EFFECTS OF MOBILE MONEY SERVICES ON THE GROWTH OS SMEs. A CASE STUDY IN NAIROBI COUNTY

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DECLARATION

This project is my original work and has not been presented for a degree in any other

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This project has been submitted for examination with my approval as University Supervisor

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DEDICATION

This project proposal is my dedication. to my entire lecturers without their continued Without sponsorship, this study endeavor could not have been finished just want to thank you for your endless effort. My special thanks and dedication go to my friends and all my relatives who, in some manner, have been of assistance to me.

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ABSTRACT

Since mobile money services were introduced in Kenya in 2007, the percentage of subscribers has increased to about 48% of the country's total population. This enormous adoption has been linked to the service's accessibility and cost, especially for low-income individuals. The necessity for cash tellers or agents at convenient places to provide quick access to cash when needed, the rise in fraud instances using the service, and the absence of interest received on money put in mobile money service frameworks are the primary problems with mobile money technology. Operators of mobile phones appear to be making every effort to overcome these difficulties. In light of these difficulties, it is important to understand how mobile money services affect the SMEs sector in Kenyan metropolitan centers. The goals of this study were to ascertain the impact of mobile money services on the expansion of SMEs, the impact of transaction costs on the expansion of SMEs, the impact of increased sales or savings and loan accessibility on the expansion of SMEs, and whether convenience affects the expansion of SMEs in Nairobi County. The majority of traders use it for their daily transactions rather than the traditional banking system. Second, it is obvious that everyone who participated in this survey had a thorough grasp of how mobile money services worked. The use of mobile money services boosts sales. Efficiency and dependability are more important to the use of mobile money and the expansion of SMEs. SME Performance, SMEs, and Mobile Money

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ACRONYMS AND ABBREVIATIONS

ATM:	Automatic Teller Machine
CBA:	Commercial Bank of Africa
CCK:	Communications Commission of Kenya
KNBS:	Kenya National Bureau Standard
MFIS:	Microfinance Institutions
NHIF:	National Hospital Insurance Fund
NSSF:	National Social Insurance Fund
SMEs:	Small and Medium Enterprises
SIM:	Subscriber Identity Module

DEFINITION OF TERMS

Growth of SME: Is the employment expansion rates, or an account for significant share of jobs created and is key players in economy, (Audretsch, D. B. 1995),

Mobile Money Services: encompasses all the numerous programs (long-distance remittance, micro-payments, and informal airtime) designed to make banking more convenient for those who are already banked and to provide financial services to the unbanked (Ernst & Young, 2010).

Business Performance: The combination of management and analytical techniques known as business performance enables managers of a company to meet predetermined objectives.

Financial Transactions: The act of putting money in to a bank account, borrowing money from a lender, or purchasing or selling goods or property are examples of events that include money or payment.

CHAPTER ONE:
INTRODUCTION AND BACKGROUND

1.0 Introduction

The continuous growth and development of technology has brought so much ease at how operations are run worldwide. It is through this that we enjoy this freedom of Mobile services. Kenya has not been left behind in the ever-advancing technologies. This chapter therefore outlines the study's history, the problem's declaration, the goals of the study, hypothesis, and the research questions.

1.1 Background of the study

Mobile money, also known as cellular transaction, cellular cash transmission, and mobile wallet, primarily refers to services that may be accessed and carried out via a mobile device, like a cell phone or credit or debit card. It is further defined as the point at where telecommunications and banking services converge (World Bank, 2010). It includes a wide range of parties, including financial service providers and mobile phone operators. Electronic payment accounts that may be accessed using a mobile phone are what are referred to as "mobile money services" (Zutt, 2010).

Sokotele, the first mobile banking service in Kenya, was introduced by the now-outdated Ken Cell. The service had ineffective marketing and had little interest. The largest mobile provider, Safaricom, released M-Pesa in March 2007 and quickly dominated the market. The service allowed users to send or accept funds across other cell phone users in Kenya during its early phases. Over time, more capabilities have been introduced, and mobile money has also been made available by other mobile phone service providers. Since Safaricom's M-Pesa platform's widespread adoption of mobile money in Kenya, other mobile providers have begun to offer the service.

According to the World Bank (2012), apps expand financial services to individuals who are unbanked or choose less expensive financial services. Mobile money services are frequently related to financial inclusion. For instance, M-Pesa is thought to cost between a third and a half less than comparable alternatives (World Bank 2012). Mobile money transfers, mobile ATMs, mobile ticketing, mobile vouchers, loyalty programs, loyalty and

coupons, content purchases and deliveries, information services, mobile banking, mobile purchases, and mobile marketing and advertising are just a few of the services that SMEs could gain from using mobile money technology.

The M-Kesho product, a collaboration between Safaricom and Equity Bank to offer micro-savings accounts, credits, and insurance, is one of the more recent instances. Customers who use the M-shwari product may receive loans with small sums and reduced interest rates.

Mobile money still has a variety of consequences on people and households. In an effort to determine how M-Pesa affected people's independence, Donovan (2011) examined the service in Nairobi County.

The interplay of social networks, the necessity and desire for financial coordination among friends, family members, and enterprises, and the gradual abandonment of other options like banks and Western Money Union result in a type of power that affects all Kenyans, M-Pesa users and non-users alike. Additionally, mobile money has a major impact on a household's capacity to spread risks due to lower transaction costs as compared to households without mobile money, who are more likely to see a decline in consumption when faced with a bad income shock (Jack and Suri, 2011). The use of mobile devices can promote economic growth. The influence of m-money systems on microeconomics and macroeconomics results is a rich field of research, but they can enhance consumer and producer welfare and broader economic development in poor nations (Jenny and Isaac, 2010). Mobile phones have historically been used for voice communication, but they have developed into multipurpose devices with value-added services like mobile money transfers, Internet access, and data services that improve how small and medium-sized businesses (SMES) run their operations. In addition to being more affordable and portable than PCs, mobile phones are easier to adopt. This has gradually decreased social-economic inequities among Kenyan small and medium-sized businesses (SMES) and closed the digital barrier between rural and urban SMES (SMES). The majority of SMEs' business owners had to travel or utilize public transportation to mail and exchange papers, use banking services, or even conduct financial transactions. This is no longer the case since

people can now email papers, utilize mobile money transfer services to pay for products and services, and, if they have a phone with modern technology, perform the necessary duties whenever and wherever they are.

