

**FACTORS CONTRIBUTING TO LOW M-KESHO ADOPTION AMONG
SUBSCRIBERS**

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ABSTRACT

Millions of people across the developing world do not have access to banking services. Kenya has undergone a remarkable information and communications technology (ICT) revolution. A unique facet of the ICT phenomenon in Kenya has been the widespread proliferation of mobile money such as Mkesho. However, in Kenya evidence shows that there is a low uptake of Mkesho services among the subscribers. The scope of the study was undertaken in Nairobi region. The descriptive survey research design was adopted and analysis tools used to analyze the factors that contribute to the performance of the Mkesho. Data was collected using structured and unstructured questionnaire and then analyzed using descriptive statistics and content analysis. Quantitative data was presented using tables and percentages. The level of bureaucracy had influenced the rate of Mkesho adoption. The registration procedures were viewed by subscribers as been unnecessarily

long and tedious. Agents were unsupportive during the process and therefore failing to enhance Mkesho uptake. Majority of Mkesho registered respondents have since stopped using the services and that the services are largely concentrated in towns with very few agents located outside the aforementioned locations.

Key Words: *Mkesho, Bureaucracy, Mobile Banking, Short Messaging Service, Mpesa Agents, Equity Agents, Mobile Financial Services*

Introduction

Millions of people across the developing world do not have access to banking services. Faced with barriers related to cost, geography and education, these individuals have no way of securely transferring funds, saving money or accessing credit (BASA, 2003). Mobile banking offers potential solutions to the millions of people in emerging markets that have access to a cell phone, yet remain excluded from the financial mainstream. It can make basic financial services more accessible by minimizing time and distance to the nearest retail bank branches (Consultative Group to Assist the Poor (2006), as well as reducing the bank's own overheads and transaction-related costs. According to the International Telecommunication Union (ITU), over 90% of South Africans use a mobile phone (ITU, 2009), while only 40% have a bank account (African Executive, 2008). Mobile banking presents an opportunity for financial institutions to extend banking services to new customers (Lee, Lee & Kim, 2007).

The convergence of telecommunication and financial services has created opportunities for the emergence of mobile banking solutions. Mobile banking services provide convenience and efficiency to customers, saving them time and money. In countries as diverse as China, Brazil and Kenya the number of new users of mobile banking soared over 100% in 12 months, as banks leaped traditional service models and moved directly to mobile (Thomas, 2010). Kenya has undergone a remarkable information and communications technology (ICT) revolution. At the close of 1990s, less than 3 percent of Kenyan households owned a telephone, and fewer than 1 in 1,000 Kenyan adults had mobile phone service. By the end of the year 2011, 93 percent of Kenyan households owned a mobile phone.

A unique facet of the ICT phenomenon in Kenya has been the widespread proliferation of mobile money. Starting with the M-PESA system launched by Safaricom in the year 2007 and later joined by other systems, mobile money has become a fixture in the lives of Kenyans, extending a basic form of financial access to a wide population. Mobile money platforms have evolved since inception and have entered a new phase with the advent of bank-integrated mobile savings products. The first such product, M-Kesho, was launched

in March, 2010 as a partnership between Safaricom and Equity Bank. The software application allows users to access various functions. It uses M-Pesa application to connects to the Safaricom network and uses the SMS protocol to communicate with the central servers and other phones (www.safaricom.co.ke).

M-Kesho Account was launched by M-Pesa and Equity as an accessible, affordable bank account that allows people to deposit and withdraw money from their account using M-Pesa Account from their handset. People are also able to query for mini-statement and balance enquiry from their account. This is the first type of bank account that allows the customers to deposit their money into their M-Kesho account as well as withdraw money from the account using M-Pesa at their convenience. With M-Kesho account customers can earn interest from as little as Ksh.1. In a survey conducted in 2010, 75% of users had savings in their M-Pesa account; 21 percent said it was their most important saving mechanism and fully 90 percent said it was amongst their three most important saving mechanisms (Jack & Suri 2011). The reasons for account attractiveness are: M-Pesa Equity Account customers will have access to loan facilities between Ksh.100 to Ksh.500 000, Loan Applications is via short messaging service (sms), the process is free and only requires the customers ID card, date of birth, occupation and the mobile telephone number and qualifying loan amounts are disbursed into M-Pesa Account and the loan interest rates are very low (www.safaricom.co.ke).

