EFFECTS OF MOBILE PHONE SERVICES ON THE FINANCIAL PERFORMANCE OF MICRO AND SMALL BUSINESSES (MSB's) IN MADARAKA WARD OF NAIROBI COUNTY.

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DEDICATION

This project is dedicated to my family, the Onyangos' and everyone that contributed towards its accomplishment.

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

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ABBREVIATONS AND ACRONYMS

K.B.S - Kenya National Bureau of Statistics

S.M.E - Small and micro enterprises

M.S.B - Micro and Small Businesses

T.A.M - Technology Acceptance Model

D.o.I - Diffusion of innovation

M.N.O – Mobile Network Operators

PU – Perceived usefulness

GSMA – Global System for Mobile Communications.

ABSTRACT

Technology has greatly evolved over the years with several innovations being done across the sector with an aim of catering to the general need of the larger population. This development has facilitated the encroachment of mobile services across the globe which has in turn come with its own benefits. As a result, use of mobile has ended up penetrating into every sector worth notably the microfinance sector. Developments have been done to ensure business is enhanced through facilitation of smooth and quick transfer of funds and information among other services. However, Small and micro businesses have been a focus since their need are widely ignored impacting their performance. However, Mobile phone services have had notable impact on the financial performance of these small and micro businesses. This study sought to investigate the Effects of mobile phone services on the financial performance of small and micro businesses in Madaraka ward of Nairobi County. The objectives were to assess the effect of mobile phone money, loan, savings and communication services on the financial performance of Micro and Small business in Madaraka Ward. Besides, it also investigated the challenges faced by mobile money services and how they impact the financial performance of small business. The methodology adopted use of Descriptive research design. The population of the study was 2,367 business within Madaraka ward but a sample of 96 formed the basis of the size to focus on by employing the Random Sampling Method. Data collection was done through survey method by administering questionnaires. Descriptive data analysis techniques were used in the analysis, and they include decoding of data in tables with frequency distribution, percentages, mean and mode. A multiple regression model was used to determine the correlation of the independent variables. The data collected was sampled and analysed used the Statistical Package for Social Sciences (SPSS) version 24 software. Descriptive statistics was employed through means and standard deviations. Further a multiple linear regression analysis was employed and the findings showed that Mobile phone loans and mobile phone savings services had a major significant effect on the financial performance of MSB's in Madaraka ward. The study further recommended the mobilization of small businesses to adopt and employ Mobile phone use in their operation of their businesses.

CHAPTER ONE:

INTRODUCTION.

1.1 Background of the study.

The business world has become more complex and dynamic. The world is changing at an ever increasing rate, businesses are becoming more sophisticated and technology has become part of our daily lives. The Global Business Review, through its report estimates that there has been a significant growth of business enterprises by 3.1 % all thanks to the advancement of information technology in smoothening business operations.

Telecommunication has witnessed more development and innovation within the industry both in the mobile manufacturing and development of convenient telecommunication services. These developments have sensitized the masses towards embracing of modern communication means. Mobile manufacturing companies through innovative products and brands have steered the widespread use of mobiles globally, Kenya witnessing a notable mobile penetration rate of 84% between 2006 and the current date. (GSMA, 2012). This has been facilitated also by the existence of Mobile network companies established in member countries with variety of product services.

SME's though less acknowledged constitute the lowest participants in the business environment and make up 40% of the Kenyan economy both for the formally and informally registered businesses. The SME finance survey of Kenya estimates that there are 7.41 million business that operate in small and medium scale. The input of SME contributes about 45% output to the Kenya G.D.P and 60% employment. (Kenya National Bureau of statistics, 2016) However, despite the several benefits of SME to the economy, there exist a problem of limited credit and finances to the SME sector. Due to the financial exclusion, their lifespan is reduced to 1 year of operation before collapse and discontinuity.

Kenya, being among the pioneering country in Mobile money services development has a well-developed telecommunication market with 5 major Mobile network operators namely Safaricom, Airtel, Finserve Africa, and Mobile pay. Safaricom dominates the Kenyan space with a market share of 64.2%, Airtel 22.4%, Finserve Africa 4.2%, Telekom 9% and mobile pay 0.2% (C.C.K, 2018). Considering the ever competitive nature of the communication industry, Mobile network

operators have identified a niche within the banking sector whereby only households and economically relevant are considered leaving the Micro, Small and Medium Enterprises(MSME's) excluded financially. This, according to a survey done on financial inclusion found out that only 60% of the population is banked and have access to financial services.

Mobile network Operators being aware of the gap, embarked on a strategy to tap into the needs of the unbanked through launch of mobile money services that would be simple, convenient and cost effective to targeted users. As a result, the niche was developed into a growth strategy whereby Mobile network providers partnered with banks to collectively cover both the banked and unbanked population. Mobile money services companies hence witnessed growth of microfinance sector through provision of not only mobile based P2P transfers but also loans, savings and overdraft credit facility to their users. Mpesa, being Safaricom's dominant brand has experienced revolution from an application that offers sim card related transfers into a financial service providing savings, loans and overdraft credit facility to the unbanked the unbaked household and business customers.

Mobile banking services has therefore been a blessing to SME and unbanked since their services are more appealing, simple and cost effective hence an improvement in the performance of SME in Kenya. The variables factored during compilation of this study were mobile transfer service costs, mobile phone loan accessibility, mobile communication convenience and mobile phone saving service which comprised the dependent variables. The financial performance is however not directly related, hence being the independent variable.

1.1.1 Structure of mobile money services.

Mobile money services have a set out structure that gives guidelines to their operations to facilitate better delivery of service. It includes the following:

Mobile money services draw their control and ownership from Mobile Network Providers (MNO) or financial institution. The network providers have partial control in that they have access to users' mobiles devices but lack the control and authority in provision of financial services. As a result, banks and the MNO collaborate in ensuring that Mobile money services

through a model that is suitable to the unbanked population. In cases where the Mobile money service is operated by a non-bank, regulations require that a licensed bank should act as a back-end provider as a custodian of the users' funds. The funds are protected from bankruptcy through the applicability of deposit insurance which is depends on a country. Mobile Money service offers a number of services; Peer to peer transfers (P2P), domestic and international remittances, Payment of bills, disbursement of salary, storage of money and savings. Of the services, P2P transfers are majorly sorted services by customers. Besides, Cash in and Out enables the flow of cash. The modes of delivery are through Over-The-Counter (OTC) or directly through users' mobile phone. The delivery of services through clients' phone stand out to be more convenient as it requires the input of the user to load funds into their wallet while OTC service require physical presentation of a customer where they get to be attended by the designated agents. Mobile money operators establish a wide network of Agents to facilitate the distribution of services to clients. Agents act as an indirect connection conducting their operations independently from their respective stores. As an economy of scale, a large network needs to be establish through massive recruitment of agents for convenient and proper service delivery. The fees charged on mobile money services vary depending on the transaction which is borne by the user. The transactions could range from P2P transfers or Cash in/out. The fees are pre-determined and set varying on the service being sought out by a client. The fees are progressive depending on the transacted amount with most deposit transaction being free of charge as a psychological way of encouraging funds deposit.

