IMPACTS OF MOBILE MONEY SERVICES ON THE DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES IN TANZANIA: A CASE OF TANZANIA
IMPACTS OF MOBILE MONEY SERVICES ON THE DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES IN TANZANIA: A CASE OF TANZANIA

By

Benson M. Kagashe

A Thesis Submitted to Mzumbe University in Fulfillment of the Requirements for the Degree of Master of Business Administration in Corporate Management of Mzumbe University

2013
CERTIFICATION

We the undersigned, certify that we have read and hereby recommend for acceptance by Mzumbe University, a dissertation entitled: “Impacts of Mobile Money Services on the Development of Small and Medium Enterprises: A case of Tanzania” in partial/fulfilment of the requirements for award of the degree of Master of Business Administration in Corporate Management of Mzumbe University.

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ACKNOWLEDGEMENT

First and foremost, I am grateful to Almighty God for his mercy, tender and guidance during the whole period of my studies. Surely, without Him nothing could have been accomplished. In addition, there is a long list of those who deserve appreciation for having generally contributed to my masters studies and in particular to completion of this dissertation. I am deeply indebted to my supervisor, Mr Maige Mwasimba of Mzumbe University for whom it is difficult to say all his positive contributions.

However, suffice it to say that I benefited a lot from his intellectual advice, encouragement, constructive criticism and comments from the time of proposal writing to production of this dissertation, despite his limited time, he willingly devoted part of it to read and reread this work.

Last but not least, I would like to express my sincere gratitude to my beloved parents, Mr. & Mrs Theobald Kagashe, brothers and sisters and friends for their encouragement and support during the whole period of my masters study. While it is difficult to single out every individual, I should mention my beloved brothers, Kennedy Kagashe and Vatican Kagashe, for their tireless participation in coordinating data collection work.

Despite, the support I received from the above mentioned individuals and institutions, any shortcomings in this work remains solely to be mine and should not be attributed to any of the above acknowledged persons or institutions.
DEDICATION

In its entirety, this dissertation is dedicated to my beloved late mother, Ms Leocardia Kokuhanga Kabakama and to my beloved wife Enid K. Bukambu.
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<td>AML</td>
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<tr>
<td>ATMs</td>
<td>Automated Teller Machines</td>
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<td>GSMA</td>
<td>Global Systems for Mobile Communications Association</td>
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<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
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<td>ITU</td>
<td>International Telecommunication Union</td>
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<td>ROCE</td>
<td>Return on Capital Employed</td>
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<tr>
<td>ROE</td>
<td>Return on Equity</td>
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<td>ROI</td>
<td>Return on Investment</td>
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<td>SME</td>
<td>Small and Medium Enterprises</td>
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<td>TAM</td>
<td>Technology Acceptance Model</td>
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<td>TRA</td>
<td>Theory of Reasoned Action</td>
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<tr>
<td>USSD</td>
<td>Unstructured Supplementary Service Data</td>
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<td>WAP</td>
<td>Wireless Application Protocol</td>
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ABSTRACT

Stressing the importance of SMEs in any economy, Hallberg (2000) indicated in his work that small and medium enterprises (SME) sector has an important role to play in economic development, poverty reduction and creation of employment in developing economies. However, on the other hand, stressing on the factors hindering development of SMEs, Lennart, B and Bjorn, S (2011), in their work, they generally point out that; “in Africa, a conjecture is that most SMEs struggle to make the cash-flow equation work out”.

Therefore, this study aimed at finding out if mobile money services would be taken for a solution to the cash-flow equation, one of the reasons, making it a nightmare to the performance of SMEs in Africa, Tanzania in particular. Focus was made to understand, since the uptake of mobile money services in Tanzania, if there has been recognizable contribution to the SMEs’ overall performance, specifically in the regions of volume of sales increase and reduction in SMEs operating costs.

Through selective sampling, interviews were carried out involving ninety four SMEs from various business regions, ranging from floristry, welding, woodworks/carpentry and wholesaling in Dar es Salaam. Generally, through the ascertainment by positive responses for there to have been substantial savings realized through not requiring physically transporting cash or consuming much time in bank queues, it was thus made conclusive that, if furthered mobile money services would be a contributing factor towards improvement of performance of SMEs in Tanzania.

However, it was on the other hand identified that for mobile money services to gain acceptance, MMNOs should ensure there to be maximum end to end security to address fraudulent acts and also to provide reliable support services for immediate and accurate addressing of issues that users face when using their services.
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CHAPTER ONE

BACKGROUND INFORMATION

1.1 Introduction

This chapter provides a general overview of the background of this study and therefore, for this purpose, the context of the study, research problem statement and the research questions have been explored in this chapter. Furthermore, clarifications in relation to the objectives, significances as well as the limitations of this research have been put forward.

1.2 Context of the Study

Today, money transfer transactions over mobile networks have rapidly gained market acceptance, as they address these shortcomings in traditional means of carrying out transactions. The strong cash-based culture and people’s ability to conceptually relate to transferring money by mobile phones have however shown to be some of the greatest hurdles to overcome for mobile transaction service providers (FSD-Tanzania, 2006 and 2009).

From experience, in Tanzania today, a mobile handset has, virtually, become one’s money wallet, bank, calculator, watch, personal computer and many more. Indeed, some of the functions that mobile phones are currently doing were the domain of commercial banks and other financial institutions. In the event, the rolling out of financial services including especially money transfers using mobile networks, seem to have helped many more Tanzanians who were not accessing traditional financial services before the mobile money transfer services came on the scene.

Already, four major companies, namely; Airtel, Zantel, Tigo and Vodacom have firmly established mobile money services in Tanzania. It can be said that, the relatively poor and otherwise the disadvantaged who were practically excluded from the formal financial services see mobile money transfer as theavior. The service enables people to use their mobile phones to carry out transactions such as pay for goods and services, pay bills, send to and receive money from friends and family, withdraw cash for their use, top up their own airtime account or top up someone else’s account and manage their own accounts.

Money transfer schemes have evolved to the next generation of electronic payments to the mobile channel. Money transfer services for both domestic and international payments are
shifting from traditional providers to wireless carriers who are able to compete for consumer market share on the basis of technological ubiquity and lower cost services. While the money transfer market is well established by organizations such as Western Union and MoneyGram, developments in mobile services are expected to increase competition and lower prices, thereby discouraging the flow of money through informal channels. Mobile Money Services are expected to account for the majority of mobile financial transactions in the near term because of the functional appeal to the under banked in developing countries around the world and potentially in the United States. Current market conditions may be ripe for the adoption of peer to peer payments by financially mainstream U.S. consumers, judging by the vast number of peer to peer pilots introduced since late 2009 and the recent growth of online commerce generally (Robertson 2010).

Improving access to financial services, such as savings, deposits, insurance and payments or transfers, is vital to reducing poverty. Savings can help poor people to invest in productive assets like livestock, a loan may help to expand business activities, and insurance can provide income for a family if a breadwinner becomes sick. In many developing countries, however, 9 out of 10 people do not have a bank account or access to basic financial services. Poor people are often not considered viable customers by the formal financial sector as their transaction sizes are small, and many live in remote areas beyond the reach of banks branch networks. Informal banking services such as microfinance and village savings and loan associations remain limited in their reach.

In order for banks to view the poor as viable customers, new ways of serving them profitably need to be explored. Extending branch networks is often too expensive, but the development of appropriate technologies can provide one answer to this problem. Offering banking products through mobile phones is one option that offers great potential for reaching poor people. Many poor people already have access to mobile phones. A positive aspect of mobile phones is that mobile networks can reach remote areas at low cost. The poor often have greater familiarity and trust with mobile phone companies than formal banking institutions. Furthermore a mobile handset can easily be adapted to handle banking transactions.

Talking to friends, mostly have argued that people who might have been contemplating opening a bank account will now be thinking twice (or more) whether they should not go for mobile phone enabled financial services instead. Furthermore, they point out that while at the banks you are required to follow lengthy bureaucratic procedures in long queues, and
have the cash ready-to-hand to open an account, the winning side of mobile money
transfers is that opening an account does not need an ‘opening balance’, or complicated
procedures. Additionally, some comments that with mobile financial services today, same
like the banked, the unbanked can also maintain their account balances in their mobile
phones which can be perceived as deposits.