Statement of the Problem

The mobile subscription rates in Kenya have been rising exponentially since the introduction of the second mobile phone operator, early in the last decade. In the past year, mobile penetration in Kenya has increased by more than 12% (CCK, April 2012). Data from the Central Bank of Kenya (CBK) dated February 2012 shows that M-Kesho has 799,532 accounts with 240,633 customers having already transacted. In six months after its launch in May 2010, the product had 613,000 subscribers, indicating a declined rate of uptake (George Ngigi, 2012).

The number of M-Pesa users has risen from 19,671 in 2007 to an astounding 15 million users to date transacting between them over Kshs.1.4 trillion Kshs. (16 billion USD), David L. Hudson (2011). It has been written widely that this accounts for about 25% of the Kenya's GDP. The number of M-Pesa agents has also risen from 355 in 2008 to over 37,000 agents countrywide Leo Mutuku, (2012).Central Bank of Kenya (CBK) data shows that following the launch of the partnership between Safaricom and Equity Bank linking mobile money services to a base bank account, 700,000 M-Kesho accounts had been opened by the end of September 2011with approximately Sh400 million mobilized. However despite the large registered users of Mpesa services, majority of the people have low savings culture, as a result the poor have not been able to increase their ability to

raise their incomes as a means to fight poverty levels according to David L. Hudson (2011).

Besides the low uptake of insurance services via the phone to offer security amongst subscribers health, resources and property meant that the losses incurred could not be insured yet there is a provision of insurance facility in the Mkesho service. The problem is that the lack of good financial options is undoubtedly one of the reasons why poor people are trapped in poverty David L. Hudson (2011).. They cannot sustain or even aspire to higher income because they are not able to invest and enhance their productivity or start a microenterprise. Their income is volatile, often fluctuating daily, so without reliable ways of pushing and pulling money between good days and bad days they may have to face the stark decision to pull the kids out of school or put less food on the table during bad patches. And without good financial tools they may not be able to cope with shocks that set them back periodically. Most of these shocks are foreseeable if not entirely predictable: a drought, ill-health, lifecycle events such as marriage and death (Ignacio, Dan, Bill & Melinda 2010). It is against this backdrop of information that the study was anchored to establish the reasons for the low adoption of Mkesho.

General Objective

The general objective of the study was to investigate factors contributing to low adoption of Mkesho services by subscribers.

Specific Objectives

The specific objectives of the study were:

1. To examine the impact of bureaucratic process on the Mkesho adoption.
2. To establish the effect of Mpesa and Equity bank agents contribution on the Mkesho adoption.

Literature Review

Theoretical Reviews

Rogers (1995) argued that, there are four stages in innovation diffusion theory: invention, diffusion (or communication) through the social system, time and consequences. The easiness of use and newness (in terms of persuasion, knowledge and the decision to adopt) of an innovation can determine the way an individual will respond to an innovation. Some factors have been highlighted to be a determinant of adoption of an innovation and they are: complexity, relative advantage and compatibility. This is believed that, an innovation with relative advantage, with less complexity and compatible will be adopted easily and faster by an individual. According to Roger (2003) he believes that, relative advantage and compatibility are very important factors when discussing the

issue of innovation adoption pattern and this believe is said to have lack concern for social economic consequences (Zhao 2008).