1.1.2 Micro and Small Business (MSb's)

MSB's form the smallest segment of SME's business classification that are informally registered and conduct their operation in a more casual manner. Despite their small nature, they indirectly contribute a significant portion in the development of a country in several ways. National economic survey report by the Central Bank of Kenya (CBK) indicates that SME's constitute 98% of all business in Kenya with employment creation of 30 percent as well as contributing 3 percent to the GDP (National bureau of Statistics). The Micro and Small Enterprises Act No. 55 of 2012 provides guidelines and regulations for the SME in Kenya, and it categorizes SME's in terms of the number of employees, estimated annual revenue, sector, and capital invested. SME's come in various forms, those unregistered majorly known as Jua-Kali enterprises to those registered formally to small scale businesses. In Kenya an SME can be a medium, small and

micro enterprise. A Microenterprise is a business unit whose labour force is comprised of maximum of 10 employees; a Small enterprise has a labour force ranging between 11- 50 employees; while a medium enterprise is comprised of between 50 and 150 employees (Stevenson & St-Onge, 2005). According to Waweru (2007), SME are characterized by unlimited barriers to entry and exit, diseconomy of scale, sole proprietorship centred on family, and a small nature of activities. They are spread up in all sectors of the economy, that is, manufacturing, trade and service subsectors. The capital invested in SMEs varies from as little as ten thousand Kenyan shillings to about 5 million Kenyan shillings.

Majority of the SME have their presence in the rural areas with 30 percent founded in urban regions. About 17 per cent are situated in Nairobi and Mombasa (Central Bureau of Statistics, 1999). Close to 70 per cent of the SMEs are in the trade sector that is in the buying and selling goods and commodities to generate income (central bureau of statistics, 1999). SME's encounter a number of challenges despites the contribution they have on the economy. Research shows that SME duration of existence are two years from the time they are established and that at least 40% shut down after 6 months of operations. However, businesses that survive end up having a duration of five years with 80% being on brink of collapse unable to survive past 5 years (Gerber, 2001). This challenge has been linked to limited access to credit as many business experience capital deficit hence being unable to finance their operation activity.

1.2 Statement of the problem.

Technology has been a driving force in ensuring that maximum output is achieved by business through minimal effort and costs. Businesses have adopted appropriately to the developments that have sprouted up as a result of the innovation and hence improved business functions. However, equality has not been attained in ensuring that all participants in the business environment are factored up and their needs adhered to. According to statistics, small businesses have been deemed to fail within their first year of operations with major reasons being that most are categorized as unbanked which jeopardises their chances of accessing financial services. As a result, most micro and small business end up operating with traditional ways which has in the long run undermined their financial performance. This has collectively contributed to poor financial performance of MSB. The problem faced by the business unit are financial exclusions limiting their access to financial services. The introduction of mobile phone and money services

has been a blessing to the Micro and small business from their strategy of ensuring financial inclusion of the unbanked hence capitalizing on this particular problem. The categorization of some people and business as being unbanked has been seen as a Niche segment in the financial services which hence forced most companies to derive products and services that fulfil the needs of this particular market segment. Hughes & Lonnie,(2007), The services have been received well by most of small business owners which has enabled them to perform mobile payments, transfers, savings and even access loan all at their convenience of operation. The timely convenience, simplicity, safety, and quickness in operation that have been brought in play by the inception of a more comprehensive Mobile money service has enhanced the need for SME in Kenya to shift from their traditional way of doing business to incorporating the use of Mobile Money services. The performance of most micro and small businesses have hence improved and developed significantly.

Several studies and report have been done in reference to this topic of study and the findings have been positive and worth noting. The studies revolve around the same subject and problem research. The focus however has been on Small and Medium Enterprises services (SME) with the study investigating performance from the growth and financial aspects. A number of research study researchers have concluded positive relationship between the Mobile money services and the performance of SME's with a few concluding that mobile phone services have little or no effect on the financial performance of SME's. Performance was attributed to other factors besides mobile phone services which were majorly within control of SME business owners. This study therefore seeks to investigate the effect that mobile phone services have on the financial performance of Small and micro businesses and re-enforce the findings of previous studies.

1.3 Research objectives.

1.3.1 General objective.

The general objective of this study was to determine the influence of mobile phone services on the financial performance of Micro and Small business in Madaraka ward of Nairobi County.

1.3.2 Specific objectives.

i. To assess effect of mobile phone money transfer service on the financial performance of MSBs in Madaraka ward of Nairobi County.

ii. To assess effect of mobile phone loans service (costs, amount, interest rates, approval and repayment duration) on the financial performance of MSBs in Madaraka ward of Nairobi County.

iii. To assess effect of mobile phone savings account service on the financial performance of MSBs in Madaraka ward of Nairobi County.

iv. To assess effect of mobile phone communication services (scanning, calling, WhatsApp, internet) on the financial performance of MSBs in Madaraka ward of Nairobi County.

v. To assess the challenges related to the effect of mobile phone services on the financial performance of MSBs in Madaraka ward of Nairobi County.

1.4 Research questions.

i. How have mobile phone money services affected the financial performance of MSB in Madaraka ward?

ii. How has mobile phone loan services affected the financial performance of MSB's in Madaraka ward

iii. In what ways has financial performance of MSB's been affected as a result of Mobile phone savings services?

iv. How has the Mobile phone communication impacted the financial performance of MSB?

v. What are the challenges related to mobile money services that affect the financial performance of micro and small businesses?

1.5 Scope of the study.

The study focused its research to small enterprises within the Nairobi region with the respondent coming from the major locations characterized with existence of major business. The study relied on SME's in different sectors such as jua kali, trade, and services oriented small businesses.

1.6 Significance of the study

This research study could be relevant to interested persons in several ways: The research could be relevant to targeted reader society in understanding the contribution of mobile phone service to the financial performance of MSB's in Kenya and scholars in their compilation and referencing of their related articles. Similarly, the study would also be relevant to MSB's owners in in understanding the contribution of mobile phone service to the financial performance of

MSB's in Kenya and also assist MSB's owners to understand the entrepreneurial impact of technology in improving business efficiency. Besides, the study would also provide insight to business society on the challenges faced by Small and micro businesses related to mobile phone services. The research would alternatively be significant to mobile money services providers in reviewing the shortfalls expressed by respondents as a challenge that mobile phone services have on their businesses performance

CHAPTER TWO:

LITERATURE REVIEW

2.1 Introduction

This section provides an in-depth review of the theories employed in compiling the report, literature and empirical review, conceptual framework, critique of the literature, research gap and summary of the literature.

2.2 Theoretical review of literature

The research employed the use of Schumpeter model of entrepreneurship and innovation theory, E.M. Rodgers theory of diffusion of innovation (D.o.I) and the Technology Acceptance Model (TAM) which is a version adopted from the D.o.I theory

2.2.1 The diffusion of innovation theory.

This is one of the common theory used in explaining the rate of adoption of Information Technology among the existing social science theories. The diffusion of innovation theory was developed and propagated by E.M. Rodgers in 1962 whose rational is drawn from theories adopted from economics, sociology and communications theories. Rodgers describes diffusion of innovation as the process that occurs as people adopt new ideas, products and innovation which later on, through peer networks and human interaction, the new innovation is embraced by entire population as a result leading to the saturation of the idea or diffusion. This theory is regarded as a significant change model for outlining technology innovation where modification is done in such a way that it meets the needs of all adopters. Rodgers states the importance of adopter in adopting the new innovation through a social system that categorizes the types of adopters into five: The Innovator, early adopters, early majority, late majority and laggards. According to the author, it's critical to establish the characteristic of each of the adopters in order to determine strategies to employ in order to appeal to their needs.

Diffusion is achieved over time through a five stage decision making which is facilitated through series of communication channels over particular period among members of the social system. Rodgers maps out the five step process as one that is achieved through creation of awareness of the new product which leads to development of interest by the user. The users then have to make an evaluation which determines their decision. Once satisfied, trials are done for the new product

eventually leading the user to fully adopt a product or an idea. Diffusion of the innovation will however depend on the rate of adoption which once a certain critical mass is reached, then the innovation is believed to be self-sustaining.