Mnaku, M, reported in the Economic and Financial Business Times of Friday, 16th June,
2012, that: “The mobile telephony installed coverage capacity in Tanzania is currently
about 85 per cent of the population. The mobile money transfer networks boast around
30,000 agents spread all over the country, each serving about 1,500 people who spend less
than two minutes to get served. He further asserts that, by comparison, coverage by the
banking sub-sector is limited to 41 commercial banks (big and small), 469 branches and
900 Automated Teller Machines (ATMs). Population-wise, this roughly means 100,000
people per bank branch, 50,000 people per ATM which inevitably translating into
congestion and delays”

1.3 Statement of the Research Problem

In consideration of the foregoing and the useful experience of M-Pesa from Kenya, and as
well as experience so far I have personally had here in Tanzania, it is quite promising that
mobile money transfer services will present a supreme opportunity to deliver basic suite of
modern financial services to the unbanked millions of people across the world and
Tanzania in particular.

On the other hand, in view of the work by Lennart, B and Bjorn, S (2011), where they
generally point out that; “in Africa, a conjecture is that most SMEs struggle to make the
cash-flow equation work out”, and in the light of my general personal experience, here in
Tanzania, and survey carried out in Kenya, regarding mobile money payment, it can be
said that; probably mobile money services could be a convenient mode of doing business,
specifically for SMEs, in Tanzania. However, there are no existing studies that have been
done, specifically in Tanzania, to find out the influence that the use of mobile money
services has on the overall growth and success of SMEs.

Therefore, this study focused on investigating whether the usage of mobile money services
actually results into the growth and success of SMEs, where Tanzania was used as case
study.
1.4 Research Questions

1.4.1 Main Research Question
While carrying out this research work, the researcher’s focus was directed towards seeking answers in response to a core question as in whether, since its uptake, Mobile Money Services have synthesized the development, in terms of increased profitability, of SMEs in Tanzania.

1.4.2 Specific Research Questions
Therefore, in order to respond to the aforesaid main question, the research concentrated on establishing answers, specifically, to the following questions;

i. How does the usage of mobile money service contribute to the growth of sales volumes of SMEs in Tanzania?
ii. How has operational costs for SMEs been improved since the uptake of mobile money services in Tanzania?

1.5 Research Objectives

1.5.1 Main Research Objective
In respect to the core question above, the researcher’s main objective in this research work was to establish if there was any impact on the overall development of SMEs in Tanzania following the introduction and usage of mobile money services in the country.

1.5.2 Specific Research Objectives
Specifically, all through this research work, the researcher’s aim was centred on the achievement of the following objectives;

i. To evaluate, since the uptake of mobile money services, if there has been or there would be increase in the sales volumes realized by SMEs in Tanzania.
ii. To assess whether the increase in efficiency of cost savings in SMEs has been or would be achieved through further advocacy in the use of mobile money services in Tanzania.

1.6 Significance of the study
In its total substance, the findings and results from this research work will build a baseline
of knowledge, development and improvement to various stakeholders and economic activities in Tanzania, to mention but a few; Academicians, the Government and its relevant Institutions, entrepreneurs operating in the SMEs as well as Entities that are currently extending Financial Services in Tanzania.

1.6.1 Academicians and any other Researchers

Following the limitations and the findings of this research, other researchers can explore more into how this research can be carried out to provide comprehensive outputs. It was impossible for the researcher to obtain the actual statistical information regarding the business transactions carried out by the SMEs which forced the researcher to depend only on qualitative data provided by the SMEs.

Therefore, as a recommendation to future researchers and/or academicians who might have interest in this similar type of study, they can work to find away on how they can obtain the actual statistical data regarding the business transactions being carried out by SMEs and establish the linkage between these and the actual performance.

Additionally, since in this analysis the researcher, for the purpose of this study, assumed the only causes for any reduction in cost or increase in sales volumes experienced today is due to Mobile Money services, for future researchers who might have interest in in carrying out further study on this topic, they should try to consider or find out there are any other factors which have contributed to the increase in sales volumes for SMEs today in Tanzania and/or contributed to their reduction in costs of business operation. Furthermore, the analysis can be extended to include the other key factors that can be improved by usage of mobile money services by SMEs and directly or indirectly do influence the overall development of SMEs.

1.6.2 Mobile Money Network Operators

Generally of importance to mobile money network operators in Tanzania, this research work has revealed crucial behavior of mobile money service users and has established a relationship between the uptakes, perceived usefulness and usage of mobile money services in the country specifically by SMEs. Therefore, considering the results from this research, mobile money network operators for the purpose of improving their services and gaining competitive advantage over the competition should specifically take note of the following:
Firstly, mobile money network operators should be aware that although mobile money services are today being preferred over banking systems, fraudulent acts are massive in the industry. It is worthwhile for the operators to ensure that end to end security is enhanced. Users are complaining to be losing their money and there are no reliable support services to address the issues in case they occur. It is worth to understand that, a customer failing to make a call is different from a customer sending money without receiving a notification of the transfer while his or her account has been debited. This is quite intolerable comparable to when a call can be unsuccessful.

Secondly, following the findings presented in this research work, mobile money services users have preference of one mobile money network operator over the other. Specifically, users indicated that unreliability of the network and support services do contribute to their second thought as in whether to continue using mobile money services or to switch between mobile money network operators. Therefore, of importance to mobile money network operators, they should ensure that they have strong support teams, starting from the call centres and back office technical staff to ensure mobile services, including support, are highly reliable and available.

1.6.3 Government and its Institutions

Following the results from this research that mobile money services are taking at a great speed it is thus a call to review the existing monetary transactions in order to ensure that customers are defended. This should be seen in the light of the fact that all mobile phone users will at the end become automatic subscribers into the mobile money services. Therefore, it is worthwhile for the Government and its relevant institutions to start looking at regulating the transactional costs paid by mobile money users. Furthermore, the regulator should enforces that mobile money network operators ensure network availability as well as their support reliability, reason being that failure in mobile money services would result into total inconvenience and /or direct loss of money.

1.6.4 Financial Institutions

Considering the findings presented in this research, specifically for banks in Tanzania, it is evident that mobile money services are now coming up to be another source of competition in their market. Therefore, it is worthwhile for the banks to review their business strategies to match the needs of the people today. Of the interviewed SMEs in this study, mostly indicated to prefer using mobile money services over banks for the reasons of convenience
and costs of transactions carried out on the two infrastructures. As an advice, it is useful for the banks to look into possibilities of working closely with mobile money network operators in order to improve their services.

1.7 Limitations of the Study

Generally, all way through carrying out this research work, the encountered limitations were mainly contributed to by; the scarcity in the financial resources, inadequate time and the availability of accurate financial records from the SMEs. To further specify such limitations encountered during the study include;

i. The research work was made as a case of Tanzania as thus data was to be collected all over Tanzania in order to come up with the generality of the findings, a case which was not possible in this study due to the lack of sufficient financial resources in the light of the size of Tanzania in terms of its geographical boundaries.

ii. In the same line as experienced above, in consideration of the geographical and political size of Tanzania as well as the number of formal and/or informal SMEs, the time allocated by the curriculum for this research work was not ample to adequately cover the areas of proposal writing, carrying out the actual field work through to producing this final research report.

iii. As this research aimed at establishing a comparison between the development of SMEs in Tanzania prior and post introduction of mobile money services, historical information in relation to sales volumes, costs of selling and profits made was vital, however due to poor and/or generally no record keeping by the SMEs it was not possible to get such information.

iv. Most SMEs in Tanzania, as also identified in this research work, are owned and run by people of education level below ordinary secondary education, therefore the questionnaires which were designed for the purpose of data collection were difficult to be understood by most of the respondents as they were in English language.

1.8 Delimitations of the Study

i. Considering the limitation in financial resources and time allocated for this research work, the selection on respondents in relation to this research work was limited to the districts of Dar es Salaam to represent the whole population of Tanzania. In so
doing it was made easy, quick and cheaper during data collection.

ii. Following the inability, due to improper or no record keeping, of getting historical information in relation to sales volumes, cost of sales and the profits made by SMEs, the questionnaires were designed to obtain qualitative information from the respondents regarding their view as in what impact mobile money services have done to their daily to day operation of their businesses.

iii. Lastly, following the language barrier which resulted into difficulty of most interviewees to correctly respond to some of the questions, therefore it was seen appropriate to have research assistants who assisted in elaborating some questions where the interviewee faced difficulties in responding.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter explores both the underlying theoretical as well as empirical studies that are of relevance to this research work. Furthermore, under this chapter, analysis has been done for the conceptual framework on which this research work is based as well as providing the definitions, descriptions and analysis of the underlying assumptions as well as describing the relationship between various variables and lastly provides the hypotheses of this research.

2.2 Definitions of Key Terms

2.2.1 Small and Medium Enterprises (SMEs)

In literature, apart from the term SME standing for the words small and medium enterprises, universally there has not been a consensus on the definition or the in-depth meaning of the term SME. Different countries and various international financial institutions use different definitions, for the term SME, depending on the prevailing economic development phase and/or the social conditions. Therefore, since there hasn’t been a globally accepted definition for SMEs, different indexes are used by different countries and international financial institutions, whereby for instance according to Tanzania SME Policy of 2002; the commonly used yardsticks are the total number of employees, total investment and sales turnover while according to Kashfia, A and Tanbir A.C (2009), in their work, they point out that different countries use the amount of invested capital, the total number of employees, total amount of assets, sales volume (turnover) and production capability as indexes to define SMEs.