1.2 Statement of the Problem

Since its inception in Kenya in 2007, the mobile money service, which was created to assist microfinance institutions improve their operations, has had a tremendous acceptance.

This success is attributable to the service's accessibility and affordability, which includes low-income earners (Mbogo, 2010). The technology advancement is seen as user-friendly, dependable, and efficient with the potential to expand financial services to individuals who are unbanked or choose less expensive financial services. It is a useful technical advancement for SMEs that still struggle with the lack of readily available, reasonably priced financial services to support operations.

Since SMEs don't always find it convenient or cost-effective to adopt a full-featured package for banking services, conventional banks aren't always able to meet their demands for payment and transactional services (Higgins, Kendall & Lyon, 2012). Through the use of affordable, effective, and dependable money service support systems that lessen the need for cash transactions and the dangers involved, mobile money may be utilized to increase efficiency and spur corporate growth.

According to literature, mobile money is quicker, less expensive, more dependable, and safer (Jack & Suri, 2011). The advantages of cashless transactions, such as reduced opportunities for fraud and crime, and mobile money technologies have raised adoption rates among SMEs in the capital city (Wishart 2006). (Mbogo 2010). The key knowledge gaps are determining if mobile money technology has improved SMEs' performance through more sales, higher profits, easier access to loans, and savings, and whether this effect is geographically restricted.

However, SMEs must deal with present mobile money issues, such as the inability to give interest on savings, the risk of fraud, and the requirement for reachable cash tellers or agents.

Additionally, because cell phones are frequently stolen, SMEs might not feel comfortable with mobile money security measures. Despite these difficulties, the service has been overwhelmingly adopted 48 percent, according to the CA 2011/2012 Report.

1.3 Objectives of the study

1.3.1 General Objective

The objective of the study was to determine the effect of mobile money services on growth of SMEs.

1.3.2 The specific objectives

i. To determine how transaction costs affect SMEs' growth.
ii. To ascertain the effect that financial accessibility has on the expansion of SMEs.
iii. To determine if convenience influences growth of SMEs.
iv. To examine influence of security on growth of SMEs.

1.4 Research Questions

i. How has mobile money services transaction cost influenced growth of SMEs in Nairobi County?
ii. How has mobile money services impacted the financial accessibility on the growth of SMEs through sales, savings and loan accessibility in Nairobi County?
iii. How have mobile money services attributes of convenience resulted in increased SMEs growth in Nairobi County?

1.5 Significance of the study

Growing small and medium-sized businesses has long been a top priority for the economy, particularly in emerging nations. Kenyan authorities have pushed SMEs to embrace mobile money services (Sharma & Gain, 2004). Local companies can gain from technological spillovers from new mobile money service entrants, and SMEs were anticipated to push

domestic enterprises to increase their technical efficiency. These SMEs have had a variety of effects on Kenya's social and economic elements. Therefore, the purpose of this study was to analyze how small and medium-sized businesses affected Kenya's economic growth.

Researchers will be able to learn more about how SMEs affect growth in Kenya and most emerging nations. They will consider this study important since it will serve as the basis for future research on the impact of SMEs on emerging economies.

Investigating mobile money service usage patterns, transaction types, and their impact on Kenya's SME market are crucial. According to the Economic Survey, SMEs account for almost 80% of employment (2011). In order to improve company performance in areas like improved sales, greater usage of mobile money services to buy business products and supplies, and accessibility to savings and loans, it is crucial to concentrate on inexpensive financial inclusion solutions.

The findings of this study will provide useful data to mobile phone firms that might enhance or develop current offerings with a particular focus on SMEs. The owners or operators of SMEs would gain from knowing about the financial services offered by mobile money and how they may utilize them to enhance their company. Managers at all levels, including those in regulatory agencies, are interested in SMEs. This topic is pertinent to students enrolled in business organization initiatives at elevated education levels who need to develop knowledge of how various financing models and financial services affect businesses because SMEs are the primary source of employment, economic growth, and activities that have an impact on a manager's day-to-day duties in Kenya and many other countries. The results might be used by the appropriate regulatory organizations to improve service delivery and make sure that the SME sector keeps profiting from advancements like mobile money technology.

1.6 Scope of the Study

This research was done to determine the impact of mobile money services on the expansion of SMEs in Kenya reference to SMEs located at Utawala off-Mombasa Road in Nairobi.

The study independent variables were transaction cost, convenience, finance and accessibility while dependent variable was growth of SMEs in Kenya. This study took a duration of five months from January to May 2023 to be completed.

1.7 Summary

This chapter provides the introduction and the foundation of this research study. It contains the background of the study that explains the contribution of previous researcher on the main theme of the study topic. It also has the statement of the problem that indicates why the study is being conducted. This chapter also has objectives and research questions which are to developed from specific objectives. The significance of the study helps to explain the study beneficiaries and finally the chapter also has the study scope.

CHAPTER TWO:
LITERATURE REVIEW

2.0 Introduction

A literature review is the systematic assortment and synthesis of insightful work that encompasses a given topic (singleton, 2014). This chapter contains the theoretical literature/framework, empirical framework, conceptual framework, research gaps and summary.

2.1 Theoretical Literature Review

The term theory is defined as a set of developed principles used to elaborate facts group or phenomenon, mainly that have been continuously tested or generally accepted and can be used to make opportunities or draw solid conclusions about natural phenomena (Nkatha, 2019). This study will concentrate on the following theory as thought by different researchers: The theory of technology acceptance model, The Unified Theory of Acceptance and Use of Technology (UTAUT) and Innovation Diffusion Theory

2.1.1The Theory of Technology Acceptance Model (TAM)

Information technology (IT) processes and channels, or mobile payment procedures, are fundamentally how users do different types of financial transactions. According to studies, the acceptance of using mobile payments differs depending on the situation in which consumers are allowed to do so. Additionally, mobile payment methods are practical services that were embraced for practical purposes (Khodawandi, Pousttchi and Wiedmann, 2003). This study uses the Theory of Technology Acceptance Model to examine the factors that affect how microbusiness owners use mobile payments (TAM). TAM is a theoretical framework that describes how people adopt and make use of a technology (Davis, 1989).