The Theory of Reasoned action (TRA) was developed in 1967 and was later revised and expanded in the middle 1970s by Ajzen & Fishbein. Fishbein & Ajzen proposed that, a person's actual behaviour can be determined by looking at his formal intention together with the beliefs that the person would have for the given behaviour (Davis, 1985). The intention that a person has before the actual behaviour is referred to the behavioural intention of a person and this could be defined as a measure of one's intention to perform the behaviour. The theory also suggests that, a person's behavioural intention could be determined by his attitude towards the actual behaviour together with the subjective norm that is associated with the behaviour as described by Ajzen & Fishbein (1980). The theories have been used to the study of human behavior and develop appropriate interventions in the 1980s. This theory is useful because it can explain and predict the behaviour and attitude of an individual yet a limitation is that intention determinants are not usually limited to the proposal factor (Werner, 2004).

Schiffman & Kanuk, (2000), define consumer behaviour as the acts of decision-making which directly involve the obtaining and using need-satisfying products and services, which includes the decision-making process which precedes and determines these acts. According to Rice (1997), consumers are people who use products and services and who make payment for those things which are bought. There are two kinds of consumers according to Schiffman & Kanuk (2000); we have personal and business (organizational consumers).

Bureaucracy

The two major cornerstones of this work were an emphasis on: providing a theory of administration centered on efficiency and analyzing the nature of information processing by bureaucratic organizations by asserting that individuals' cognitive limitations did not allow for rational comprehensive decision making. The latter subject is developed in March and Simon's (1958) organizations, in which the rational comprehensive method is shown to be empirically unrealistic and theoretically ungrounded. This stream of work also emphasized how routines (standard operating procedures [SOPs]) could be employed to overcome uncertainty and individual cognitive limitations and allow individuals in organizations to behave in a more efficient manner (Cyert and March 1963).

Crozier (1964) arrived at conclusion similarly to Tullock's that is rather than focus on information flows; he argued that organizations reflect imperfect social compromises that arise in bargaining among individuals and groups. Specifically, the organizational design,

structure, and operation are not randomly determined but reflect an equilibrium agreement among actors and stakeholders behaving in a purposeful manner.

Mpesa and Equity Bank Agents

Implicit in the notion of a principal-agent relationship for studying the bureaucracy is not only the issue of task delegation by a super ordinate (principal) to a subordinate (agent) but also the existence of inherent goal conflict between the principal and agent (Mitnick 1980; Perrow 1972). Incomplete information means that principals, who wish to delegate authority to perform tasks on their behalf, have neither full nor accurate information regarding agents' actions. Typically, agents possess specialized knowledge about the particular problem that the principal does not. Hidden information and actions are therefore embedded within these relations (Arrow, 1985; Moe, 1987). Even in those rare instances in which the principal has specialized knowledge equivalent to that of the agent, he or she still experiences informational problems since the responsibility for task execution lies with the agent. Monitoring of agent behavior is a more intricate task and a costly endeavor than creating incentive structures, thus making the former more daunting for purposes of ensuring agent compliance. (McCubbins & Schwartz 1984; Ogul, 1976; Scher, 1963; Aberbach 1990).

A conceptual framework for this study was formulated and it consisted of the independent variables which are Bureaucracy, Mpesa Agents outlets and Family Banks agents and the dependent variable of Low adoption of Mkesho services represented in Figure 1.