In the context of Tanzania, small enterprises are defined to be mostly formalised undertakings engaging between 5 and 49 employees and/or with capital investment from Tanzania Shillings (TZS) 5 Million to TZS 200 Million whereas medium enterprises are those that employ between 50 and 99 people and/or use capital investment from TZS 200 Million to TZS 800 Million (Tanzania SME Policy – 2002), whereas according to the European Union (2003) SMEs are defined as enterprises which have at most 250 employees and an annual turnover not exceeding 50 Million Euros. The union provides further distinction of small enterprises that they have fewer than 50 staff members and less
than 10 Million Euros turnover while micro-enterprises engage less than 10 persons and yearly 2 Million Euros turnover.

On the other hand, the World Bank (2006) defines medium enterprises to be those which have at most 300 employees and an annual turnover not exceeding 15 Million US dollars. Furthermore the bank defines small enterprises to be those with fewer than 50 staff members and up to 3 Million US dollars turnover yearly and whereas micro-enterprises have up to 10 persons and $100,000 turnover. In United Kingdom (UK), sections 382 and 465 of the Companies Act 2006 define SME for the purpose of accounting requirements. According to this a small company or enterprise is one that has a turnover of not more than £5.6 Million, a balance sheet total of not more than £2.8 Million and not more than 50 employees. A medium-sized company has a turnover of not more than £22.8 Million, a balance sheet total of not more than £11.4 Million and not more than 250 employees.

Therefore departing from the variation in the various definitions of SMEs, as presented above, as applied in different countries and international financial institutions, it can thus be concluded that there is yet no single universally accepted definition of SMEs, reason being the difference in the levels of economic development as well as social conditions in different countries, societies or communities.

2.2.2 Mobile Money Services

According to Khodawandi, P. and Wiedmann, K. (2003), mobile money services are essentially information technology (IT) procedures and channels through which users make various payment transactions. They further assert that studies show that the acceptance to use the mobile payments varies with the context in which users are able to use a mobile payment procedure and moreover, the mobile payment procedures are functional services adopted for utilitarian reasons. Chatain, et.al, (2008), stress that mobile payment adoption is currently lower in more developed countries like the United States, where most people have bank accounts and the mobile phone is evolving as merely another payments delivery channel augmenting existing financial products and services.

In their work Bourreau and Verdier (2010), they mention that approach to adopting mobile financial services differs throughout the world due to a variety of factors, including the regulatory and legal environments, access to supporting technologies, and economic constraints, as well as experience with antecedent products and services. They further assert that; consumer need and experience represent key components of each of these
variables and are the ultimate determinants of adoption. The vast diffusion of cellular networks allows telecom firms to extend services to broad geographic areas unreachable by traditional financial service providers dependent upon landline networks. In many emerging markets the rapid adoption of mobile payments has led to the unanticipated utility of prepaid airtime as an alternative currency. Expanded airtime distribution channels can accommodate a large customer market increasingly agnostic of geographic borders. Bilateral and multilateral partnerships between carriers expand the wireless network reach to facilitate the distribution of mobile payments services to a greater number of available users.

**Actual Services Structure**

Generally, according to GSMA (2008a), Mobile Money Services are structured to include; mobile payments, mobile transfers and mobile banking, of which in any case can be either be Person-to-Person (P2P), Business-to-Business (B2B), Person-to-Business (P2B) and or Business-to-Person (B2P), Figure 2.1 below refers.

**Figure 2.1 Mobile Money Services Structure**

![Diagram of Mobile Money Services Structure]

Source: GSMA 2008a

**Mobile Transfers**

Mobile money transfers seem to have caused an increase in the use of mobile phones for exchanging money, in particular for a remittance, which is defined as transfers of money between two parties involving a mobile device, be they B2B, B2P, P2P or P2B. Mobile money transfers rely on different types of technological solutions, which differ for remote money transfers and proximity payments. Such mobile money transfers refer to the transactions that can be conducted independent of the user’s location, and that do not require a point of sales terminal. Examples include remittances and P2P payments, delivery
of digital services and prepaid top-up services. In this case, the payment is initiated through the mobile device, using a short message service (SMS) or the wireless application protocol (WAP) or USSD. Sometimes, the mobile phone can be also used to authenticate charge purchases directly to payment cards (e.g. Vodafone m-pay card system in the UK enables users to charge purchases directly to payment cards they have pre-registered with the service).

i. Mobile Payments

Mobile payments are generally defined as the process of two-parties exchanging money using mobile devices, such as mobile phones, wireless devices, computers or PDAs, in return for goods and services. For instance, consumers could use their mobile phones to pay at the point of sales or to purchase goods from cyber merchants. Mobile-enabled payments are experiencing rapid adoption in many markets, in response to steady growth in remittances, the worldwide ubiquity of cell phones, and the need for an electronic payment alternative to paper-based mechanisms like cash and checks. More than a billion people worldwide lack access to traditional financial services, particularly in emerging countries, although they have mobile phones (Pickens 2009). As of 2009, 68 per cent of the world’s population had mobile cellular subscriptions (ITU 2009).

In fact, the 2007 survey on mobile wallets and mobile financial services showed that respondents expected the number of subscribers using mobile domestic money transfers to grow more rapidly for developed markets than for developing markets (GSMA 2008b). These results imply that consumers in developed markets are interested in electronic P2P payment options and would be willing to conduct them via the mobile device. The survey found similarly that cross-border remittances are expected to grow significantly over the same projected time period.

Person to Person (P2P) payments are evolving to the next generation of electronic payments, the mobile channel. Advances in technology have enabled alternative functionalities for mobile handsets beyond the original visions of the designers of handsets or wireless communication architectures to supporting a new and viable channel for mobile financial services, including bill payment and account transfers, domestic and international P2P transfers, proximity payments at the point of sale, and remote payments to purchase goods and services.
ii. Mobile Banking (m-banking)

M-banking is defined as the connection between a mobile phone and a personal or business bank account (WB Private Sector Development Blog, 2009). M-banking allows customers to use their mobile phones as another channel for their banking services, such as; deposits, withdrawals, account transfers, bill payments, and balance inquiry. Although most m-banking applications in developed countries utilize the Internet, the majority of m-banking applications in developing countries utilize short message service (SMS) or text messaging to conduct the financial transaction via mobile phone. Most m-banking applications are additive in that they provide a new delivery channel to existing bank customers. Transformative models integrate unbanked populations into the formal financial sector.

In reference to Schofield and Kubin (2002), the telecommunications industry worldwide has scrambled to bring what is available to networked computers to mobile devices. Presently, the use of electronic banking is considerably high and as more and more users sign up for electronic-banking, the maturity as regards remote banking (i.e. banking outside the banking hall) is on the increase.

Although with electronic banking, users can conveniently carry out banking transactions, such convenience cannot be achieved if the user does not have access to the internet, hence, in other words, the user cannot carry out a banking transaction while waiting for a bus, or perhaps while having lunch in a restaurant. Therefore, mobile banking whose convenience can be achieved 24hrs a day, reason being a user has access to his mobile phone all day, at all times. So, to effectively achieve a truly convenient banking mode, a truly mobile mode of banking has to be explored, hence the need for m-banking.

According to Mas and Ng’weno (2009), the way it works, although it may differ slightly depending on the country, M-banking generally functions as follows:

- A firm operates a system of electronic accounts subscribers can access with their mobile phones, usually using a subscriber identity module (SIM) application.
- Clients’ conversion of cash and electronic value (“cash in/cash out”) is performed at network of retail stores or agents.
• Electronic money can be stored on a phone (a.k.a., mobile wallet) or at a financial institution.
• Transactions are recorded in real time using secure SMS and may be capped by central bank regulations

Also banks are offering mobile services. In general, they tend to offer mobile solutions as an additive channel (Porteus, 2008), hence customers get “a new door” to the same services (or similar) as they would have received over the counter. These services have not been particularly aimed at previously unbanked market segments. Indications however suggest that this is about to change. Banks are showing an increased interest towards the previously unbanked market segments, and we also see new types of alliances evolve.

Referring to the report by Audience Scapes1 (2010), NMB of Tanzania e.g. has its own mobile platform that competes with M-PESA though it requires both sender and receiver to hold NMB accounts. In Kenya, where the MMT development is ahead of that in Tanzania, M-PESA have partnered with Equity Bank to jointly offer bank account service (branded M-KESHO). M-KESHO users can transfer money back and forth in between their mobile M-PESA account, and their bank account residing at Equity Bank. In addition, other services related to micro-credits and micro insurances are offered.