2.2.2 Technology Acceptance Model

The TAM was developed by Fred Davis in 1986. Its development was for the Information system industry to improve understanding of user acceptance process and to provide a theoretical basis for user acceptance testing methodology. Davis investigated that the major variable that link characteristic of a system and actual computer usage based system by end users. The conceptual framework examined how certain features and capabilities of a system affected user motivation or motive to use a system and the extent to which the intention resulted in actual use. The TAM is developed on the Fish Bein theory of reasoned action and theory of planned behaviour. These theories explain that a person's intention to behave in a particular is the relationship determinant of their final performance of that behaviour and the intention is as a result of their attitude and perception of social influence relevant to them. In summary, one's actions will be justified on the belief that the act will result to positive consequences or be viewed positively around his social influence.

The Technology acceptance model differs from Theory of reasoned action in that attitude or behaviour in relation to system use is not directly affected by social norms, instead attitude towards using a system is a function of perceived usefulness and perceived ease of use. Davis contended that perceived ease of use will have a causal effect on perceived usefulness. The Technology Acceptance Model revolves around two core beliefs; the perceived Usefulness and Perceived ease of use. Fred Davis defines perceived usefulness as how relevant a technology/system is perceived towards enhancing the performance significantly while perceived ease of use as belief that a system will require minimum input and effort hence easier to interact with.

The hypothesis formed from the two beliefs was that the perceived ease of use had a direct effect on the usefulness and that systems perceived to be easier to use have an impact on individual's productivity and likeliness to adopt the system. In 1991, Mathieson compared the TAM to the theory of perceived behaviour and found that both predict the behaviour of a person from Intention.

2.2.3 Entrepreneurship and innovation theory.

This theory was propagated by Joseph Alois Schumpeter. The theory is developed from Theory of economic development that bases its study on the significance of innovation as a steering force for economic growth and development. Schumpeter believed that innovation is the engine of economic change which brings about Creative disruption. According to the author, Innovation is a process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one hence creating a new one.

However, Joseph Schumpeter revises his theory and states that for an innovation to have an impact, an innovator is a crucial person. Schumpeter hence categorizes an Entrepreneur as a central innovator towards an innovation. He describes an entrepreneur as risk takers who exploits opportunity and existing resources in the most technology efficient methods of productions to create viable businesses. The entrepreneurship theory therefore insists on the need of an entrepreneur to continuously develop and create new ideas and product that would be sustainable hence increasing his rewards of profits. Schumpeter categorizes innovation into four stages; Invention, innovation, diffusion and imitation of which the diffusion and imitation mark the most significant stage. The author alludes that economic development is not fully contributed by innovation but the diffusion rate of the basic innovation which arises from imitation once other adopters realize the potential profitability of the new idea resulting to investment into the innovation.

2.3 Empirical review.

Mobile money transfer service refers to the exchange of money between individuals by means of mobile. According to GSMA report (2017) on mobile money services, the Peer to peer (P2P) transfers constitute the most commonly sought out service by clients. This type of service is facilitated by the existence of Mobile wallet like M-Pesa where the funds are electronically stored. The process of transferring money is manually executed by the user as the system is simple and easily to use. Mary Wangui (2008) highlights the importance of mobile money transfers and how convenient it is in the operations of business.

A study conducted by Higgins et al (2012) sought to ascertain the usage of mobile money services in Kenya. The study based its region of research on business situated within the urban

and semi urban areas. The study findings showed that majority of small and micro enterprises relied on the use of mobile phone money services to facilitate their operational transactions The research employed sampling by means of questionnaires to gather data.

Nyaga (2013) study assessed the impact of mobile money services on the performance of small and micro enterprises in Kenya. He based his study within the municipality of Naivasha town. His study explored other objectives such as awareness levels of SME, reliability, convenience and whether mobile services had an impact on the growth of small businesses in Naivasha. Nyaga's findings seems to be consistent with other research done that there was a positive outcome on the financial performance of SME's contributed by use of mobile services. He however concludes that no significant relationship existed between mobile money services and growth of SME in Naivasha town. The study credited growth of small businesses to other factors besides mobile services.

Mobile loan service is a product developed by Mobile Network Providers under finance regulations and communications authority where they act as a lending institution by providing financial credit inform of loans and overdrafts. This type of service has been a preserve and practice of the banks where loan is offered at a set percentage of interest for determined period of time, with the loan backed by a valuable collateral. However, following recent financial survey and research, reports showed that financial inclusion was not entirely and effectively achieved since certain class of the population needs weren't much considered. This therefore became a Niche that Mobile Network Providers maximized on as a growth strategy with their main focus being to cater for the needs of the unbanked and low class society. The mobile loan services are designed in such a way that it's less procedural, non-collateralized, low interest rate with loan periods ranging from 7 days to 3 months. Mobile loans are considered to be easily accessible hence highly preferred by small and micro business.

Oketch, Abaga & Kulundu (1995) study sought to determine the demand and supply of credit to the SME's. It employed questionnaires sampling data from 16 financial institutions. The findings of his study revealed that there was a huge increase in the demand of credit with little supply as only 16% of the total credit demanded was met by the suppliers/creditors. The study also indicated that banks preferred to lend prime borrowers with collateral hence there was a need to bridge the credit supply gap by institutions to SME's.

Isaksson and Wihlborg (2002) through their study sought to determine the sources of capital for SME's in Nairobi. Data was obtained through conducting a survey of 54 SME's situated at Industrial Area of Nairobi city. The findings indicated that most businesses relied on close friends and family as source for loans with majority obtaining loans from trade credit. He concluded that accessibility to finance was limited by high cost of credit barrier.

A study conducted in India Banerjee and duflo (2004) reviewed how SME performed financially through evaluation of performance before and after loan provision. The study was done in Banerjee by surveying 296 small scale enterprises. The conclusion of the study showed a significant rise in sales which was proportional to the additional loan funds thereby concluding positive performance as a result of access to finance. The study also re-enforced unaffordability and inaccessibility of bank loans as a constraint to growth of Small businesses.

Mobile phone saving service is a service product that enables users of mobile phones to save money in their mobiles through their mobile wallets for a period of time with fair promise of interest. This type of service is a component of Mobile banking and requires partnership and collaboration between banks and Mobile money service providers (Rose,1999). Mobile phone saving service is built under the same model as mobile loan service and operate in the similar way. This service acts as a temporary bank where users can save funds to a certain amount limit with absolute control of making withdrawals at ones. Wambari (2009) through his research sought to investigate the impact of mobile banking in developing countries. The study employed semi-structured questionnaires to sample data from 20 selected SME's. The finding of the research study indicated that adoption of mobile banking have contributed to sales increase in Small and micro enterprises thereby leading to improved financial performance.

Mobile communication is a familiar use of mobile phone. Mobile phone has spread across the globe and its usage embraced significantly by the majority of the population. Communication has therefore been enhanced as most people are able to connect and link over a network. Mobile communication plays a vital role in the operations of a business as it connects the parties involved (supplier, business and customers) and saves on cost of physical meet up should the need arise. As a result, sufficient and efficient information is readily available thereby resulting into a fair competitive environment.

Weems (2012) specifically employed the technology acceptance model in examining M-Mobile phone communication increase efficiency of business processes such as ordering; transaction, delivery, inventory control and accounting are streamlined and connected regardless of location (Elder & Rashid, 2009) banking acceptance in Kenya. A survey of 450 questionnaires was employed in collecting data. The study had positive findings that the ease of use, perceived usefulness and credibility influence customer's opinions on adoption of mobile banking in a significant way.

Micro and Small business constitute the smallest business units with their operations being quite informal and more casual with the traditional approach to conducting business. Their size and nature of operations affects their scales of productions with most experience diseconomies of scale. The Kenya Small Micro Enterprises report (2017) records that this particular business unit have an operation period of 1 to 2 months with most ending up being shut down within their first 6 months of business operation. This is attributable to several challenges such as limited credit hence diseconomy of scale. Lack of trust, fraud, and unfamiliarity with Mobile money system was cited as a challenge MSB have towards Mobile money services.