Conceptual Framework

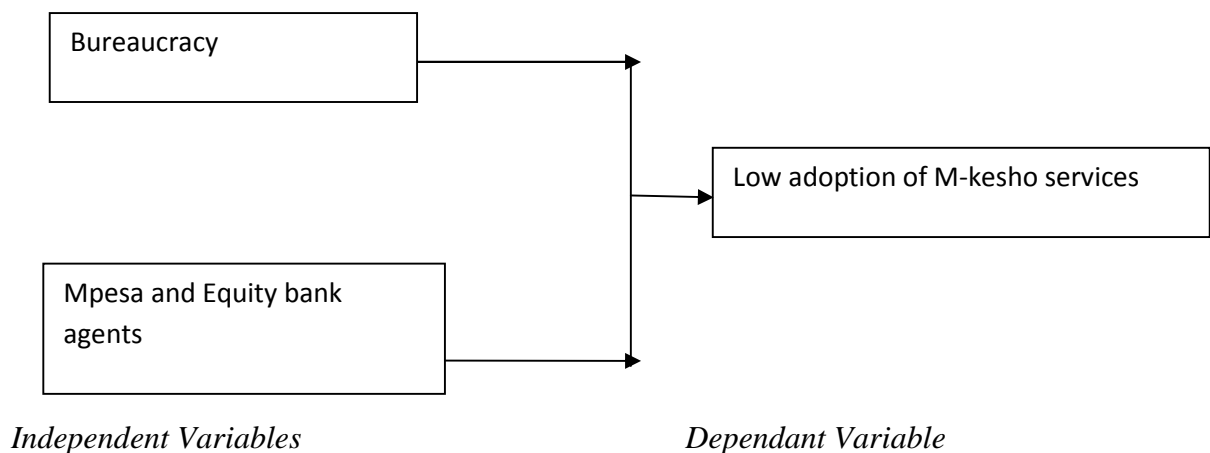


Figure 1: Conceptual framework

Research Methodology

Research Design

The research study used descriptive research design. Specifically, the conceptual structure provides description of the state of affairs as it exists, and it seeks to explain the cause why Mkesho adoption has been on the decline.

Study Population

A population is a set of individual's' cases, objects, or items from which samples are taken for measurement and inferences made (Donald & Delno 2006).The study population is the complete set of individual cases or objects with some common characteristics to which the research wants to generate the results of the study (Mugenda & Mugenda, 2003). In this study, the target population of the study was the mobile users subscribers registered with Mkesho services. The study population has a total of 100 respondents.

Sampling Frame

Mugenda & Mugenda (2003) defines a sampling frame as a list, directory or index of cases from which a sample can be selected. Subjects selected from the sampling frame formed the units of observation in a study. The sampling frame of the study was the mobile users subscribed to Mkesho services.

Sample Size and Sampling Technique

The total registered users of Mkesho were about 700, 000 people which forms the population density (George Ngigi 2012). The research sampled a total of 100 respondents representing 0.0142% of the population. Sudman (1976) suggests that a minimum of 100 elements is needed for each major group or subgroup in the sample and for each minor subgroup, a sample of 20 to 50 elements is necessary.

According to Orodho and Kombo, (2012) a sampling technique is defined as the procedure that a researcher uses to gather things, places or people to study. Purposive sampling technique was used in this study since the selected respondents possessed the required information forming a homogeneous group of interest.

Data Collection Instruments

The study used both the open-ended and closed questionnaire and was self-administered to residents; it is through them that they provided the necessary information. A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents (Mellenbergh, 2008).

The secondary data was collected from the internet, newspaper articles, publications and Media.

Data Analysis and Presentation

In order to analyze the collected data and to establish their validity and reliability, the study used quantitative analysis. The mode of data presentation included the use of charts, tables and graphs to show trends of analyzed data. Also descriptive statistics was used that is; statistics, measures of tendencies, and percentages for data interpretation. Qualitative analysis like summarizing of key findings, developing of coding systems based on data were presented in tables, charts, and frequency charts among other statistical analysis and presentations (Ngacha, 2004).

Findings and Discussion

Level of consumer knowledge about M-kesho

Majority of the consumers were aware of mobile banking facility and as well as the benefits they could derive from using this innovation. As a requirement Identity Cards are necessary when registering for Mkesho services, thus Kenya citizens with national identity card (ID) and foreigners with ID were eligible to be registered. This finding concurred with Lennart Bångens and Björn Söderberg (2008) that emphasised on the importance of registration as a feature of security in the usage of mobile banking.