According to the concept, when people are exposed to new technology, a variety of factors have a role in how and when they will utilize it. These considerations include perceived usefulness, which is measured by how much a person thinks using a specific system would improve their ability to accomplish their jobs, and perceived ease of use, which is measured by how much a person thinks using a particular system would be effortless (Davis, 1989).

These two elements, along with others like cost, convenience, and satisfaction, are seen to be the main determinants for deciding whether or not to accept and use a new technology (Lu, Yu, Liu and Yao, 2003). Perceived usability directly influences perceived usefulness, which in turn impacts the user's attitude toward using the system (behavioral intention to use, or BIU), and subsequently how they utilize it (Viehland and Leong, 2007). United Kingdom's International Journal of Economics, Commerce, and Management Creative Commons Page 1063 license Based on perceived utility and usability, TAM has been frequently utilized to forecast consumer acceptance and use (Ndubisi and Richardson, 2002). After evaluating various models, the TAM (Technology Acceptance Model) was chosen as the most suitable model for the study. This model was further developed by incorporating additional factors such as perceived ease of access, low cost, convenience, security, support from the mobile service provider and government, satisfaction, and actual usage of mobile payment services.

2.1.2The Unified Theory of Acceptance and Use of Technology (UTAUT)

The interest in adoption and usage of these technologies has substantially expanded as a result of the quick development of new technologies and applications within computer science. One of the largest study groups on the adoption and application of new technologies is now located in this region. The Unified Theory of Acceptance and Use of Technology was proposed by Venkatesh et al. (2003) after reviewing the user acceptance literature and experimentally contrasting the eight most important models, including their expansions (UTAUT). Theory of Reasoned Action, Technology Acceptance Model, Motivational Model, Theory of Planned Behavior, a model that combined the Technology Acceptance Model and Theory of Planned Behavior, Model of PC Utilization, Innovation Diffusion Theory, and Social Cognitive Theory were the models examined (Venkatesh et al 2003). The behavior, or usage of the new technology, is the crucial component in each of these models, reflecting an emphasis on behavioral acceptability. Intention to use and enabling circumstances are two direct factors that influence usage behavior, according to Venkatesh et al. The factors "performance expectancy," "effort expectancy," and "social influence" all have an impact on "intention to use." Moderators include gender, age, experience, and voluntariness of usage.

2.1.3 Innovation Diffusion Theory

The Rogers Innovation Diffusion Hypothesis (Rogers, 1995) is a different theory that has attracted comparable interest from academics for describing customer behavior toward new technologies. Diffusion is described as "the process by which an innovation is disseminated through certain channels over time among the members of a social system" while innovation is defined as "an idea, practice, or item that is seen as novel by an individual or another unit of adoption" (Rogers, 1995, p.10). These definitions state that innovation diffusion occurs when a social system accepts and starts utilizing (adopting) a concept or a technology. Roger goes on to say that any invention must possess the following traits: Relative Advantage: How much the invention is thought to be superior than the practice it replaces; The degree to which implementing the innovation is consistent with what people already do; Complexity: the extent to which an invention is seen as being somewhat challenging to comprehend and apply; Trial ability is the degree to which an invention can be tested in a small setting before being adopted (or rejected); and Observability is the extent to which an innovation's effects are apparent to outsiders (Rogers, 1995).

2.2 Empirical Literature Review

2.2.1 Transaction Cost

Sending money via mobile payment technologies has cheaper transaction costs than using banks or money transfer services (Omwansa, 2009). If the expense of a payment transaction is passed on to customers, it directly affects consumer adoption (Mallat 2007). To make the overall cost of the transaction competitive, transaction expenses should be minimal. Most microbusiness owners should be able to afford the cost of mobile payments, which is far less than what banks typically charge for bank transactions. There are many different mobile phones available that are simple to use and offer the features needed for mobile payment technologies.

2.2.2 Convenience

According to Njenga (2009), even if the balances on mobile phones may appear to be minimal, the fact that they exist shows that there is storage, which may be interpreted as the acceptance of deposits. This is a clear illustration of how highly valued convenience

related to using mobile payment services is. According to Omwansa (2009), a lost or stolen smartphone does not always spell disaster because no one can access an M-Pesa account without a valid personal identification number (PIN). He continues by saying that M-Pesa offers ease and safety in a nation where the majority of people do not have bank accounts. People carry their virtual funds with them since they know they may withdraw cash at any moment for a little price.

Perceived security and trust in the merchants and the payment mechanism are essential in a mobile context (Siau, et al., 2004; Mallat, 2007). One of the main issues for users is the security and safety of mobile money transactions (Nam, Yi, Lee and Lim, 2005). According to them, safety means that there will be no delays, no incomplete transactions, and no leakage of private information while making payments. The M-Pesa transactions' usage of a pin and secret code increases security and privacy concerns.

2.2.3 Ease of accessibility

According to Pagani (2004), one of the key benefits of mobile payment systems is accessibility (the capacity to obtain the necessary resources). One of the biggest winners from utilizing the M-Pesa mobile payment system is small and micro companies. There were 8,650 M-Pesaagents accepting mobile payments as of March 31, 2009, spread all around the nation (Annual report, 2008/2009). The owners of microbusinesses spend more time managing their companies and less time at the bank. Additionally, a large number of unbanked Kenyans may now receive or transfer money from anywhere in the nation (Omwansa, 2009). Due to its simplicity and lack of formal training requirements, the majority of microbusiness owners are comfortable with using mobile payment systems.

2.2.4 Growth of SMEs

Money transfers may now be done quickly and easily thanks to the speed and security of mobile money services. This has stimulated the expansion of numerous economic activities, particularly in rural regions, by promoting local consumption through greater money circulation (Zutt 2010). It's possible that lower prices and improved system efficiency and dependability have made it easier for more individuals to transmit money to remote areas, boosting the local economy there. For instance, a farmer could be able to get

money to buy seeds without making needless trips during planting season. Current evidence, however, is insufficient to substantiate such flow. However, data are available to support an increase in the flow of wealth from the wealthy to the poor when schools reopen, which suggests that funds are made accessible for school fees (Zutt, 2010).