2.4. Critiques of the literature.

Bangers and Overberg (2008) study on mobile banking asserts the significance of mobile money services and the input it has contributed towards the development of entrepreneurial activities. Mobile Money has created competition in the financial services hence undermining the activities of banks and micro finance companies.

A research done by Fin scope (2012) established that only quarter percentile of the SME population (25%) use mobile money to access financial services. Factors such as slow growing levels of awareness, illiteracy and ignorance have been linked to as deter the adoption of mobile money services by small business owners.

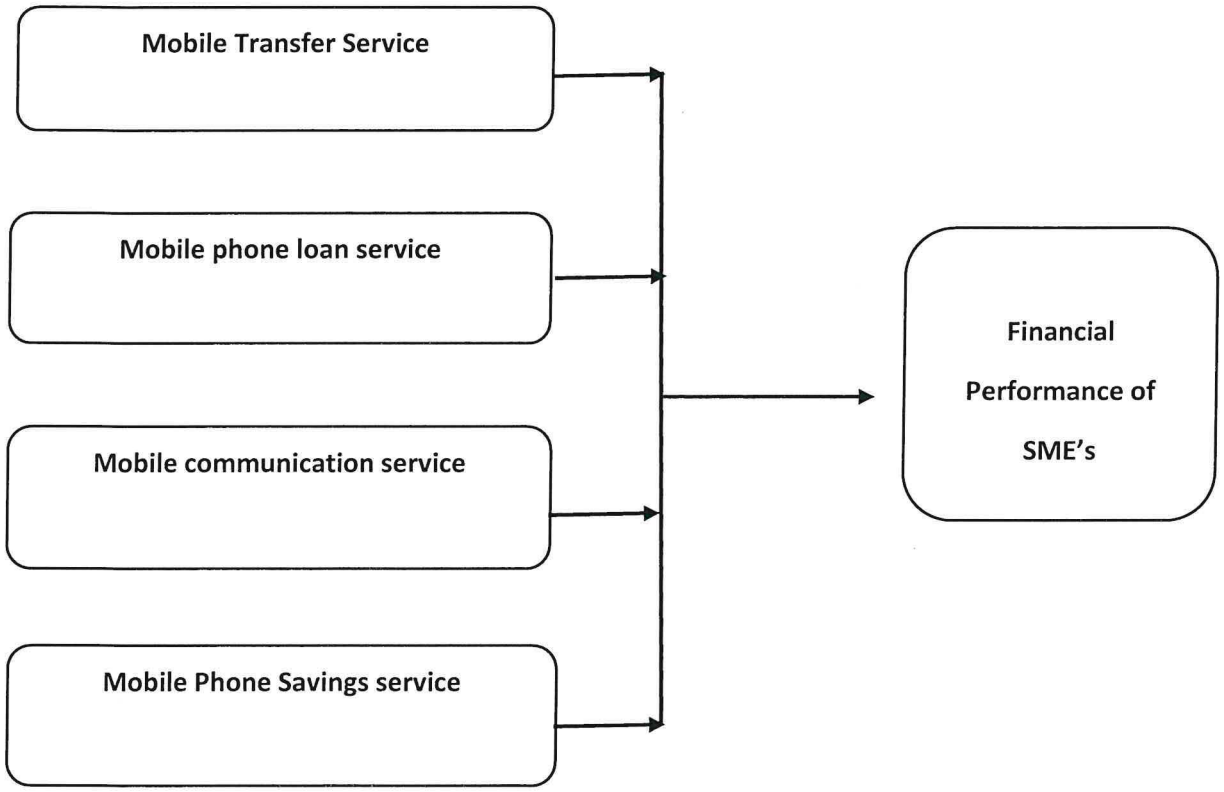
2.5 Research gap.

Quite substantial research study has been conducted in regards to investigating the relationship between mobile money services and Small Micro Enterprises. The previous studies were anchored on the use of accepted theoretical models and examines how various variables have any connection to the desired findings. However, very little research has been done within a specific

locality in Nairobi County. This research focused on majorly assessing Small micro businesses in Madaraka Ward of Nairobi County with a specific target on a select business unit.

2.6. Conceptual framework.

The concept of the study is drawn from dependent and independent variables. The independents variables are the mobile phone transfer, loan, communication and convenience services with a look into their main aspects. The dependent variable is the financial performance of Small and micro businesses. The concept is represented in the diagram below:



Independent Variable **Dependent Variable.**

Figure 1: Conceptual Framework

2.6.1 Explanation of the variables.

2.6.1.1 Mobile money transfer service

GSMA (2017) report categorizes Person to person (P2P) transfers as the most sought out service in every geographical distribution. According to their 2017 report, money transfers constituted a large portion of the total amount of money reported to have been transacted.

This variable examines the Cost that is borne both by the sender and receiver for every money transfer executed. Unlike other mediums of money exchange, mobile money is actual considered to be the most cost efficient means for facilitating quick transactions (Hughes &Lonnie, 2007). The transaction cost is usually fixed and charges are based on cluster of amount transacted. SME's typically don't transact in huge volume and therefore capital preservation would be a priority in influencing their financial transaction. As a result, this would form basis for their behavioural intention to use mobile money service hence leading to cost reduction and saving. The following hypothesis was formulated for this variable: Financial performance of micro and small business would largely depend on lower cost of mobile transfer service.

2.6.1.2 Mobile phone loan service

This variable examines the aspect of Accessibility of SME to mobile loans. Access to credit is a crucial advantage that exposes a business to existing lenders as a mechanism to cushion their financial deficit for sustainability. With the establishment of micro finance companies and other micro lending institution, financial inclusion of the unbanked population has been discovered as a niche in the financial service. This has led to creation of mobile money products and services that particularly adhere to the needs of the targeted population as a growth strategy for most mobile network providers. This service has been simplified through agents' network spread out evenly throughout the country and little regulation to ensure access of loan to any SME owner.

Hypothesis derived from this variable; Easy accessibility of mobile loan service has a positive influence on the financial performance of small businesses.

2.6.1.3 Mobile phone communication.

This variable looks at the aspect of convenience brought about through communication. Communication plays a significant role in every setup within the set up. Most businesses rely on communication for purposes of conveying information on matters such as making orders, deliveries, liaising supply of materials among other relevant functions. Mobile phone communication therefore eases up this process since by facilitating exchange of communication to all the channels involved. This attribute of mobile increases the efficiency of business processes and streamlines operation (Elder & Rashid, 2009).

Hypothesis derived from this variable; Convenience of mobile phone communication partly has a positive influence of the performance of SME's.

2.6.1.4 Mobile phone savings service.

It's common for every business to retain part of its earnings solely for the business. Savings which constitute about 30% of total income received is a critical component as it provides contingency sources of funds in any cases of financial uncertainty. This variable looks at the aspect of reliability of mobile loan services to the small business. From the Technology Acceptance model, owners of small business perceive mobile savings to be easier to use which forms a behaviour towards their actual usage. However, some still doubt its reliability and hence conform to their traditional ways of saving money. To prove reliability of mobile savings, companies attach an interest percentage that is earned depending on the amount saved. The security of the funds is also guaranteed (Bangen and Serberger, 2011).

This variable therefore hypothesizes that reliability of mobile phone savings service positively influences the financial performance of small and micro businesses.