2.2.3 Mobile SMEs and Development

According to Hallberg (2000), the small and medium enterprises (SME) sector has an important role to play in economic development, poverty reduction and creation of employment in developing economies. It is one of the most important sectors which provide employment and favourable business environment to the majority poor and a section of middle class population in the developing countries. It has further been reported that, the growth of this sector, to a great extent exceeds the average economic growth of the National economies in many countries and contributes most jobs in these countries (Melchioly and Saebo, 2010). In Tanzania, SMEs are found all over the country, with different level of capital and income generation level. They employ the largest number of people, and thus making them very important for economic development of the country.

Researchers have reported that reliable communication such as cellular networks is important for the development and better performance of any business, including SMEs (Heeks, 1999). SMEs in particular need mobile phones communication as it gives them the opportunity to grow through a simplified business information exchange, access to
customers and clients, and efficient delivery of goods and services. A recent survey conducted from 13 African countries, found that the role of mobile phones in maintaining customer relationships is very high. They help in maintaining contacts with customers compared to any other form of communication (Esselaar et al., 2007:87-100). Mobile phones usage is therefore a reliable communication option for SMEs as it makes them more reachable by customers, but more importantly the technology can be adopted with little training.

According to Tanzania SME Policy (2002), SMEs all over the world and in Tanzania in particular, can be easily established since their requirements in terms of capital; technology, management and even utilities are not as demanding as it is the case for large enterprises. These enterprises can also be established in rural settings and thus add value to the agro products and at the same time facilitate the dispersal of enterprises. Indeed SMEs development is closely associated with more equitable distribution of income and thus important as regards poverty alleviation. At the same time, SMEs serve as a training ground for emerging entrepreneurs.

In Tanzania, the Tanzania SME Policy (2002) goes further to point out that the full potential of the SME sector in the country has yet to be tapped due to the existence of a number of constraints hampering the development of the sector. The constraints mentioned to include: unfavourable legal and regulatory framework, undeveloped infrastructure, poor business development services, limited access of SMEs to finance, ineffective and poorly coordinated institutional support framework. It is for this reason that this SME Development Policy was formulated so as to address the constraints and to tap the full potential of the sector. This policy will serve as guidelines to all stakeholders and thus stimulate new enterprises to be established and existing ones to grow and become more competitive. The expected outcome is to have a significantly increased contribution of the SME sector to economic development of Tanzania.

2.4 Theories and Concepts

2.4.1 SMEs and Mobile Money Services

According to Lennart, B and Bjorn, S (2011), business as well as the society at large in Sub-Saharan Africa has a very strong cash-based heritage, and cash is the default means for carrying out small-scale transactions. Cash is also the key to doing business; it is a scarce resource, and an African entrepreneur’s success may very well depend on his or her
ability to mobilize cash quickly; from own savings, credit from suppliers, or to have customers that can pay upon delivery, or even better in the case of production and delivery being separate instances, upon the placing of an order. Furthermore, in their work, Lennart, B and Bjorn, S (2011), they point out that based on experience; the conjecture is that most SMEs struggle to make the cash-flow equation work out; however there is little empirical evidence found on liquidity and working capital in earlier research on SMEs financing in Africa.

On the other hand, Rutherford (1999), in his work, discusses the key role of supplier credits in facilitating sales for very small and informal businesses such as hawkers that enjoyed a credit to be returned by the end of the day. This is also one of the main reasons why it has always been important to move money efficiently. Traditional money transfer service offered by for example Western Union, MoneyGram, banks and post operators has been around for a long time, but are generally being considered expensive, and/or inconvenient. Informal and/or local solutions have also been in place for a long time, the most common one being sending money by buses. Relaying money by bus is usually a fairly standardised practice (FSD-Kenya 2006 & 2009), although considered unsafe due to risk of robbery.

2.4.2 Measurement of SME Performance

According to Neely et al. (2002), performance measurement is generally a balanced and dynamic system, which gives a holistic view by applying different measures and perspectives. He further asserts that, basically, performance measurement models and frameworks are designed to support management in measuring their performance, analysing and improving their performance through better decision making. The various measurements and perspectives are tied together and continuously monitor the internal and external context of organizations. Despite the extensive research that has been carried out to investigate the needs and characteristics of performance measurement in large organizations, there is a scarcity of published research relating to SMEs (Hudson et al., 2001).

Referring to Tatichi et al. (2008), in their work they mentioned that SMEs have used financial measurement tools such as ROI, ROE, and ROCE, which are basically used by large firms but particularly, it is important to remark on the evolution of focusing on performance from a financial perspective to a non-financial perspective. Based on Garengo et al. (2005), eight performance measurement models existed previously and that have
been widely used and discussed in the literature. The models considered are six of the most popular generic models; i.e. those which make no reference to company size, developed in the last 15 years, and two performance measurement models created specifically for SMEs. Even though, from the literature, there is evidence that SMEs already have performance models in place, Manville (2006) stated that, to date, there are still significant barriers in the implementation of these systems in the SME context. Garengo, et al. (2005) summarised these six performance measurement models as follows;

i. **Performance Measurement Matrix** (Keegan, et al., 1989):

   Basically, this helps a company in defining its strategic objectives and translating such objectives into performance measures using a hierarchical and integrated approach. A two-by-two matrix combines cost and non-cost perspectives with external and internal perspectives.

ii. **Performance Pyramid System** (Lynch & Cross, 1991):

   Generally, this is a pyramid built on four levels, integrating the links between corporate strategy, strategic business units and operations. The performance measurement system for service industries is also called the Results and Determinants Framework. The measures related to results are competitiveness and financial performance, while the measures related to determinants of those results are quality, flexibility, resource utilization and innovation.

iii. **Balanced Scorecard** (Kaplan & Norton, 1992, 1996):

   This model emphasizes the linkage of measurement with strategy (Kaplan & Norton, 2001). The BSC has four different perspectives - financial, customer, internal business and innovation and learning. The BSC gives a holistic view of the organization by simultaneously looking at the four perspectives, thereby enabling companies to track financial results while simultaneously monitoring progress in building capabilities and acquiring the assets needed for future growth.


   This is an information system that enables the performance management process to function effectively and efficiently. This model underlines two main facets of the performance measurement system: Integrity and Deployment. Integrity refers to
the ability of the performance measurement system to promote the integration of various areas of business; and deployment refers to the deployment of business objectives and policies throughout four levels where the higher level becomes a stakeholder of the lower level.

v. **Organizational Performance measurement** (Chennell et al., 2000):

This model was developed specifically for SMEs and is based on three principles: Alignment, i.e. the selected performance measures the support and the alignment between people’s actions and company strategy; Process thinking, i.e. the measurement system makes reference to the process of monitoring, control and improvement systems; and practicability, i.e. at any level in the company there is a consistent process for identifying measures that should be considered and for ensuring the quality and suitability of data.


Also this model was specifically designed for SMEs. It is based on seven main dimensions of measures, classified as two external dimensions (financial performance and competitiveness) and five internal dimensions (costs, production factors, activities, products and revenues) that are connected by a causal chain. The internal dimensions are used to monitor the whole production process whereas the external dimensions are used to monitor the company’s position in its competitive context.

Analysing these models shows that performance measurement must be aligned with strategy (BSC, Results and Determinants, Performance measurement Matrix, Performance Prism, Performance pyramid) and have multi-dimensional measures (BSC, Results and Determinants). The multi-dimensional measures are particularly important and help to overcome the limitations of traditional performance measurement systems that only focus on the financial dimension. The last two models were purposely developed as performance measurement in SMEs. However, literature claims that it is still unclear as to whether these two models comply with the needs of SMEs; leave away the uncertainty of the models being known or implemented (Rantanen and Holtari, 2000).
2.4.2 ICT and SMEs Performance

Use of mobile communication technology and the underlying services is one of the fast growing information and communication technologies (ICTs) in Tanzania. According to Nielinger (2003), it has been theorized by development theorists that ICTs advancement can contribute to income development of small and medium entrepreneurs (SMEs) and it is these SMEs that, generally, are often regarded to be a major source of productivity and form a large share of employment. Additionally, Cooper and Zmund (1990), in their work, they stress that: the adoption of mobile communication technology allows the SMEs to communicate with their suppliers and customers without having to pay a personal visit to the individual or organization.