Benefits of M-kesho

The study found that ninety percent had accessed funds from the bank, 1% had used the insurance service, 10% had accessed loan services, and 10% used the service for savings. This implies that majority of people had used both mobile phones and banks to transact financial business. However, the uptake for insurance services and loan access was limited at 1% and 10%. On whether the registration process was easy over 90% the respondents noted that the process is not easy, while 10% noted that it was easy. This underscored the lengthy process due to the signing of physical forms and reading of terms and conditions. Most (80%) of the respondents concurred that it took more than one week to register unlike 20% of the respondents who concurred that it took more than 2days to be registered. This is a manifestation that the process has more bureaucratic procedures that requires more days than the stated timeline of 48 hours. This is consistent with Lennart Bångens and Björn Söderberg (2008), who found that lengthy registration process of mobile banking, impedes fast access to the service usage.

Accessibility of M-pesa agents

The accessibility of Mpesa agents according to the respondents was at 30% on 1km, 40% on 2km, and 30% more than 2km. This implies that the Mpesa agents are not easily

accessible because they are largely concentrated on major towns and not evenly spread despite being over 40 000 registered Mpesa agents countrywide.

The agents support in registration process was 70% not Supportive, 20% fairly supportive and 10% very supportive. This implies that most customers because of lack of support were not able to register to the Mkesho service because of lack of enhancing attitude to adopt to the service. This finding concurred with Zhu & Kraemer (2004) who stressed that lack of a ready trading partner was a significant adoption inhibitor. Trading partner readiness encourages small firms to adopt ICT and electronic commerce (McCole & Ramsey, 2005) and expected to apply in M-banking adoption by Small Medium Enterprises (SME).

Availability of equity bank agents

The findings on whether the Equity Bank agents were accessible, the findings was 70% on more than 2km, 20% on 2km and 10% on 1km. This implies that the distribution of Equity bank agents is low with most areas not fully covered. On whether the M-kesho forms were available from the Equity banks agent, the response was 70% not available, 30% readily available. This implies that the distribution of the forms was not properly done as a result low registration of users of Mkesho. In understanding on whether the Equity agents were supportive in registration process, the response was 70% not supportive. This implies that the most customers were not able to register because of lack of enhancing attitude to adopt to the service. This finding agreed with Zhu et al (2004) mentioned that lack of trading partner readiness is significant adoption inhibitor. Trading partner readiness encourages small firms to adopt ICT and electronic commerce (McCole & Ramsey, 2005) and same expected to apply in M-banking adoption by SMEs.

Usage of M-kesho services

The findings showed that 80% of the respondents were not using the Mkesho services and only 20% the subscribers were using the service. This implies that the most customers have ceased to use the services of Mkesho as a result pointing towards the decline of the services. The findings also attributed the presence of other competitive and substitute products like Mshwari that is simple and easy to use, also the lack of awareness of Mkesho to the consumers as a cause for low adoption of Mkesho service. This finding concurred with Indrani Medhi, Aishwarya Ratan, Kentaro Toyama (2012) who found in their study that very few mobile services subscribers use mobile banking. For instance 21 out of 30 subjects in the Philippines, 11 out of 23 in South Africa and 22 out of 26 in India were aware of m-banking channels.

Conclusions and Recommendation

Conclusion

In conclusion the study found that majority of the respondents was aware about the availability of mkesho services and that one has to register using a valid identity card. Also, most of the respondents agreed to have accessed loans from the Mkesho service. The distribution of Mpesa agents and Equity bank agents, compounded by their lack of enhanced support to register clients was attributed to be the cause of low adoption of Mkesho.

Recommendations

There is need for to ensure that both the Mpesa and Equity bank agents are evenly distributed to allow their accessibility. Proper training should be accorded to the agents on customer service skill to enhance their receptiveness to the client's in-order to facilitate the registration process. There is need to reduce and streamline the bureaucratic and lengthy registration process in fact this process can be modified such that a client can be able to do it by themselves over the phone or agents should be empowered to activate and register clients over their phones without the use registration of forms to enhance speedier registration process.

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