2.7 Summary of the chapter..

This chapter provides a more detailed look into the theoretical models used in compiling this report. From the models assessed, Schumpeter theory of innovation and entrepreneurship emphasizes on the need of continuous innovation by entrepreneurs in various market niches. The theory re-instates that once an innovation is borne, an entrepreneur has all the rights to exploit his innovative idea commercially by maximizing on the output achieved before diffusion of the innovated idea or product is attained. The theory is later adopted by E.M. Rodgers who comes up with the theory of Diffusion of innovation. His theory picks up from Schumpeter (1958) from the point at which the idea is adopted which through social system of peer networks, the idea is embraced by interested person who also adopt its usage. This process evolves gradually in a five stage process to a point where saturation is achieved and the idea becomes redundant or less relevant. Rodgers theory asserts that for an innovation to get to saturation, a certain critical mass of people is required, aided by other factors like speed, rate of adoption and the social system.

The chapter also analyses the Technology acceptance model which attributes adoption of a product to the behaviour of a consumer. The author, Davis looks into the relationship between perceived eased of use and perceived usefulness to determine the behavioural attitude of a consumer towards adoption of something. In relation to the study, the innovation in question is Mobile Phone Services which is a product created by Mobile network providers to target the

unbanked population. From the success of Mobile Services, it's worth noting how the idea has been embraced and adopted by a greater population in Kenya. Attributes of mobile services such as convenience, reliability, cost and accessibility have all in a subtle way shaped the behaviour of users towards adopting use of Mobile which is linked to the perceived usefulness.

The study however seeks to establish how the discussed variables are linked to the financial performance of SME's. Through a conceptual framework, an exhibit is derived to establish a linkage between the mentioned independent variables and the dependent variable. This helps in deducing hypothesis based on the variables discussed. It's thereby noting that the financial performance of SME, in regards to Mobile phone usage is influenced by lower transaction cost, increased accessibility to loans, convenience of communications and reliability of mobile savings services.

CHAPTER THREE:

RESEARCH METHODOLOGY.

3.1 Introduction

This chapter presents the research methodology adopted in conducting this study. The chapter is sub-divided into sections such as research design, population and sampling, data collection methods and analysis, research quality and ethical issues n research.

3.2 Research design.

Research design provides a framework of the methods and techniques that a researcher uses to collectively organize all the components of a research in a more logical and reasonable manner relating to the subject study. Descriptive research design was found suitable for this study. Dulock (1993), asserts purpose of descriptive research to discover the association or relationship between or among selected variables.

3.3 Population and sampling.

Population is the total number of people who are targeted and focused on a study. This study was geographically limited within Madaraka ward of Nairobi County. The Kenya National Bureau of Statistics (2017) report of Micro and small business establishes that there are about 2,367 business in Nairobi clustered in groups of 600 both in the urban and rural Nairobi.

The sample frame constituted of both the registered and unregistered business within the ward. Copper & Schinder (2013) define sample frame as list of all components from which sample is drawn from and clearly linked to the population. The study adopted non probability sampling, the Simple random technique conducting the study. The sample size was calculated using Slovian's formula from a population of 2,367 MSB in Nairobi. Therefore, the sample size is approximately 96 small business around Madaraka ward.

3.4 Data collection methods.

Being a descriptive research, data was majorly collected from the field. Primary data was gathered through a survey method that utilised use of structured questionnaires to collect information from the respondents who are the MSB owners. The questionnaire revolved majorly

around the respondents' background with major questions revolving around the dependent and independent variable.

Secondary methods of data collection were also utilized to complement the primary methods. This were obtained through literature review of published articles, journals, online sources, previous research related to this study.

3.5 Data analysis.

The data obtained is analysed using qualitative measures. Qualitative data on customer background and business information was analysed using content analysis to analyse the content of the responses provided. Mugenda & Mugenda, (2019) describes descriptive analysis as decoding of raw data into tables, charts with frequency distributions and percentages. Components of descriptive analysis found suitable were the frequency and percentages for qualitative data such as demographics as well as mean and standard deviation across the independent variables.

A multiple regression model was used in the analysis of data. The model was derived as follows:

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + e$ Where:

Y represents MSB financial performance.

B0 represents Constant

X1 represents Mobile Phone transfer service

X2 represents mobile Loan service

X3 represents mobile Communication

X4 represents mobile savings

ε represents Error term

β1, β2, β3, β4 represent Regression coefficients of Independent variables

The data obtained from the questionnaires s systematically arranged and organized. The data first undergoes data validation to establish whether the data was done as per the pre-set standards and without any bias. This is done through screening of the data to determine whether the procedure

was followed and the completeness achieved through the questionnaire. Once validated, the data is edited to detect and eliminate errors and omission after which it's the data is codded.

3.5.1 Measures of financial performance for MSB's

Performance generally applies to part or all the activities conducted in an organization with references to set standards to measure the cost projected, responsibility and accountability of management (Frich, 2009). Financial performance is therefore the degree to which a business objectives and goals have been achieved through assessment of their books of account over a certain period of time. In border sense, it examines the results against the accurateness, completeness, and cost standards. Performance can be measured in two perspectives; the financial and non-financial measures.

Financial measures of performance basically examine a business books of account using several financial indicators. This include Profitability, Liquidity, efficiency, solvency and leverage (debt). This is done by computing the values in form of ratios with a measuring scale to measure the degree of performance ratios.

3.5.1.1 Profitability – Measures how a business is able to maximize its factors of productions to generate profit. Profitability is concerned with the accrued expenses and revenues and the extent of profits relative to the investments made in the business. Profitability is determined by calculating the gross and net profit margins

3.5.1.2 Liquidity – This measures the capability of a firm to meet its due financial obligations and liabilities with its existing assets with minimal disruption to owners' equity. It determines how quick a frim can convert its assets into quick cash in any case of uncertainty. Liquidity is determined by calculating the current and quick ratios.

3.5.1.3 Efficiency - Simply measures how a business utilizes its resources for maximum output. It looks at the current production and compares the achieved results with the existing consumption of resources, i.e. labour, time, inventory. Efficient businesses ensure resource maximization from given inputs thus resulting to cost minimization. Efficiency in a business is determined through the calculation of ratios such as inventory turnover, trade receivables and payable ratios.

Measures of Non-Financial performance provide a means of assessing a business indirectly without any quantitative evaluation. They therefore help in supplementing the quantitative financial data to cover up the inaccuracy that may arise. The most common non-financial measures used to evaluate SMEs are based on the number of employees, revenue growth over time, customer satisfaction and innovation. In the above case, only profitability would be used to measure the financial performance. (Dependent variable.)

3.6 Research quality.

The outcomes and findings of a research have an implication on the contribution that a research study makes and therefore, the research has to be of quality in a manner that is credible, reliable and valid. To assess the quality of this research, the concept of Validity and reliability was adopted strengthen the accurateness of the data collected and analysed. Joppe (2000) asserts that validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. Joppe (2000) defines reliability the extent to which results are consistent over time and an accurate representation of the total population under study. This is achieved if the results of a study can be reproduced when the same methodologies are used. The study employed Cronbach alpha (α) in testing the reliability of the research.

Table 3.1 Cronbach alpha test

Description	No. of items	Cronbach Alpha coefficient
Mobile money transfer services	6	.855
Mobile phone loans services	5	.743
Mobile phone savings services	6	.970
Mobile phone communication services	5	.662

3.7 Ethical issues in research.

The nature of conducting research is open and should be performed in a manner that doesn't lead to any harm on the involved parties of the research study. This therefore necessitates the upholding of ethics that govern all research. Major ethical issues in research are informed consent, respect for anonymity and privacy, responsible publications and honesty. Formed consent, according to Armiger, means that a person knowingly, voluntarily and intelligently, and

in a clear and manifest way, gives his consent. This issue seeks to involve participants' determination in a research. Respect for anonymity and privacy emerge as need for confidentiality to refrain disclosure of participant's sensitive information especially without their consent. This research through its methods of data collection has sought out the consent of the faculty and any involved participant with a guarantee to safeguard their personal details. Honesty will be embraced in publication of the respondent's opinions not to alter the message.