In addition to producing high levels of convenience, the above-described broad coverage of mobile service providers has also made the service effective and dependable as a method of sending money, with the interface between agents and consumers operating with few customer complaints. This is further evidenced by the fact that when more advanced financial services, like M-Kesho, M-Shwari, and others, are added to the mobile money platform, the number of agents keeps growing. However, in order to enable these new functionalities, the agents will still need certain tools and a certain degree of literacy.

More Kenyans have signed up for a mobile money service as a result of an increase in the use of mobile phone services. Therefore, it might be claimed that mobile money is a more convenient option than cash for the majority of purchases. Mobile money offers a solution that makes the service visible by enabling the sender and recipient to get information about each transaction. Transaction data is quite dependable thanks to this service's steady performance, and the majority of issues are caused by user input mistakes. According to Omwansa, this feature causes SMEs to streamline their processes to improve efficiency and accelerate company growth (2009). The owners of microbusinesses spend more time managing their companies and less time at the bank. Additionally, a large number of unbanked Kenyans may now receive or transfer money from anywhere in the nation (Omwansa, 2009). Due to its simplicity and lack of formal training requirements, the majority of microbusiness owners are comfortable with using mobile payment systems. More clients are serviced as the firm operates longer, increasing sales and the company's growth. Compared to banks and money transfer firms, mobile payment technology has cheaper transaction costs for transmitting money (Omwansa, 2009).Most microbusiness owners can afford the cost of mobile payments, which is far less than what banks typically charge for bank transactions. The lower cost of transactions has a favorable impact on the expansion of the company.

2.3 Conceptual framework

The theories relevant to the topic under study that inform and affect the research make up the conceptual framework for a review (Tashakkori &Teddie, 2012). It displays how the dependent and independent variables are related (Mugenda &Mugenda, 2003)

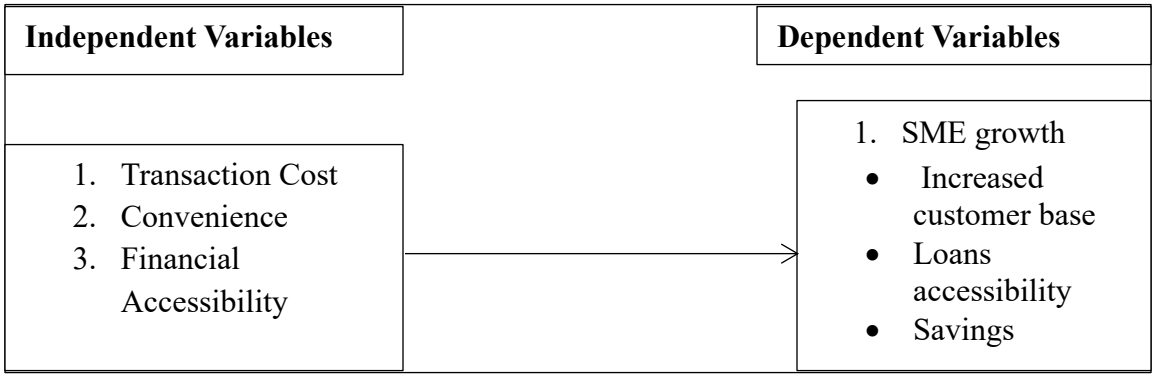

Figure 1: Mobile Service Effect Model Conceptual framework

2.4 Critique of Existing Literature

A telephone Subscriber Identity Module (SIM) card has to be acquired and confirmed in a mobile device in order to sign up for mobile money services. The next step is to open or register a mobile money account with the preferred mobile money provider, which enables the customer to make cash deposits to or receive deposits from other subscribers. The customer's account is given electronic money credit as a result of the cash deposit. After making a deposit, a subscriber has two options: either take the money from a mobile money network provider agent or electronically transmit it to another subscriber in the same or a different network.

Additional capabilities in mobile phones enable customers to utilize their electronic credits for a variety of different activities, including bill payments, purchases from physical stores, online retailers, and airtime, as well as other purposes like buying ringtones and music for their phones. The transaction that was made, recipient information for the purchase, and the account balance are all sent to consumers through text message to their phones.

Direct electronic transfers from some banks that have developed mechanisms can presently be made to mobile money accounts. Network service providers collect a fee for each transaction, which includes a cost from the sender who initiates the transaction and a fee from the recipient when they withdraw or transfer money to someone else. In Nairobi, the rise of mobile money services has been especially rapid since it has quickly surpassed the banking network. This has been made feasible by the emergence of financial agents, who have allowed growth to significantly outpace that of traditional banking facilities. For instance, M-Pesa had 12.6 million users and approximately 20,000 agents nationwide by the end of August 2010 compared to only 1510 ATMs and 1,030 banks and bank offices (Zutt, 2010). The convenience of the service has risen thanks to the large number of mobile money agents spread over practically the whole nation, which is one of the features that has led to a rise in users. In contrast to other new technologies that frequently target a certain age group, mobile money has achieved penetration across all age groups, which is a tremendous success. In spite of this, elderly clients are more likely to utilize the service merely to obtain cash. Subscribers between the ages of 20 and 49 use the service the most, and use declines after that. However, half of Kenyans over the age of 65 utilize mobile money (Zutt, 2010). Receiving money continues to be the most popular usage of mobile money, followed by transferring money. Purchase of airtime, saving money, purchasing while traveling, making donations, receiving payments, purchasing products and services, making ATM withdrawals, paying bills, and receiving or paying salaries/wages are other applications that are steadily gaining popularity. The popularity of these other uses has grown over time, but they are still not comparable to receiving or transferring money. The use of mobile money to pay for school fees, power, and other monthly payments has increased recently, and it has also become a popular method of payment in supermarkets.

Previously utilized alternate means of transmitting money are fast being replaced by mobile money. For instance, by 2009, the once-common ways of sending money via the post office, bus, or minibus had almost completely been replaced by mobile money transfers (Zutt, 2010). The use of alternatives like bank transfers, Western Union money transfers, Money Gram, and friends has been steadily declining, and mobile money services have nearly entirely supplanted them.

