential for economic development of the country.

The study found out that since Fintechs are new developments in the field of financial services. There is need to conduct more studies on how Fintechs are influencing financial intermediation and financial inclusion in the country. It is also recommended that future studies should also investigate how Fintechs have affected the performance of financial institutions in Kenya.

5.5 Limitations of the Study

The study experienced a few challenges during the data collection exercise. The target population comprised of managers who majority were very busy, and had time constraints and pressure from work and thefeore could not fill the questionnaire at the time it was presented to them. Some of the managers were not willing to be participate in the study due other time constraining activities at the work place. To address this, the researcher dropped the questionnaires to the respondents and arranged with the respondents on when to pick it, at later date. This was to give the respondents ample time to fill the questionnaires at their own free time. Another challenge is that some respondents were uncooperative at first, for fear that the information may divulge strategic issues about their firm's operations which form the pillar of their competitive advantage.

However, to overcome this, the researcher informed the respondents and the companies' management on the actual purpose of the study and how it could benefit the Fintechs companies. The researcher also followed ethical procedures and ensured confidentiality of the respondents. The researcher ensured that the data collected was used for academic purposes only.

5.6 Suggestions for Further Study

This study was limited to only unearthing the effect of Fintech strategy on the financial services delivery to the low income earners. The study found out that the Fintechs were offering financial products and services similar to those offered by conventional financial institutions but packaged differently to suit their target market. Based on this, the study reeccomends that a study be conducted to establish the extent to which Fintechs have affected performance of financial institutions such as commercial banks and MFIs in Kenya. The future study should seek to determine whether financial institutions have lost their of market share to Fintechs and whether it has affected their financial performance.

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Appendix I: Letter of Introduction

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

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

P.O. Box 30197
Nairobi, Kenya

DATE 19/11/2018

TO WHOM IT MAY CONCERN

The bearer of this letter Maureen Kimia

Registration No. D61/84134/2015

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
SCHOOL OF BUSINESS
19 NOV 2018
P.O. Box 30197 - 00100, NAIROBI

PROF. JAMES M. NJIHIA
DEAN, SCHOOL OF BUSINESS

Appendix II: Questionnaire

1. Indicate your designation in the organization……………………………………

2. How has your organization been operating in Kenya?

   0-2 years [ ]   3-5 years [ ]

   5 -10years [ ]   Above 10 years [ ]

3. Which financial product/ services do you offer in the market?

   ………………………………………………………………………………
   ……………………………………………………………………………….

Section B: FinTechs Strategy

4. To what extent do you agree with the following statements on strategies used by FinTechs to deliver financial services to consumers? Use a scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is Neutral, 4 is agree and 5 is Strongly agree

Statements on FinTechs Strategy	**1**	**2**	**3**	**4**	**5**
Cost Leadership					
Our company charges lower prices than our competitors - conventional financial institutions.					
The cost of financial intermediation by Fintechs is low which enhances cheaper delivery of services/products.					
Our company has an efficient service delivery process which minimizes costs.					
FinTechs have reduced the transaction costs in financial services delivery.					
Differentiation					
Our company offers products/services with unique characteristics					
Our organization develops products/services with appealing features to the target market.					
Our company has a dedicated new product development function that targets various markets/consumers.					
Our company always strives to lead in product/service delivery to the target consumers.					
Focus					
Our company offers tailor made financial products/services to our clients.					
Our company targets the low income earners.					
Our company constantly targets a specific market segment over other segments.					
Our company always strives to remain in its target market.					

Section C: Financial Services Delivery to Low Income Earners

5. To what extent do FinTechs enhance financial inclusion in financial services for low income earners and small businesses in Kenya?

Very great extent [ ] Great extent [ ] Moderate extent [ ]

Small extent [ ] Not at all [ ]

6. To what extent do you agree with the following statements on delivery of financial services to low income earners? Use a scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is Neutral, 4 is agree and 5 is Strongly agree

Statements on Financial Services Delivery	1	2	3	4	5
Fintechs expands availability of information, such as investment advice to low income earners.					
Fintechs have enhanced delivery of financial services and products to low income earners.					
Fintechs enables design and delivery of new products tailored for the customer segments depending on their needs					
Fintechs are largely serving the previously financially underserved markets.					
Fintechs provide more (and cheaper) financial services options for low income individuals and small enterprises.					
Financial technology has facilitated bringing together lenders and borrowers – e.g. small businesses and start-ups with investors					
Fintechs have expanded the pool of affordable financial services and products.					
Fintechs have unbundled financial services to allow for better-targeted products.					

THANK YOU FOR YOUR PARTICIPATION