CHAPTER FOUR.

FINDINGS AND ANALYSIS.

4.1 Introduction.

This chapter entails the presentation of the research findings on the effects of mobile phone services on the financial performance of micro and small businesses in Madaraka ward within Nairobi. The findings were in form of both descriptive and inferential statistics. The presentations of the findings were in tandem with the research objectives and study variables. The researcher essentially delved into the findings and discussions relative to the background information first, and then followed by descriptive and inferential statistics.

4.2 Response rate.

The sample size for the above study targeted 96 respondents of the micro and small business category. This research was received quite well by the respondents with a positive recorded response rate of 94% which provides sufficient information for the sampling and analysis of the data. Much of the information was obtained from the owners of the business thereby proving the validity of the responses provided.

The distribution of the response rate is shown in the table below:

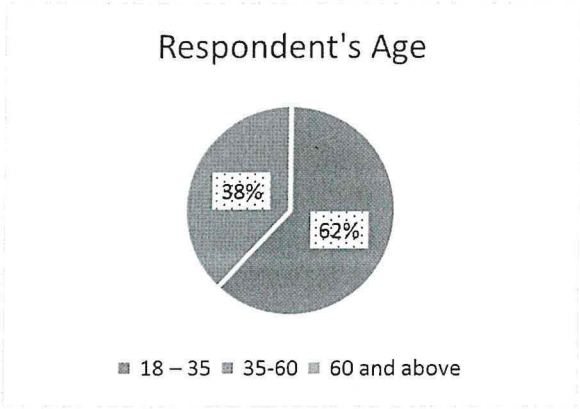
Table 4.1: Response rate of respondents

Response	Frequency	Percent (%)
Returned	90	94
Unreturned	6	6
Total	96	100

4.2.1 Age of the respondents

This section records the age distribution among the respondents. The research found that 62% of the respondents were between the 18-25 age brackets while 38% constituted people between 35-60 age brackets.

Chart 4.2 Respondents Age.



4.2.2 Existence of the business.

This sought to determine the duration the businesses have been in operation since their existence. The research finding is presented in the table below. Therefore, the study established that majority of the business (30%) had been in operations between one and 3 years, while 30% had between three and five years of operation. Only 17% of the business owners had their businesses operating above 5 years while 20% of the business were less than year in operation.

Table 4.3 Period of business existence.

Years of Existence	Frequency	percentage
5 Years & above.	15	17
3 – 5 years	27	30
1 – 3 years	30	33
Less than a year	18	20

4.2.3 Number of employees.

This section determined the total labour input that the business utilized in their operations as responded to by the owners. From the study, the inference made was that 16% of the businesses employed more than 10 employees, 24% employed between 5 and 10 employees while 605 who were the majority employed less than 5 employees.

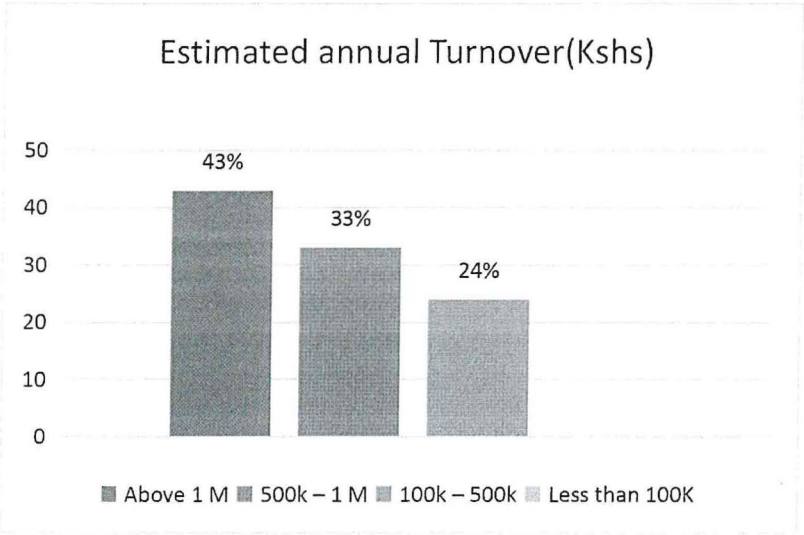
Table 4.4 Number of employees.

Number of Employees	Frequency	Percentage
10 & above	14	16
5 – 10 employees	22	24
Less than 5 employees	54	60

4.2.4 Estimated annual profit turnover.

From the study carried out, it was established that 43% of the business reported a profit turnover of 1,000,000 & above 33% profit range of between 0.5M- 1M while the rest 22% recording turnover between 100K-500K.

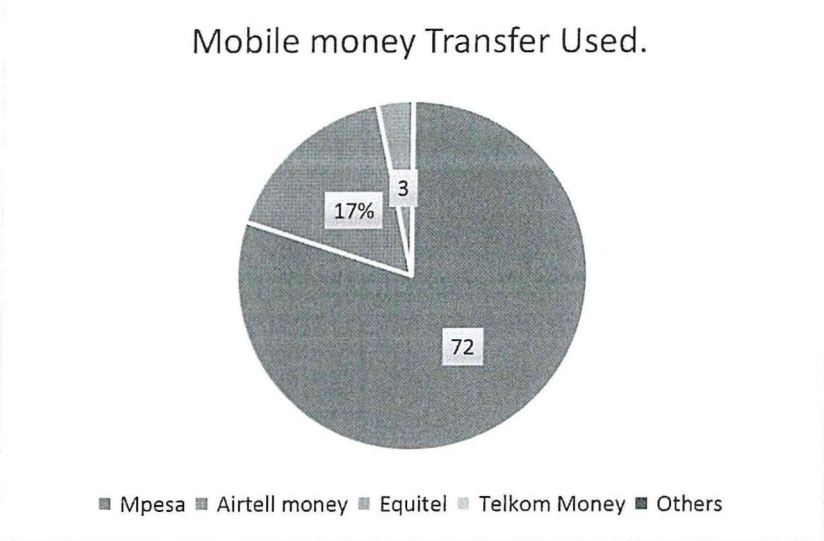
Chart 4.5 Chart showing distribution of estimated annual turnover.



4.2.5 Mobile money transfer service used.

This sought to determine the respondents' choice of mobile money transfer service that they used in their business operations. The research findings were presented in the chart below: From the research, majority of the business owners utilized Mpesa as their preferred mobile money transfer means, 17% preferred Airtell money services while remaining 3% preferred using Equitel services.

Chart 4.6 Chart showing Mobile Money Services used.



4.2.6 Mode of payment utilized.

This section sought to find out the most preferred mode of payment used by the small business operators. From the research, majority of the business owners preferred Lipa a Mpesa as their mode of payment by 53%, 31% preferred using Till Number , 10% preferred payments through Send Money option while a minority 6% were open to all of the three mode of payments

Table 4.7 Mode of payment utilized.

Mode of Payment	Frequency	Percentage
Till Number	28	31
Lipan a Mpesa	48	53
Send Money	9	10
All	5	6

4.3 Descriptive statistics

The researcher sought to establish the various perceptions of the respondents based on a 5 point Likert scale on the variables such as Mobile phone transfer services, loans, savings and communications. The research utilized Mean and Standard deviation in the analysis of this section.