Another function that is presently being investigated involves saving money via mobile money. Because mobile money offers less interest than traditional types of savings, fewer individuals are willing to use it to save money. The improved security that comes with holding the money in mobile money has thus been the main benefit of doing so as opposed to maintaining it in cash (Zutt, 2010). Mobile phone savers will be able to profit from more bank and mobile phone cooperation, which will allow them to gain perks like interest and loans on their savings, hence it is anticipated that mobile money savings will increase. A notable illustration is the launch by Safaricom and Equity Bank of the M-Kesho account type, which can be accessed through M-Pesa and pays interest on savings. M-Shwari, a joint venture between M-Pesa and Commercial Bank of Africa, is one example of a product that is similar (CBA).

2.5 Research Gaps

The most significant gaps exist in the systematic evaluation of mobile money's impact, particularly on SMEs in Nairobi. Although recent research implies that mobile phone use and coverage have a favorable impact on risk reduction, market improvement, business coordination, and the labor market, empirical data is still scarce in these areas.

Low transaction costs compared to alternatives (Zutt, 2010 and Omwansa, 2009), increased accessibility due to an increase in agents and subscribers nationwide (Zutt, 2010), consistent service delivery over time, and the potential to offer financial services to SME are all factors that make mobile money services very alluring and contribute to their increased uptake (Must &Ludewig, 2010). It has built-in capabilities to offer financial services instantly, making it a viable tool for real-time transactions (Zutt, 2010). This increases the effectiveness and dependability of mobile money services, including the messaging system, which enables the sender and receiver to obtain transaction information right away after the transaction.

Despite the fact that the material used is sometimes anecdotal, the difficulties facing SMEs have been described. The majority of research have focused on illustrating how MFIs affect SMEs, as previously discussed. A framework to boost industry savings and transfer enterprise loan items via mobile money structures and the banking industry may be

provided by mobile money, which can be thought of as a branchless form of banking. M-Shwari and other comparable products may have a positive impact on the performance of SMEs. When it comes to actual business transactions, mobile money services may directly assist higher sales through the purchase of company supplies, loan remittances, and payment service capabilities embedded into the system. Although these elements have not been examined in research settings, mobile service providers' commercial product functions have hinted at their potential inclusion. Therefore, the purpose of this study is to fill in some of the gaps left by earlier research. The study made the assumption that the services offered through mobile money have an impact on the aforementioned daily business activities and may result in greater business activity through sales and profits. Although data on adoption rates among SMEs is sparse, past research have proven the uptake of mobile phone technology and mobile money. Determining if mobile money has affected business operations through savings, loan accessibility, higher sales, and potential enhanced profitability is the goal.

2.6 Summary of Chapter

This chapter provides the study literature review. This chapter outlines various theories that help in addressing the subject matter on this topic. It helps in providing the contribution of past researcher through their past studies on the relationship between the main topic subject and the independent variables under empirical literature review. The chapter also has a conceptual framework, research gaps and summary.

CHAPTER THREE:
RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

The research process for the study is described in this chapter. It includes the research design, the target population, the sampling strategy, the instrument, the data collecting process, the pilot study, the data analysis and presentation technique, the ethical considerations, and a summary of the chapter.

3.1 Research Design

The research used a descriptive survey methodology. This was due to the fact that the study design required acquiring information on occurrences, which was subsequently organized, tabulated, and described. Descriptive design, according to Mugenda and Mugenda (2003), is the process of gathering data in order to test hypotheses or respond to inquiries about the current state of the issue under investigation. This study looked into how mobile money services affected the expansion of small and medium-sized businesses in Nairobi County.

3.2 Target Population

The term "target population" refers to the complete set of people or things from which the research hopes to extrapolate its conclusions. Schindler & Cooper (2008). The term "population" sometimes refers to the entire set of components from which the researcher hopes to draw certain conclusions (Cooper & Schindler, 2003). 120 SMEs employees who used mobile money transfers through Safaricom, Airtel, and Telcom were the study's target demographics.

Table 1: Target population

Type of Businesses	Population	Percentage
Safaricom	60	50%
Airtel	40	33%
Telcom	20	17%
Total	**120**	**100%**

3.3 Sampling and Sampling Technique

Sampling is the part of statistical practice that involves choosing an objective or random subset of individual observations from a population of people in order to learn more about the population under consideration, particularly in order to fairly generalize results to the population from which they were chosen (Babbie, 1998).

According to Kothari (2008), defines sampling as the action of selecting a specific element to work as a representative of the whole population through application of probability method. Stratified random sampling method was applied. Nassiuma's (2000) formula was applied to determine the study sample size.

$$n = \frac{NC^2}{C^2 (N-1)\, e^2}$$

Where; n, N, C, and the represent sample size, size of target population, coefficient of variation (50%), and error margin (5%)

$$\text{Therefore} = \frac{120(0.5)^2}{0.5^2 + (120-1)0.05^2} \qquad n = 55$$

The sample size for this study was 55 respondents as represented in table 2 below.

Table 2: Sample size

Type of Businesses	Population	Sample size	Percentage
Safaricom	60	28	51
Airtel	40	18	33
Telcom	20	9	16
Total	**120**	**55**	**100**

3.4 Data collection Instrument

The researcher used questionnaire as data collection instrument. Zikmund (2013) defined questionnaire as being a research instrument having a set of certain questions for the aim

of collecting certain information from target respondents. Questionnaire has a benefit of enhancing confidentiality during the data collection process. These questionnaires were developed through the use of likely scale form that enabled the respondents to choose the opinion that best supports their opinion.

3.5 Data Collection Procedure

The researcher first obtained permission from the enterprises that was a case study to allow her conduct the study in their enterprises. The researcher then met the respondents and informed them of the need for her to conduct the study before administration of the questionnaires. All respondents were allocated enough time for them to effectively fill the questionnaires for analysis when all respondents have filled them.

3.6 Pilot Study

The aim of the pilot test will be to be fine-tune the questionnaire so that the respondents will have no trouble answering the questions and recording the data will be easy. The study location being situated at Nairobi County, according to Kothari (2008), the ideal setting for any study is one where the researcher has interest in, one that is easily accessible and one that allows the researcher immediate rapport with the respondents. Therefore, the site is selected because of its accessibility, familiarity to the researcher.

3.7 Data Analysis and Presentation

The analysis will involve computerized data entry, analysis, preparation of the research report and preparation of policy brief. Quantitative data will be analysed using the statistical package which will be presented in charts and tables. Qualitative data will be manually analysed to reveal the thematic issues that will guide reporting on open ended items.