Studies done in Africa, specifically in Kenya, have confirmed the link between the use of ICTs and the increase in income of SMEs. An interesting partnership between Kenya Agricultural Commodity Exchange (KACE) and Safaricom (mobile phone operator in Kenya); which has established a cell phone service called “Kilimo Hotline”, aiming at promoting agricultural products, for trade information through SMS; is an example of the best use of the mobile communication technology in the advancement of businesses. With this service, subscribers can call in to receive market information on who is selling what, who is buying what and at what price; as well as the service provides extension messages or place advertisement to buy or sell agricultural commodities (King, 2004; World Bank, 2006).

On the other hand, according to De Silva and Zainudeen (2007), although studies have shown that mobile communication services increases growth, alleviates poverty, and helps in overcoming the perceived digital divide between the first and the third world, it cannot just offer a panacea for all development problems, but only if used in the right way and for the right purpose, it can have a significant outcome in addressing specific social and economic development goals as well as play a key role in broader national development strategies.

Therefore, in view of the above, the adoption and application of ICT, in this regard mobile communication technology and specifically in this research mobile money services, in the daily operations of SMEs is a positive move towards realizing development of businesses, of which here in Tanzania, this adoption also will be a compliance with both the National Science and Technology Policy (URT, 1996:3-4) as well as the National ICT policy and vision statement of 2003 (URT, 2003:2). Both policies aims at building a strong
competitive economy capable of producing a sustainable growth and shared benefits, by applying ICTs to productive sectors, SMEs inclusive, and developing an ICT industry in the country (URT, 2003:4).

**Theory of Technology Acceptance Model (TAM)**

The theory TAM, by Davis (1989), suggests that when users are presented with a new technology, a number of factors influence their decision about how and when they will use such new technology. These factors are identified to be;

1. **Perceived usefulness**, which is defined as the degree to which a person believes that using a particular system would enhance his or her job performance, and
2. **Perceived ease of use**, which is defined as the degree to which a person believes that using a particular system would be free from effort

TAM, since its development, has been one of the most influential extensions of theory of reasoned action (TRA) in the literature (Ajzen and Fishbein), mainly replacing many of the TRA’s attitude measures with the two technology acceptance measures: “Ease of Use”, and “Usefulness” of the Technology. TRA and TAM, both of which have strong behavioural elements, assume that when someone forms an intention to act, they will be free to act without limitation.

**Figure 2.2 Technology Acceptance Model (TAM)**

![Technology Acceptance Model Diagram]

Source: Davis, 1989

On the other hand, since in a real world there will be many constraints, such as limited freedom to act, Bagozzi and Warshaw (1992), in their work they mention that: “because new technologies such as personal computers are complex and that an element of uncertainty exists in the minds of decision makers with respect to the successful adoption of them, people form attitudes and intentions toward trying to learn to use the new
technology prior to initiating efforts directed at using. Attitudes towards usage and intentions to use may be ill-formed or lacking in conviction or else may occur only after preliminary strivings to learn to use the technology evolve. Thus, actual usage may not be a direct or immediate consequence of such attitudes and intentions”

On the other hand, this TAM although it has been frequently used, it has similarly been widely 21riticize21, leading to the original proposers to attempt to redefine it several times. Such critiques to the TAM theory include its questionable empirical or practical value, limited explanatory and predictive power, triviality, and lack of any practical value (Chuttur, 2009). On the other hand, Benbasat & Barki, (2007), in their work, they generally 21riticize TAM from the grounds that it focuses, for instance, on the individual ‘user’ of a computer, with the concept of “perceived usefulness”, with the extension to bring in more and more factors to explain how a user “perceives” “usefulness”, and ignores essentially the social processes of Information Systems development and implementation, without considering an objective answer to a question where more technology is actually better with vivid and substantial social consequences, as thus, leading to a state of theoretical chaos and confusion.

**Customised TAM**

Since TAM is flexible enough and provides independence to allow researchers to expand it for adaptation into the constantly changing technological environment, similarly in this research work the TAM theory will be customised for it to suit the purpose. The two factors set out in the TAM theory, “Ease of Use” and Usefulness” which are considered to be the primary determinants for adopting and using a new technology, are said to be regulated or influenced by other variables such as security concerns, cost, convenience, and satisfaction (Lu, Yu, Liu and Yao, 2003).

Therefore, conclusively, in view of aforesaid and owing to the fact that this study focuses on finding out if mobile money transfer has an overall impact on the performance of SMEs in Tanzania, it is thus worthwhile focusing on the factors that, from user experience point of view, do influence the usage of mobile money services by SMEs. In this regard then, the TAM theory will be adopted in this research work for the purpose of testing the factors that influence users’ acceptance and use of mobile money services as a new technology. For the specific purpose of this research the adopted TAM is the one extended to include factors such as ease of accessibility and achieved convenience, underlying cost reduction, security
and support services with regards to mobile money services as depicted in Figure 2.3 below.

Figure 2.3 Customized TAM Model for Mobile Money Services

i. Accessibility

Pagani (2004), states that accessibility (ability to reach the required services) is one of the main advantages of mobile payment services. Small and micro businesses are among the greatest beneficiaries of using M-Pesa mobile payment. As at 31\textsuperscript{st} March, 2009, there were 8,650 M-Pesa agents spread throughout the country offering the mobile payments service (Annual report, 2008/2009). The micro-business operators go to the bank less often and spend more time running their businesses. Equally, many unbanked Kenyans can now receive or send money wherever they are in the country (Omwansa, 2009). Majority of the micro business operators are familiar with the use of the mobile payment services as they are easy to use and require no formal training before use.

ii. Cost reduction

The transaction costs of sending money through the mobile payment technology are lower than those of banks and money transfer companies (Omwansa, 2009). The cost of a payment transaction has a direct effect on consumer adoption if the cost is passed on to customers (Mallat 2007). Transaction costs should be low to make the total cost of the transaction competitive. The cost of the mobile payments should be affordable to most of the micro business operators and far below what the banks normally charge for their bank transactions. There are
many different mobile handsets which are easy to operate and have the functionalities required for the mobile payment technology.

iii. Security

Njenga (2009) states that although the mobile phone balances may seem low, the fact that there are balances proves that there is storage which can be perceived as acceptance of deposits. This is a significant indication of the high value placed on the convenience associated with the use of the mobile payment services. Omwansa (2009) states that a lost or stolen mobile phone does not mean catastrophe as no one can access an M-Pesa account without a correct personal identification number (PIN). He further explains that in a country where majority of people have no bank accounts, M-Pesa provides both convenience and safety. People walk around with their virtual money knowing they can withdraw cash any time at a minimal fee. In a mobile environment, it is necessary to have perceived security and trust in the vendors and the payment system (Siau, et al., 2004; Mallat, 2007).

Security and safety of mobile payment transactions is one of the primary concerns for users (Nam, Yi, Lee and Lim, 2005). They state that safety represents no delay, no transaction incompleteness and no private information disclosure during payment transactions. The use of the pin and secret code for the M-Pesa transactions enhances the security and privacy issues. Key requirements for any financial transaction in an electronic environment should include confidentiality, authentication, data integrity and non-repudiation (Shon & Swatman, 1998). Other security factors important to the users are anonymity and privacy, which relate to use policies of customers’ personal information (Jayawardhena & Foley, 1998; Shon & Swatman, 1998; Mallat, 2007).

iv. Support Services

Payment systems exhibit network externalities as the value of a payment system to a single user increases when more users begin to use it (Van Hove, 2001, Mallat, 2007). Consumer decision to adopt a payment system is therefore significantly affected by the amount of other consumers and traders using it. Failure to create a critical mass has contributed to discontinuance of several previous payment systems, including several smart card systems (Szmigin &
Bourne, 1999). It is therefore a critical success factor for the M-Pesa mobile payment provider to reach a wide enough base. The coverage area of the M-Pesa mobile payments is spread throughout the country with a subscriber base of over six million registered as at 31st March, 2009 (Annual Report 2008/2009).