4.3.1 Mobile phone transfer services.

Respondents were basically required to give their views based on the use and importance of mobile transfer services to their business and the responses presented in the table below:

	Description	Mean	Std Dev.
i	I'm able to track my transactions through mobile money transfers.	4.96	0.207
ii	Mobile money helps in settling of bills and payments of my business	4.13	0.782
iii	Mobile money transfer service has relatively low transactions costs as compared to other services	4.17	0.963
iv	Mobile Phone Money services has enhanced the efficiency of my business	3.23	1.092
v	I'm able to pay my suppliers and employees through mobile money transfer service.	4.67	0.764
vi	Mobile money has significantly affected the financial performance of my business positively.	3.84	0.948

Table 4.8 Respondents perception on Mobile Phone transfer services

The respondent provided a positive feedback on their perception of mobile phone money services. From the data, the respondents strongly agreed that mobile transfer services facilitate tracking of their transactions via mobile with a mean of 4.96 and Standard deviation of 0.207. Respondents further strongly agreed to bill settlement and payment with a mean of 4.13 and 0.782 standard deviation. In terms of the transactions costs in comparison to other mobile money services, a large majority responded positively by agreeing that mobile transfer costs are relatively cheap compared to other service providers, Mean=4.17and Standard deviation of 0.963. The data sampled also revealed that majority of the business owners agreed to the efficiency brought about by use of mobile money while 31% disagreed with Mean of 3.23, Standard deviation of 1.092. On the payment of suppliers and employees, Respondents strongly agreed with a mean of 4.67 and standard deviation of 0.764, the ability to make such transaction through mobile transfer services. Respondents however agreed with a mean of 3.84 and standard

deviation of 0.948 on how mobile transfer has positively affected their business. Therefore all the data collected obtained a mean above 3.00 which indicated that mobile money transfer services had significant influence on performance of MSB.

4.3.2 Mobile phone loan service.

The researcher sought to determine the respondent's perception on Mobile phone loan services and the results computed in form of frequency, mean and standard deviation (SD) as shown below:

Table 4.9 Respondents perception on Mobile Phone loan services.

	DESCRIPRTION	Mean	Std Dev.
i	I use mobile phone loan service obtain capital for my business	4.36	0.798
ii	Mobile phone services are easy to access	3.82	1.001
iii	I'm able to obtain credit and capital through mobile phone loans.	3.58	0.983
iv	Mobile phone loans are cheap and less procedural to access	3.40	0.884
v	My business performance has improved financially as a result of mobile finance through mobile phone loans	3.47	1.248

This section sought to gather the opinion of the respondents on various aspects of mobile loan services. The responses were abit moderate since the strength of the agreement and disagreement were even. 80% of the respondents agreed to utilize mobile loans as a platform for obtaining capital for their businesses with no objection. (M=4.36, SD= 0.798). The respondents further more agreed on the ease of accessing mobile loans with a mean of 3.88 and standard deviation of 1.00. The research also sampled that mobile loan was cheap and less procedural to obtain with a mean of 3.40 and Standard deviation of 0.884. Respondents however agreed by a mean of 3.47 on the financial improvement of their business from use of mobile loans and standard deviation of 1.248. Generally all the responses recorded a mean above 3 indicating that they are highly influential to the performance of MSB.

4.3.3 Mobile phone saving services.

This section sought to determine the respondent's perception on a number of questions regarding mobile phone savings services. The results were computed as frequency, mean a standard deviation as shown in the below:

Table 4.10 Respondents perception on Mobile Phone savings services.

	DESCRIPTION	Mean	Std Dev.
i	I utilize mobile savings platform for my savings	3.311	0.882
ii	Use of mobile savings platforms has reduced theft of excess unbanked money in the business premises.	3.366	0.879
iii	Savings through mobile is relatively cheap and convenient	3.500	0.810
iv	Mobile phone saving services are reliable to use	3.311	0.869
v	I'm able to track my bank account balances through mobile savings platforms.	3.300	0.942
vi	The performance of my business has improved through use of mobile phone savings	2.777	1.099

From the table, respondents agreed to utilize mobile platforms for savings with a mean of 3.92 and Standard deviation of 1.140. The respondents also agreed on the reduction of mobile theft through mobile savings with a Mean of 3.63 and Standard deviation of 0.880. The respondents agreed that mobile savings are relatively cheap and convenient, Majority maintaining a neutral opinion with a Mean of 3.30 and standard deviation of 0.785. Similarly, respondents also agreed to be able to track bank account balances through mobile savings platforms with a mean of 3.40 and standard deviation of 0.958. In terms of the reliability of Mobile phone savings, respondents agreed that Mobile savings are reliable with a mean of 3.29 and Standard deviation of 0.864.Four items of the questionnaire recorded a mean above 3.00 indicating that they are highly influential to the performance of MSB.

4.3.4 Mobile phone communications service.

This section sought to determine the perception of the respondents regarding Mobile communications and results recorded in the table below as frequency, mean and standard deviation (SD).

Table 4.11 Respondents perception on Mobile Phone communications services.

	DESCRIPTION.	Mean	Std Dev.
i	I'm able to communicate with my clients and suppliers through mobile communication	4.511	0.810
ii	Mobile communication is convenient in terms of time and cost	3.933	0.577
iii	Information is easily accessible and available as a result of mobile phone communication	3.033	0.841
iv	Mobile communication has improved the efficiency of my business	3.377	0.882
v	Mobile phone communication has positively affected the financial performance of my business.	2.555	1.072

The respondents majorly agreed communicating to clients and suppliers through mobile means with a mean of 4.51 and standard deviation of 0.810. Alternatively respondents agreed that mobile communications are convenient in terms of time and cost by a mean of 3.93 and standard deviation of 0.578. Alternatively, the study also established that mobile communications had no impact on the efficiency of their business since majority disagreed to the idea with a mean of 3.03 and standard deviation of 0.841. In terms of the financial performance attributable to mobile communication a mean of 2.56 was recorded and standard deviation of 1.071 indicating that mobile communication barely had any effect on the financial performance of these small businesses.

4.4 Regression Analysis.

A multiple linear regression analysis is performed to help in predicting the model and the final regressions findings presented in the table below:

Table 4.12 : Model Summary on overall model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.891[a]	.794	.784	.37208

a. Predictors: (Constant), Mobile Communications, Mobile Loans, Mobile transfer, mobile savings

Table 4.13 : ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.388	4	11.347	81.962	.000[b]
	Residual	11.768	85	.138		
	Total	57.156	89			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Mobile Communications, Mobile Loans, Mobile transfer, mobile savings

Table 4.14 Co-efficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	5.936	.349		17.007	.000
	Mobile transfer	-.030	.096	-.034	-.318	.751
	Mobile Loans	-.339	.117	-.379	-2.891	.005
	Mobile savings	-.473	.139	-.506	-3.411	.001
	Mobile Communications	.058	.073	.063	.797	.427

a. Dependent Variable: Financial Performance

From the table above the correlation coefficient R was 0.891. The R square value was 0.794 indicating that the four independent variables (Mobile money, mobile loans and mobile communications and Mobile Savings account for up to 79.6% of the total variance in the financial performance of MSB's in Madaraka ward of Nairobi County. Hence, Mobile phone services have a significant effect on the financial performance of MSB's in Madaraka ward.

The ANOVA analysis yielded the results above showed the F value {$F_{(4, 85)}$ =81.962, P=.000} which is statistically significant at the P<.05 level of significance. As such, only Mobile Loans and Mobile savings proved to be significant with P values of <.05 hence proving to be statistically significant to affect the financial performance of MSB's in Madaraka Ward. However Mobile phone transfers and mobile phone communications achieved a value above the standard P value of 0.751 and 0.427 respectively thereby proving to be statistically insignificant to financial performance of MSB.

From the coefficients provided, the final equation was derived for the multiple regression Model.

$Y = 5.36 - 0.03\mathbf{X1} - 0.339\mathbf{X2} - 0.473\mathbf{X3} + 0.058\mathbf{X4}$

Where:

Y represents MSB financial performance.