As shown below regression model will be used to determine the degree of effect independent variables have on the dependent variable.

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4$$

Where Y is the dependent variable (SMEs financial performance)

X1 is Business growth,

X2 is Efficiency in service delivery,

X3 is Access to information, and

X4 is Convenience and reliability.

3.8 Ethical Considerations

3.8.1 Confidentiality

This is the ability of the researcher to not disclose and not using the information collected for any other purpose apart from the intended purpose. To enhance this, the researcher only used the collected information for academic purposes.

3.8.2 Privacy

This is the respondent's right to privacy when participating in the study. To enhance this, the researcher did not disclose any information provided by the respondents to any other person.

3.8.3 Informed Consent

This is the obtaining permission from the organization management before conducting a study. The researcher first sought permission from the management of the SMEs before conducting this study.

3.8.4 Voluntary Participation

This is the act of allowing the respondents to take part in the study without forcing them. To enhance this, the researcher did not force any respondent who were unwilling to participate in this study to take part.

3.9 Chapter Summary

This chapter provides an outline of the study research design and methodology. The study applied descriptive research design. The target population was 120 employees. Stratified random sampling method was enhanced as a study sampling method in determination of the study sample size. Questionnaires were adopted as data collection instrument. Quantitative method of data analysis was applied while the use of tables, pie-charts and bar graphs were applied in the presentation of the collected data.

CHAPTER FOUR:
RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

This chapter presents the findings of data collected on determine the effect of mobile money services on growth of SMEs in Nairobi County. Data analysis is presented as per the research objective in the study.

4.1 Presentation of Research Findings

4.1.1 Response Rate

The findings on the response rate revealed that, out of 55 questionnaires administered, 48 questionnaires representing 87% were for response while 7 questionnaires representing 13% were for non-response.

Table 3: Response Rate

Questionnaires	Frequency	Percentage%
Response	48	87
Non-Response	7	13
Total	**55**	**100%**

4.1.2 Gender Analysis

The study determined gender response of respondents who participated in this study. The study revealed that, majority of the respondents who participated in this study was male respondents represented by 79% compared to female response of 21%. This finding revealed that majority of employees in this organization was male compared to female employees.

Table 4: Gender Response

Gender	Frequency	Total %
Male	38	79%
Female	10	21%
Total	**48**	**100%**

4.1.3 Highest Education Levels

The study established the various highest education levels attained by various respondents. According to the findings 4% had PHD, 10% had Masters, 31% had Undergraduate, 42% had Diploma while 13% were for Certificate level. According to the findings, majority of the respondents were learned and hence had the ability to respond to the research questionnaires.

Table 5: Highest Education Level

Category	level of education (frequency)	Percentage%
PhD	2	4%
Masters	5	10%
Undergraduate	15	31%
Diploma	20	42%
Certificate	6	13%
Total	**48**	**100%**

4.1.4 Length of Service

The study assessed the length of service of various respondents who participated in the study. The study findings revealed that 42% of the respondents had worked for a period of 1-5 years, 31% for 6-10 years, 21% for 11-15 years while 6% had worked for a period of 15 years and above. This finding revealed that majority of these respondents was well experienced and were conversant with challenges affecting their SMES growth.

Table 6: Length of service

Category	Frequency	Percentage%
1-5 years	20	42%
6-10 years	15	31%
11-15 years	10	21%
Over 15 years	3	6%
Total	**48**	**100%**

4.1.6 Knowledge of Mobile Money Services

Table 7: Knowledge of Mobile Money Service

Category	Frequency	Percentage%
Yes	46	96%
No	2	4%
Total	**48**	**100%**

Respondents were asked whether they were conversant with mobile services, and the following was their responses; a whopping 46 of them knew about it, representing a 96% of the total. Only 2 of the respondents were not very much conversant with it, due to reasons better known to them. This can be argued that Nairobi County has grown in terms of mobile money business.

4.1.7 Mobile money service

Safaricom service provider M-Pesa was the highest selling service provider by 79% of the total mobile money sales, followed by Airtel with 15% of the total sales while Telcom had 6%. This can be interpreted that Safaricom has the biggest share in money business in the county although competition is beginning to emerge from the other three providers.

Table 8: Mobile money Service

Service product	No of respondents	Percentage
M-PESA	38	79%
Airtel Money	7	15%
Telcom	3	6%
Total	**48**	**100%**

4.1.8 Mobile Services Preferred by the Business

Table 9: Mobile Services Preferred by the Business

	Many times,	**A few times**	**Rarely**	**Never**	**Total**
Withdraw cash from the bank	40	5	3	1	**48**
Check Balance	38	8	2	-	**48**
Request for statement	20	13	15	-	**48**
Make a transfer	46	2	-	-	**48**
Buy airtime	26	8	8	6	**48**
Pay bills	30	9	1	8	**48**
Access bank loans	12	10	7	19	**48**
Total	**220/7 = 31**	**55/7 = 8**	**36/7 = 5**	**34/7 = 4**	**48**
Percentage total	**65%**	**17%**	**10%**	**8%**	**100%**

Although mobile money service has taken root in Nairobi County, only half of the respondents indicated that they use the services many times for money transfer. This represents 65% of the total respondents, 17% of the respondents indicated to be using the service a few times, while 10% and 8% rarely or never used respectively.

4.1.9 Reliability

Respondents were asked whether Mobile Money Business was reliable; the following were the responses; 48% of the respondents said it was very reliable, representing 23 people. 11 of them rated them as reliable and this was 26%, 6 of the respondents were undecided and is equivalent to a percentage total of 13%. The remaining 5 and 3 were unreliable and very unreliable. This represents a percentage total of 10% and 6% respectively.

Table 10: eliability of mobile money business

	Very reliable	Reliable	Undecided	unreliable	Very unreliable	**Total**
Support from the service provider	28	12	5	2	1	**48**
Adequate Quality of services from provider	18	10	9	6	5	**48**
Communication with suppliers and customers	25	11	3	7	2	**48**
Total	**71/3 = 23**	**33/3 = 11**	**17/3 = 6**	**15/3 = 5**	**8/3 = 3**	**48**
Percentage Total	**48%**	**23%**	**13%**	**10%**	**6%**	**100%**

4.1.10 Cost of mobile money provider

On the cost of mobile money service provider, 46% of the respondents said that it was costly; this represents 22 of the interviewed respondents. 13 of them rated it as costly an equivalent of 27%; 7 of the respondents were not decided on this question; 4 of the respondents saw it as less costly as compared to the services they provide, and 2 of them rated it as very less costly meaning whatever customers get from these services is more than the input from this companies.