2.4.4 Mobile Money Services Environment and Stakeholders

A number of stakeholders, as further specified in Table 2.3 below, participate in the overall operation of mobile money services ecosystem. The collaboration of these participants or stakeholders, which includes: the mobile network operators (MNO), financial institutions, agents, consumers, and regulators, is necessary for the success of the mobile money network (Jenkins, 2008).

i. **Mobile Network Operators (MNOs)**

In the most successful mobile payments initiatives, which are predominately focused on the unbanked in emerging markets, the mobile network operator fills the role of drawing the ecosystem together, providing the infrastructure for the payment system and oversight for the agent network. In the process, mobile operators can recognize incremental revenue for the addition of data transmission to their voice network operating systems, either in cooperation with a bank partner or independently. The mobile carriers own the customer billing relationships and exercise control over the distribution of mobile phones through their relationships with the handset manufacturers (Bourreau and Verdier 2010). MNOs generally lack experience in financial services and payments risk and the regulatory and legal governance of payment systems. Where MNOs offer mobile money to consumers through the use of agent networks absent a bank partnership, they also provide the clearing and settlement for the prepaid airtime on the mobile handset.

ii. **Financial institutions**

In most countries, retail payment systems have been dominated by banks whose primary function in the most basic sense is to gather deposits for deployment in loans and other permissible investments. While financial institutions in developed countries have been slow to offer mobile financial services because of the perceived lack of return on capital investment, recent pilot deployments signal this may be changing. Financial institutions have the opportunity to add value to customer depository services with the addition of mobile technology and realize
customer retention benefits as a result. Financial institutions are best positioned to employ risk management programs that ensure regulatory compliance for money laundering and other risks.

iii. The Agents

These encompass nonbank entities such as retailers (either the MNO’s own retail center or another retailer such as a village store) that handle customer registration and liquidity needs for the mobile money users, on behalf of the MNOs. In the simplest of examples, the MNO acts as agent, using its own retail distribution network; however, in some countries, airtime resellers have emerged as sub-agents to expand service distribution to more rural locales. The primary role of an agent is to accept and disburse cash, in essence providing cash-in and cash-out services from the consumer’s mobile handset. In this role, the agents serve as branches for the mobile network operators and act as the primary touch point for the customer relationship. As the liaison between the MNO and the consumer, the agent bears responsibility for account opening, customer due diligence, and know-your-customer program compliance.
Table 2.1 Mobile money services ecosystem

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Role/s played</th>
<th>Limitation and /or Constraints</th>
</tr>
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<tbody>
<tr>
<td>Mobile network operators</td>
<td>- Provide infrastructure and communication</td>
<td>- Regulatory limitations on providing financial services</td>
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<tr>
<td></td>
<td>- Provide agent oversight and quality control</td>
<td>- Shareholder pressure for faster, higher returns</td>
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<td></td>
<td>- Issue e-money (where permitted by law)</td>
<td>- Strategic focus that may not include mobile money</td>
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<td></td>
<td>- Exercise leadership in drawing mobile money ecosystem together</td>
<td></td>
</tr>
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<td></td>
<td>- Advise other businesses (banks, utilities, etc.) on their mobile money strategies</td>
<td></td>
</tr>
<tr>
<td>Financial institutions</td>
<td>- Offer banking services via mobile</td>
<td>- Narrow customer base</td>
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<td></td>
<td>- Hold float or accounts in customers’ names</td>
<td>- Lack of experience with or interest in low-income customers</td>
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<td></td>
<td>- Handle cross-border transactions, manage foreign exchange risk</td>
<td>- Stringent regulatory requirements with significant compliance burdens</td>
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<td></td>
<td>- Ensure compliance with financial sector regulation</td>
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<tr>
<td>Agents</td>
<td>- Perform cash-in and cash-out functions</td>
<td>- Liquidity shortfalls</td>
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<td></td>
<td>- Handle account opening procedures, including customer due diligence</td>
<td>- Basic business skill gaps</td>
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<td></td>
<td>- Report suspicious transactions in accordance with AML/CFT requirements</td>
<td>- Lack of customer trust (in some cases)</td>
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<td></td>
<td>- Identify potential new mobile money applications</td>
<td>- Limited ability to partner with large corporations</td>
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<tr>
<td>Regulators</td>
<td>- Provide enabling environment for mobile money</td>
<td>- Lack of experience with convergence of financial and telecommunications regulatory schemes</td>
</tr>
<tr>
<td></td>
<td>- Protect stability of financial system</td>
<td>- Lack of financial and technical capacity</td>
</tr>
<tr>
<td></td>
<td>- Demonstrate leadership to encourage and protect behavior change</td>
<td></td>
</tr>
<tr>
<td>Consumers</td>
<td>- Use mobile money to improve their lives</td>
<td>- Lack of awareness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Limited financial literacy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Cultural and psychological resistance</td>
</tr>
</tbody>
</table>

Source: Jenkins, 2008

Retail sales stores and airtime resellers are typical candidates for MMT agents because they tend to have sufficient liquidity to satisfy consumers’ needs to deposit and withdraw
cash. This network of local agents can expand the mobile operator’s reach to rural areas in order to achieve a higher level of penetration in unbanked markets where there is no physical bank presence, essentially enabling a branchless payment system, outside the traditional bank-led business model. Agents typically provide liquidity with funding from other business activities including selling airtime in addition to general merchandise (Bangens and Soderberg 2008).

According to Jack and Suri (2010), one example of an efficient agent network is the Safaricom M-PESA model. Safaricom’s agent network has evolved into a two-tier structure with master agents who manage liquidity as the liaison between Safaricom and the individual stores, or sub-agents under their management framework. The master agent buys and sells cash from Safaricom, makes it available to the sub-agents, and distributes agent commissions. Agents receive commissions for transactions, holding the balances on their own cell phones. These mobile airtime balances and cash on premises are the critical elements of the agents’ liquidity management system.

iv. Regulators

Regulators also fill a critical role in the ecosystem, as they work to strike a balance between providing prudential, risk-based oversight and encouraging innovation, efficiency, and financial inclusion. Regulators will be challenged by the pace of innovation in mobile payment services and the increasing opaqueness in payment transactions from a regulatory oversight perspective. Mobile transfer systems are giving rise to new challenges in how to establish effective regulatory infrastructures to provide oversight for converged banking and telecom industries in a cross-border context. The telecommunications industry in most countries is regulated on the basis of a public utility, whereas the banking sector is regulated on the basis of safety and soundness and capital adequacy. The telecom industry in most countries lacks experience in financial services and the business risks associated with this expanded role. Furthermore, the regulatory infrastructures for mobile carriers in many countries are in nascent stages of development with respect to mobile financial services. GSMA has published guidance on developing a regulatory framework for mobile money transfers with a focus on the remittance segment, recognizing that mobile operators lack experience in payment regulation. The aim of its report is to explain potential regulatory issues arising from mobile operator payment services (GSMA 2007).
2.5 Empirical Studies

Although, at the time of carrying out this research work, no researches were found or published to have been carried out in Tanzania specifically evaluating the impact that mobile money services have so far had or would have on the overall performance of SMEs, however some studies of relevancy to this research work have been carried out not only in Tanzania but also in some other countries of the world.

A Case of Tanzania

Lennart, B. and Bjorn, S. (2011), in their work “Mobile Money Transfers and usage among micro-and small businesses in Tanzania”, focus was mainly on analysing how, and to what extent, financial transactions over mobile networks are being used by micro and small sized enterprises (MSEs) in Tanzania for business purposes. In their interviews with MSEs, concentration was mainly to get responses in three areas, all directed at understanding the actual usage of mobile money services, that’s; mobile transfer usage, formalization and regulation of business, and the diffusion process of mobile payment. As results from this study, it was identified that only 39% of the interviewed MSEs were using mobile money services, whereby only 26% of the transactions made were business related.

On the other hand, it is vivid from the study that the empirical findings stressed on the reasons as in why most MSEs adopt mobile money services at relatively high rates. First was, fast compared to the alternatives, convenient in terms of a user friendly interface, spread of the agents as well as affordability. Furthermore, it was clearly indicated in this study that the actual impact of mobile money transfer usage to the MSEs businesses was not expected for the reason that additional interviews and a great deal of trust between the respondents and the interviewer was required.

A Case from Abroad

Additionally, Marion Mbogo (2010) in her research work “The Impact of Mobile Payments on the Success and Growth of Micro-Business: The case of M-Pesa in Kenya”, mainly focused on the investigation related to the success factors attributable to the use of mobile payments by micro-business operators. The research used existing variables, like: perceived accessibility, low cost, security, convenience, satisfaction and support factors, from researches conducted by other scholars and other variables that are relevant to the use of mobile payments. The conclusion made in that study was only around the justification
of the aforesaid parameters towards the behavioural intentions to use the mobile payment services by micro- business operators in Kenya. It was empirically proven, in the study, that all the mentioned earlier parameters were positively correlated with the behavioural intention to use the mobile payment services.

This conclusion of the findings still didn’t explain if there was or there wasn’t any correlation, specifically, between the development of micro- business and the actual usage of mobile money transfer services, a situation which has been put forward in this research work.

**A Mixed Case: Tanzania and Abroad**

In reference to the work by Cerstin, S., Peter, M. and Altemius, M. (2001), related to money transfer systems, mobile money services inclusive, emphasis in this study being based onto looking into how primarily low-income people and micro-entrepreneurs send and receive money in a setting where financial services and their outreach are very limited. The study was carried out in Tanzania and Uganda, where the evaluation was based on the available means for money transfer services in comparison with the trends in services and user preferences, users and uses, and costs and risks involved in each service mode. The study addresses people and organisations or institutions engaged in providing or improving money transfer services or in creating an enabling environment for such services. It should also be of interest to users of money transfer services some of whom are not fully aware of all the options available.