B0 represents Constant

X1 represents Mobile Phone transfer service

X2 represents mobile Loan service

X3 represents mobile Communication

X4 represents mobile savings

4.5 Summary of the findings.

This research was carried out with the aim of determining the effects of mobile phone services on the financial performance of Micro and Small businesses (MSB's) in Madaraka Ward of Nairobi County. The objectives of this study were to investigate how aspects of Mobile phone services i.e. Mobile phone transfer services, Mobile loans services, mobile phone saving and mobile communications affect the financial performance of MSB's in Madaraka ward. The

findings established that the majority of the small business were product oriented which were solely owned. Further it was observed that Safaricom's M-Pesa was the most preferred mobile service provider and hence Lipa na Mpesa dominating as the popular mode of payment used.

The study established that businesses owners rely on mobile transfer services to facilitate their transaction through settling bills and payments of the various people involved and also receive the same from their customers. Furthermore, the respondents admitted to being able to track their transactions with ease if mobile phone transfers are used. Overall, the findings established that mobile money transfer services have relatively low costs and charges in contrast to other modes of payments. A significant Negative relationship was achieved between Mobile phone transfer services and financial performance. This implied that Mobile phone transfer services had no significant effect on the financial performance of MSB's in Madaraka Ward

The study also established that small business owners obtain short loans and credit from Mobile loans services admitting that mobile loans are easy to obtain and access. Similarly, respondents also agreed to the fact that the mobile credit facilities have impacted the financial performance of their businesses. A significant positive relationship was observed between mobile loans services and financial performance of MSB's account up to 67.3 % in the total variance.

The findings deduced from Mobile savings showed that most business owners utilize mobile phone savings platforms to temporarily store their earnings. This was beneficial since the study established that mobile savings has reduced theft of Unbanked money. The cot associated with use of mobile savings was deemed to be relatively cheap and reliable. A significant positive relationship existed between Mobile Phone savings and financial performance thereby implying that Mobile savings had significant effect on the performance of MSB in Madaraka Ward.

From the Mobile phone communications perspective, it was established that communication between clients and suppliers was perfectly enhanced. It was observed that mobile communication was convenient and reliable and hence resulting to efficiency in the business operations. However, no significant relationship was established between Mobile communications and financial performance was observed indicating that mobile communication barely contributed to the financial performance of MSB's in Madaraka ward.

Similarly, the study also established the challenges that business owners experienced in the use and adoption of Mobile phone services and deduced that challenges experienced were: Mobile services were unreliable due to their dependence of electricity hence leading to inconvenience when out of charge. Similarly mobile phone services were undermined by lack of trust among users and rampant fraud. Other challenges were the issue of limited floats that undermined money transfers and Network and system related failures.

CHAPTER FIVE.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Introduction.

This chapter presents the summary of the entire study, conclusions from the findings and some justifiable recommendation that should be considered.

5.2 Conclusions

From the study findings, it can be concluded that of the four independent variables only Mobile phone loans and mobile savings services had a significant effect on the financial performance of MSB's in Madaraka Ward of Nairobi County. This is evidenced by the both significant relationship between the Mobile loans and savings services and financial performance. However, Mobile phone transfer and mobile communications did not prove to have any significant effect on the financial performance of small businesses. Therefore, the appropriate conclusion to be deduced from the findings is that Mobile phone Loans and Savings services have a significant effect on the financial performance of micro and small businesses in Madaraka Ward of Nairobi County.

5.3 Recommendations from the study.

From the findings reported, possible areas of recommendation would be to create more awareness to small business owners on the need to adopt Mobile money services in their operations of their business. Similarly, Micro finance firms should partner up with mobile services providers to widen the options available for short term loans to small business. From the challenges recorded, it would be advisable to create more measures and alternatives to reduce mobile related frauds. Similarly providing more floats capacity to business owners and agents would help reduce shortage of floats and hence improve business operations.

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APPENDIX

APPENDICE 1 : INTRODUCTION LETTER.

Dear respondent,

I am undergraduate student at Strathmore University conducting a research on " **The effects of mobile phone services on the Financial performance of Small and Micro business In Madaraka Ward of Nairobi County** " The report forms an integral part for the qualification of Bachelor degree. It's a humble request for your time dedication to partake in this questionnaire. All the information provided are purely for academic purposes and the confidentiality of your response is highly regarded. Your cooperation is highly valued and appreciated

Yours Faithful,

.....

MICHAEL OKOTH ODUOR.

APPENDIX 2 : RESEARCH QUESTIONNAIRE.

The purpose of this questionnaire is to gather data that would be useful in fulfilling the objective of the study. Kindly respond by selecting the response that best fits your opinion from the given choices.

SECTION A : BACKGROUND AND DEMOGRAPHIC INFORMATION OF THE RESPONDENTS.

1. **AGE**

18-35 years ☐ 35 -60 years ☐

60 years and above ☐

BUSINESS TYPE

This sections captures the respondent's business information in the following aspects, The type of business, sector, ownership, duration of the existence of the business, employee

2. **For how long has the business been existence?**

5 years and above ☐ 3 – 5 years ☐

1-3 years ☐ Less than a year ☐

3. **Number of employee**

10 and above ☐ 5 – 10 employees ☐

Less than 5 employees ☐

4. **What is the business estimated annual profit turnover in range ?**

Above 1,000,000 ☐ 500,000 – 1,000,000 ☐

100,000 – 500,000 ☐ Below 100,000 ☐

5. **Which mobile money transfer service do you use?**

M-Pesa ☐ Airtel Money ☐

TelKom Money ☐ Equitel ☐

Equitel ☐ Others ☐

6. **Which mode of payment does your business utilize :**

Till- Number ☐ Lipan a Mpesa ☐

Send Money ☐ All ☐

SECTION B: In the following section, use the following scale to show your level of agreement with the statements therein

1-Strongly Disagree (SD) 2-Disagree (D) 3-Undecided (U) 4-Agree (A) 5-Strongly Agree (SA)

MOBILE PHONE MONEY SERVICES.

	Description	5	4	3	2	1
i	I'm able to track my transactions through mobile money transfers.					
ii	Mobile money helps in settling of bills and payments of my business					
iii	Mobile money transfer service has relatively low transactions costs as compared to other services					
iv	Mobile Phone Money services has enhanced the efficiency of my business					
v	I'm able to pay my suppliers and employees through mobile money transfer service.					
vi	Mobile money has significantly affected the financial performance of my business positively.					

MOBILE PHONE LOAN SERVICE

	DESCRIPRTION	5	4	3	2	1
i	I use mobile phone loan service obtain capital for my business					
ii	Mobile phone services are easy to access					
iii	Im able to obtain credit and capital through mobile phone loans.					
iv	Mobile phone loans are cheap and less procedural to access					
v	My business performance has improved financially as a result of mobile finace through mobile phone loans					

MOBILE PHONE SAVING SERVICES

	DESCRIPTION	5	4	3	2	1
i	I utilize mobile savings platform for my savings					
ii	Use of mobile savings platforms has reduced theft of excess unbanked money in the business premises.					
iii	Savings through mobile is relatively cheap and convenient					
iv	Mobile phone saving services are reliable to use					
v	I'm able to track my bank account balances through mobile savings platforms.					
vi	The performance of my business has improved through use of mobile phone savings					

MOBILE PHONE COMMUNICATIONS SERVICE.

	DESCRIPTION.	5	4	3	2	1
i	I'm able to communicate with my clients and suppliers through mobile communication					
ii	Mobile communication is convenient in terms of time and cost					
iii	Information is easily accessible and available as a result of mobile phone communication					
iv	Mobile communication has improved the efficiency of my business					
v	Mobile phone communication has positively affected the financial performance of my business.					

7. **What are the challenges experienced in relation to adoption and use of the Mobile phone services?**

i. .....
ii. .....
iii. .....
iv. .....
v. .....
vi. .....

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