Table 11: cost of mobile money provider

	Very costly	**costly**	**undecided**	**Less costly**	**Very less costly**	**Total**
M- Pesa	22	16	5	3	2	**48**
Airtel Money	18	14	7	4	5	**48**
Telcom	25	10	8	5	-	**48**
Total	**65/3 = 22**	**40/3 = 13**	**20/3 = 7**	**12/3 = 4**	**7/3 = 2**	**48**
Percentage Total	**46%**	**27%**	**15%**	**8%**	**4%**	**100%**

4.1.11 Problems encountered while using mobile money services

The research wanted to know whether there exist problems while using mobile money service, and the following were the responses; 19% of the total respondents said that the problems were very rare, 23% of the total felt the problems were rare. Only 15% of the total was undecided on this issue, 23% of the respondents felt the problems were often, and the final 20% felt the problems were very often. This can be concluded that mobile money services have problems which need to be addressed by this service provide

Table 12: problems encountered while using mobile money services

	Very Rare	**Rare**	**Undecided**	**Often**	**Very often**	**Total**
Lost money	10	9	8	15	6	**48**
No floats	13	15	2	8	10	**48**
Few agents	11	12	10	8	7	**48**
Service provider reliability	4	6	8	12	18	**48**
Total	**38/4 = 9**	**42/4 = 11**	**28/4 = 7**	**43/4 = 11**	**41/4 = 10**	**48**
Percentage Total	**19%**	**23%**	**15%**	**23%**	**20%**	**100%**

4.2 Limitations of the Study

The researcher undertook this study during the normal weekday when the organizations daily operations were being conducted. The researcher encountered a challenge of lack of cooperation from the majority of the respondents since they demanded to be busy. The researcher overcame this challenge through the use of drop and pick mode of questionnaire administration, where the questionnaires were left behind for the respondents who were busy to fill them within their free time.

Confidentiality was one of the main challenge the researcher faced when conducting this research study as majority of the participants feared competition. To overcome this challenge, the researcher provided the evidence of introduction letter from the Management University of Africa to convince the respondents that the study was official and only meant for academic purpose.

4.3 Chapter Summary

This chapter addresses the study research findings and discussion. It contains the presentation of research findings that contains respondents' personal information in terms of gender, age bracket, level of education and length of service. It also addresses the relationship between the study dependent and independent variables. The chapter also contains challenges faced by the researcher when conducting this research study.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter gives the summary of the research findings and the analysis from data collected. In addition, the chapter also gives the conclusions of the study and proposes recommendations from the study findings.

5.1 Summary

The analysis was presented in the form of tables and interpretations were given.

5.1.1 Response Rate

A total of 55 questionnaires were given out to the respondents. 48 questionnaires representing 87% were for response while 7 questionnaires representing 13% were for non-response and hence is a sign that the respondents are ready and willing to propel the organization objectives to greater heights.

5.1.2 Demographic Information

A total of 55 questionnaires were given out where 48 were filled. 38 of them were given out to male respondents and all of them were filled and returned representing 79%. 10 of the questionnaires were given out to female respondents representing 21%; all were properly filled and returned.

This means that the study was a success as all the interviewees' responded positively by returning duly filled questionnaires. This shows that they were informed and ready for the exercise. It also shows that mobile industry has adopted the gender balance as stipulated by the Kenyan constitution.

Concerning Education Level, the highest number was in Diploma which had 20 respondents, equivalent to 42%. The lowest was PHD holders with only 4% and the rest were 10% for Masters, 31% for undergraduate, and 13% for Certificate holders. This calls for most of the respondents to seek for or advance in their education.

Concerning the work duration, the responses were as follows; 20 respondents have spent 1-5 years with the industry representing 42%. They were closely followed by 6-10 with 15 respondents representing 31%, then 11-15 with 10 representing 21%, and over 15 years with 3 respondents, representing 6%. From this perspective, a bigger number of the respondents who have been with the industry for a longer duration fall between 1-5 years followed by 6 -10 years. This means that employee turnover increases as the number of years worked in the industry grows.

5.1.3 Knowledge of Mobile Money Services

Respondents were asked whether they were conversant with mobile services, and the following was their responses; a whopping 46 of them knew about it, representing a 96% of the total. Only 2 of the respondents were not very much conversant with it, due to reasons better known to them. This can be argued that Nairobi County has grown in terms of mobile money business.

Safaricom service provider M-Pesa was the highest selling service provider by 79% of the total mobile money sales, followed by Airtel with 15% of the total sales. Telcom had 6%. This can be interpreted that safaricom has the biggest share in money business in the county although competition is beginning to emerge from the other three providers.

5.1.4 Mobile Services Preferred by the Business

Although mobile money service has taken root in Nairobi County, only half of the respondents indicated that they use the services many times for money transfer. This represents 50% of the total respondents, 26% of the respondents indicated to be using the service a few times, while 15% and 9% rarely or never used respectively.

Respondents were asked whether Mobile Money Business was reliable; the following were the responses; 48% of the respondents said it was very reliable, representing 23 people. 11% of them rated them as reliable and this was 26%, 6 of the respondents were undecided and is equivalent to a percentage total of 13%. The remaining 5 and 3 were unreliable and very unreliable. This represents a percentage total of 10% and 6% respectively.

On the cost of mobile money service provider, 32% of the respondents said that it was costly; this represents 24 of the interviewed respondents. 22 of them rated it as costly an equivalent of 30%; 16 of the respondents were not decided on this question; 8 of the respondents saw it as less costly as compared to the services they provide, and 4 of them rated it as very less costly meaning whatever customers get from these services is more than the input from this companies.

5.1.5 Challenges Arising from Mobile Money Services

Respondents were asked if they knew what mobile money challenges are, the following were the response; a whopping 72% of them knew that there exist challenges in this industry, while only 28% of the respondents could not tell whether there are challenges or not. This can be concluded that most the respondents are aware of the challenges and should be ready to counter them in case they occur.