Conclusively, in view of the foregoing studies in relation to mobile money services usage, some having been conducted locally and some having been conducted abroad, it was enough to say that there was still no sufficient researches that have been carried our aiming at clearly establishing if there is or there isn’t any direct impact of mobile money services to the overall development of SMEs and therefore, concentration in this research work was directed towards collecting data which has been useful in analysing and testing the connection and or the envisaged connection between mobile money services usage to the overall development and sustainability of SMEs, particularly in Tanzania in terms of volume of sales, cost reduction and profit levels.
2.6 Conceptual Framework

2.6.1 Description of the Model

Referring to the work done by Marion Mbogo (2010), where it was found out that the
behavioural intention of use of mobile money services was positively affected by the
service’s factors of security, accessibility, convenience and support, therefore in this study,
in which the main objective was to measure if the development of SMEs was affected by
the rate of usage of mobile money services, the afore mentioned factors have been
considered as regulating factors to the usage of mobile money services. However, these
aforesaid factors have been further tested for relevancy here in Tanzania by the application
of the theory of technology acceptance model described in section 2.3.3 above.

Additionally, the conceptual model used in this research has taken reference from the
Integrated Performance Measurement for Small Firms model of Bititci, et al. (1997), from
which specifically the internal dimensions of costs and revenues will considered. In this
aspect, costs were looked at from the perspective of cost savings that are brought forward
by the mobile money services whereas focus on revenues was tied around the increase in
sales volumes as a result of mobile money services usage.

Therefore, generally in this study, the improvement in performance or increased
development of SMEs has been indicated by the selected key performance indicators of
cost savings and sales volumes as impacted by the usage of mobile money services in
Tanzania but at the same time being regulated by the factors that affect behavioural
intentions of use, as further depicted in the pictorial conceptual model in Figure 2.4.

Figure 2.4 The conceptual model

Source: Researcher’s own data
2.6.2 Underlying Assumptions

Reflecting the conceptual model above, sales volume and cost savings represent the dependent variables whereas the mobile money services accessibility, available support, convenience of usage and end to end security represent the independent variables.

Following are the assumptions that have been considered:

i. the development of SMEs is entirely determined by the profit an SME makes  
ii. the profit of an SME is assumed to be only influenced by the volume of sales made and the cost reductions achieved in a particular accounting period  
iii. the sales volumes and cost reduction, in this case, is assumed to be non-responsive to any other factors except mobile money services

2.6.3 Statements of Hypothesis

Referring to the literature reviewed in this Chapter two, it was anticipated that adaptation of usage of mobile money services in Tanzania would eventually, directly or indirectly, influence the development of SMEs in the country. Therefore departing from these grounds, the below hypothetical statements were derived and have been worked on in this research work;

i. $H_0$ = Security assurance influences the rate of usage of mobile money services by SMEs in Tanzania  
ii. $H_0$ = Support reliability influences the rate of usage of mobile money services by SMEs in Tanzania  
iii. $H_0$ = Usage of mobile money services contributes to the cost reduction for SMEs in Tanzania  
iv. $H_0$ = Usage of mobile money services contributes to the increase in volumes of sales for SMEs in Tanzania
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets forward the methodology that was used in this research work. Referring to the work by Kothari (2000), a research methodology is defined to be “a way to systematically solve the research problem”. Therefore, in the light of this, the procedures and methodology that were used in this research are herein explained and do include; the research strategy and design, sampling, data collection methods and techniques and methods of data analysis.

3.2 Research type, Approach and Design

In this research work, qualitative approaches were applied for the reasons that the assessments carried were driven from interviews of the owners or those who operate SMEs. Owing to the fact that there was no quantitative data available, the responses provided by the interviewees where generally subjective as thus dependent on the respondents’ attitudes, perceptions, behaviours and as well biasness.

Qualitative approach was considered owing to the fact that there was a limitation during this study where most SMEs never had proper records of their business operational, hence this study had to specifically involve a qualitative assessment targeting at deducing the factors that influence the behavioural intention of use of mobile money services by the SMEs, Figure 3.1 (Research Plan) below refers, and furthermore, the cost savings as well as the increase in volume of sales resulting from the use of mobile money services will be determined through qualitative interviews with the SMEs.

Additionally, this research falls under the descriptive type of researches considering the fact that it involved finding as well as providing a description of the state of affairs as they exist at present in the market in relation to the usefulness of mobile money services in terms of development of SMEs in Tanzania. Furthermore, since the researcher had no control over the variables used in this research rather to only report findings as were, without any alternations, therefore if suffices to say that this research work falls under the descriptive type of researches.
3.3 Data requirement

3.3.1 Data measurement

In his work Kothari (2000) refers to data measurement as the process of mapping the aspects of domain onto other aspects of range according to some rule of correspondence. In view of this and considering that data used in this research was basically categorical data (that is either qualitative or descriptive data); therefore data was measured in units which were not interchangeable. Generally, categorical data is the data that is non-parametric and is subjected to a limited extent of mathematical and statistical treatment and so was the case in this research.

3.3.2 Data Scale

Considering that this research mostly involved qualitative analysis, ordinal type of scale was applied. An ordinal scale means that, there was the use of logical statements of ‘greater than or equal’ or ‘less than or equal’ such that the numbers assigned in this scale would have meanings in reflection of the assigned rank. Additionally, for this type of scale the appropriate measure of central tendency is the median whereas the measure for dispersion is the percentile or quartile.
3.4 Sampling

3.4.1 Sample Design

This is a definite plan that is used in obtaining a sample from a given population; basically it is a technique and procedure by which the items for a sample in a research will be selected. In this research where an infinite universe would have been used, the sampling units were thus the SMEs in Tanzania whereas the sampling frame was decided to be specifically small enterprises, in accordance to the definition in Tanzania, i.e. enterprise that are constituted of the number of employees between 5 and 49 and /or with capital investment from Tanzania Shillings (TZS) 5 Million to TZS 200 Million in Tanzania.

3.4.2 Target Population

The targeted population included all small enterprises in Tanzania. For the purpose of this research work, selective respondents from small enterprises in Dar es Salaam who could give to somewhat professional appraisal or feedback to support this study were selected and considered to represent whole SMEs in Tanzania.

3.4.3 Sample size

For objectivity considering that the sample size determines the results for any research, that is; if the sample size is too small, there is a possibility of the objective not being achieved and if a large sample size is considered then massive financial and time requirements would fall on the researcher. Therefore in the light of these implications, for the purpose of this research work sample size of 100 SMEs was considered, however responses were received from 94 SMEs only (i.e. 94% of the targeted sample size was reached)

3.4.4 Sampling procedure and Technique

For the purpose of this research, a non-probability sampling procedure was applied for the reason that this sampling procedure was convenient enough to cover this study and also considering that the information that was being sought for, the purposive sampling technique was used. Additionally, this sampling procedure is simple to use and thus saves time and other resources that would have been required if more complex sampling procedures were opted for.
3.5 Data collection techniques

3.5.1 Data type

Data is classified into two basic categories: Primary data, which refers to freshly collected data for a specific research purpose and Secondary data, which refers to the data which was collected for the purpose of some other research work. In the light of this considering the drawbacks in the secondary data which was readily available, due to there being almost not at all any record keeping to most of our SMEs, primary data was chosen to be used in this research.

3.5.2 Collection techniques

Since primary data was used in this research, therefore the technique that was more appropriate to get responses from the targeted respondents was by use of the questionnaires. Depending on the geographical location and availability the respondents were contacted by carrying out physical interviews, via email communication and over the phone. Where phone calls were used, the questionnaires were purposely sent earlier to the respondents so they could have ample time to go through them and understand the questions before a phone call was made.

3.6 Data Analysis

Dr. Kombo and Dr. Tromp (2006) in their work, they refer to data analysis as the examining of what has been collected in a survey or an experiment and making deductions and inferences. On the other hand, Kothari (2000) refers to it as the computation of certain measures along with searching for patterns of relationship that exist among groups or data. Therefore, in the view of the aforesaid, in this research, qualitative techniques for data analysis were used, whereby percentages were the basis for decision making. This technique is simple to use and, to some extent, scientifically assists to justify the findings of the research.

3.6.1 Data processing

Performed in data processing are the editing, coding, classification and tabulation of collected data so that they are amenable to analysis. Therefore in this research work it was ensured that data obtained from the questionnaires was accurately and consistently tabulated ready for processing, prior to which the collected data from the questionnaires was edited in order to detect if there were any errors which were at times omitted or
corrected without affecting the responses provided by the interviews.