The research wanted to know whether there exist problems while using mobile money service, and the following were the responses; 16% of the total respondents said that the problems were very rare, 23% of the total felt the problems were rare. Only 12% of the total was undecided on this issue, 25% of the respondents felt the problems were often, and the final 24% felt the problems were very often. This can be concluded that mobile money services have problems which need to be addressed by these service providers.

5.2 Conclusions

Examining the literature on this subject can provide insight into how the mobile money industry operates. According to the literature, subjective assessments are suitable replacements for objective measurement. Since the data will be subject to measurement errors due to the confidential nature of the data and variance in accounting procedures among participating businesses, it is challenging for researchers to accurately estimate the performance of mobile money services, particularly when using questionnaires where some respondents may decide not to be fair (Dess & Robinson, 1984).

5.3 Recommendation

New performance metrics and techniques should be developed in the future with an emphasis on mobile money services. Future research may also need to develop more exact frameworks. This work has contributed by evaluating and broadening the taxonomy of mobile business performance and by illuminating potential directions for future research in any field that examines mobile business performance.

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APPENDIX I

INTRODUCTION LETTER

Eileen Nzisa Muthini,
P.O Box 19-00518,
Nairobi-Kenya.
27TH March 2023.

To The Human Resource Department,
NAIROBI, KENYA

Dear Sir/Madam,

RE: Collection of Research Data

This is requesting letter to allow me to conduct my research study in your organization in relation to **(Effects of mobile money services on the growth of SMEs in Kenya: a case study in Nairobi County)**

I am a student pursing degree of bachelor of management and leadership at the Management University of Africa and this research study is only for academic purpose, the information provided will be confidential and will any serve the academic purpose.

I will appreciate for any assistance granted to me.
Yours' Faithfully,
.....
Eileen Nzisa Muthini

APPENDIX II

QUESTIONNAIRE

In this section the researcher wishes to capture the respondent demographics related to gender, age of the respondents, position held in the business (either as owner, employee or partner), the ownership of the business (sole, partnership or company) and the number of branches operated by the same business.

1	**Name (Optional)**	**Tick appropriately**	
2	**Sex (tick appropriately)**	Male	
		Female	
3	**level of education**		
4	**Type of ownership**	Sole	
		Partnership	
		Company	
5	**Number of employees**		

Section B: Business Type

In this section the researcher wishes to capture the SME duration of operation categorized in 5 years each, if the SME owners have other businesses they operate and their number, the size of the business as it related to annual turnover and the number of employees.

1. How long have you been in the business? (Tick appropriately)

1-5 Years	
6-10 Years	
11-15 Years	
Above 15 years	

Section C: Knowledge of Mobile Money Services

In this section the researcher wishes to establish if the respondent had subscribed to a mobile money service, if they had knowledge of the available mobile money service providers (i.e. M-Pesa, Airtel Money, YU-Cash and Orange Money) according to the information available during the time of this research and the number of years they had used that service.

Further on, the researcher will enquire if respondents had knowledge of various mobile money services provided at the time through various networks which included receiving or sending money, purchase of airtime, savings, withdrawals from the mobile money account or the bank using mobile money services, checking balances with mobile accounts or bank using mobile services and viewing transaction information as presented in the tables below.

This will follow by information related to actual services the SMEs respondents had used for their businesses and frequency rating for such services in terms of importance to their businesses. Banks that were accessed by SMEs to support mobile money functions were explored at this point.

Do you use mobile money services?

Yes [ ] No [ ]

If yes, which mobile money service do you use and for how long? Tick all appropriate

Service provider	<1 Year-5 Years	1-26-10 Years	3-5Years11-15 Years	Above 15 years
M-PESA				
Airtel Money				
YU-Cash				
Orange money				

I have sufficient information regarding the following services through mobile phone

(Tick alongside the services you are familiar with)

Buying airtime through Mobile Money	
Saving (depositing) into Mobile Money	
Withdrawing from mobile money	
Sending money	
Receiving money	
Checking account balance with the bank	
Checking account balance in the mobile money transfer account	
Paying bills	
Knowing when I receive deposit into mobile money	
Knowing when I receive deposit into the bank	
Viewing recent mobile money transactions	

Section D: Mobile Services Preferred by the Business

In this section the researcher wishes to establish the frequency at which SMEs used various mobile money services with ratings such as: many times, few times, never or commonly used. Any reason they preferred those services or opted not to use others was also recorded. Reliability of the mobile money service providers was explored at this stage and graded as: very reliable, often reliable, sometimes reliable or very unreliable. The other variable explored at this point included the convenience of mobile money services, duration of transaction using mobile money services, accessibility of mobile money services, and lastly cost of various mobile money services including their importance to the business.

1. Please indicate the relative frequency in using the mobile money services to

	Many times	A few times or once	Never	Don't Know/ refused
Withdraw cash from the bank				
Check Balance				
Request for statement				
Make a transfer				
Buy airtime				
Pay bills				
Access bank loans				

2. How reliable is your mobile money provider on a scale of 1-5

	Very reliable	Often reliable	Sometimes reliable	Often unreliable	Very unreliable
Support from the service provider					
Adequate Quality of services from provider					
Communication with suppliers and customers					

3. How costly is your mobile money provider on a scale of 1-5

Tick the appropriate rate

Section E: Challenges Arising from Mobile Money Services

The researcher wishes to establish the respondent challenges arising from use of mobile money services based on previous reported of issues related to lack of floats, loss of money during transactions, few agents who might not be able to meet the demands, and service

provider reliability. Frequency of those challenges was explored to see if it was a common challenge (daily or weekly) as opposed to a rare challenge (yearly or rarely).and how SMEs managed to cope with those challenges.

The means SMEs used to deal with those challenges was lastly explored using pre-corded responses and an open response of others.

	Very costly	Quite costly	Reasonable	Cheap	Very cheap
Affordable cost of SIM Card					
Easy replacement of SIM card					
Affordable cost of sending or receiving money					

Have you encountered any problem while using mobile money?

Yes [ ] No [ ]

Which problems and how often have you encountered while using mobile money services?

	Rarely	Yearly	Monthly	Weekly	Daily
Lost money					
No floats					
Few agents					
Service provider reliability					

THANK YOU FOR YOUR PARTICIPATION