3.6.2 Data representation techniques

In reference to the work of Dr. Kombo and Dr. Tromp (2006) data can be represented by using three major ways: it can be by using statistical techniques, graphical techniques or a combination of both. For the purpose of this research, a combination of both techniques has been used in order to suitably represent the data collected.
CHAPTER FOUR

PRESENTATION OF FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the empirical analysis, estimation and interpretation of the research findings. Referring to the work of de Vos et al. (2002, 339), data analysis is “the process of bringing order, structure and meaning to the mass of collected data”. The methodological process of data analysis was comprehensively discussed in chapter three of this report, and therefore the results of this analysis have subsequently been reported in this chapter.

In terms of the process that was employed in the analysis of the data, the following needs to be mentioned in terms of orientation towards the contents of this chapter. After coding the qualitative data, the researcher focused on establishing links between the different data contexts, in order to formulate themes on which the desired outcome of the analytical process would be built around. The contents of the themes are fully reported upon in this chapter and have been decided upon the relevancy of the findings to this research work.

4.2 General overview of SMEs in Tanzania

4.2.1 SME Ownership & Registration trend

Under this subject, analysed from the data collected as a result of this research, is the general SMEs ownership distribution in Tanzania. This considers the number of SMEs owned by men in comparison to those owned by women. Furthermore it analyses the trend in change of ownership with time.

Therefore, generally looking at the information that has been revealed upon conducting this research, Table 4.1 herein refers, 73% of the SMEs interviewed in Tanzania, under this research, were found to have been established and owned by men whereas only 27% of the SMEs were found to have been owned and established by women. This information is quite alarming in conjunction with the on-going efforts of United Republic of Tanzania of empowering and developing women capacity in various fields or sectors for sustainable economic development.

Going further into the details, analysing the trend of establishment and ownership of the SMEs in the past 10 years, it has been realised in this research that still the number of SMEs owned by women is still low compared to those owned by men, however there is a
noticeable trend of increase, year after year, of the number of SMEs owned by women in the Tanzania.

Table 4.1 SME Owners Distribution – Men Vs Women

<table>
<thead>
<tr>
<th>Ownership by Gender</th>
<th>Age of SMEs (# of Years from Establishment)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1-3</td>
<td>4-7</td>
</tr>
<tr>
<td>Male Owners</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Female Owners</td>
<td>13%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Women Entrepreneurs (%) Increase

<table>
<thead>
<tr>
<th>Age of SMEs (# of Years from Establishment)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3</td>
<td>4-7</td>
</tr>
<tr>
<td>1100%</td>
<td>800%</td>
</tr>
</tbody>
</table>

Source: Research Data

More specifically with reference made to Figure 4.1 below, looking at SMEs which are over 11 years old, one will see that only 8% of those SMEs were owned and run by women, which when compared to the situation of today, there is a clear trend of increasing women SME owners, year after year. As findings from this research, considering the young SMEs, that is SMEs with ages ranging between 1 to 3 years, 39% of these SMEs are owned by women, also Figure 4.1 below refers. This trend clearly depicts that there has been an improvement in women’s participation in entrepreneurship.

Figure 4.1 SME Ownership Trend – Men Vs Women

Source: Research Data
This finding in this research coincides with the results presented in the research work done by ILO Dar es Salaam Office and the Ministry of Industry and Trade ("Tanzania Women Entrepreneurs: Going for Growth"), carried out in April 2003. The research involved 128 SMEs in Tanzania, and although the research did not specifically put forward the relative numbers, the findings indicated there to be a tremendous increase in the number of women entrepreneurs since the mid-1980s to 2003. Of important to note, as identified and put forward in this work, this increased trend of participation of women in entrepreneurial activities was being greatly contributed to by the support that women receive from the policy-makers as well as donors in the country.

On the other hand, referring to the research work by Pat Richardson et al (2004), they looked at the profiles of women entrepreneurs in some African countries, specifically Tanzania, Zambia and Ethiopia. From this research work of interest were two profiles of Education and Family Statuses. It was identified that in Tanzania for instance, 85% of the women entrepreneurs had completed secondary school education, yet it is only an average of 28% of the overall women population are reported to have access to secondary school education in Tanzania. Therefore, since there is a very significant relationship, for women in Tanzania, of attaining secondary school education and being an entrepreneur, and yet they have limited or no access to it, then it suffices to say that lack of formal education is a factor limiting development of women entrepreneurs in Tanzania. Furthermore, much said about how women entrepreneurs are constrained by their multiple roles within the family and community, and the various responsibilities and restrictions that arise from and accompany these roles. In justification of this, specifically for Tanzania, 69% of women entrepreneurs were married, whereby 85% of these had children out of which 35% had households of average of four children, in the light of which it suffices to build case for women entrepreneurs being substantially covered in family and community roles, as thus a limitation in their development as entrepreneurs.

4.2.2 SMEs and General Economic Development

Without being biased to only focus on the key parts of the research topic, this study goes further to establish if there is a connection between SMEs and the general economic development in any country or society. In doing this the research worked to find out the number of employees for every SME interviewed.
Table 4.2 Employment from SMEs

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10</td>
<td>11-20</td>
</tr>
<tr>
<td>39</td>
<td>26</td>
</tr>
<tr>
<td>Number of SMEs</td>
<td>94</td>
</tr>
<tr>
<td>Average Employment Opportunities</td>
<td>1717</td>
</tr>
</tbody>
</table>

Source: Research Data

Considering an average of possible employment opportunities that can be created by a single SME, it was found out that, it was possible to create 1,717 employment opportunities with 94 SMEs. This is regardless they are skilled, semi-skilled, unskilled or highly skilled employment opportunities, Table 4.2 herein refers.

Therefore, this realisation further confirms the work by Hallberg (2000), where he clearly indicated that the small and medium enterprises (SME) sector has an important role to play in economic development, poverty reduction and creation of employment in developing economies. He further asserted that the SME sector is one of the most important sectors which provide employment and favourable business environment to the majority poor and a section of middle class population in the developing countries, of which is justified in this research where an average of 1,717 employment opportunities have been generated from only 94 SMEs. additionally in reference to the research work done by ILO Dar es Salaam Office and the Ministry of Industry and Trade (“Tanzania Women Entrepreneurs: Going for Growth”), carried out in April 2003, out of the 128 SMEs that were involved in the interviews in that research, it was identified that a volume of 983 jobs were created whereby out of these 752 were permanent jobs. Therefore, in the light of the findings in this research as well as findings from previous works done, it suffices to stress the point that, if well developed, SMEs can contribute to eradicating the problems of unemployment that are facing the country today.
4.2.3 SMEs and Money Transfer Practices

4.2.3.1 Money Transfer Means of Convenience

In their work, Lennart, B and Bjorn, S (2011), generally they pointed out that; “in Africa, a conjecture is that most SMEs struggle to make the cash-flow equation work out” and this from experience is a challenge here in Tanzania. The basic question from this statement is “how does one make, seamlessly, money move from point A to be B in order to allow business to take place?”

Therefore, in the light of the above, it was thus made a point, in this research work, to find out how convenient it is for SMEs in Tanzania to carry out money transactions (i.e. payments and transfers), by using the different means available, see Table 4.3 below.

Table 4.3 Money Transfer Means of Convenience

<table>
<thead>
<tr>
<th>Convenient means for Money Transfer Transactions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME Group</td>
<td>Other</td>
</tr>
<tr>
<td>Use Bank</td>
<td>8</td>
</tr>
<tr>
<td>Use Mobile Money</td>
<td>0</td>
</tr>
<tr>
<td>Non-Bank/MM Users</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Research Data

Analysing the findings in relation to money transfer means of convenience, some SMEs were found out to be using both Banks and Mobile Money solutions for carrying out money transfers, although some SMEs were found out to be neither using MM nor Banks. Going further into details and referring to Figure 4.2 herein, it was found out that 40% of the SMEs that use banks, were in favour of MM being the most convenient means for money related transactions whereas only 27% of those were in favour of the bank. Furthermore, 57% of MM using SMEs favoured MM as in being the most convenient means for money related transactions in contrast with their counterparts of 19%.
Generally from these findings, in totality it is vivid that MM has so far been well received, compared to banking system, as the most convenient means for carrying out money transactions, Figure 4.2 refers. Surprising enough is the indication that still there are SMEs which are seeing convenience in using physical cash rather than banks. Reasons for this perception were not dug into in this research.

Figure 4.2 Money Transfer Practice – SME Experience

Source: Research Data

4.2.3.2 MM and Bank Account Ownership

Upon getting an indication from SMEs that MM is the most convenient means of executing money transactions today in comparison to any other means available, including the banking system, the researcher under this study decide to establish the situation behind account holding in relation to bank accounts and to MM accounts.

Figure 4.3 Registration Requirement – MM Vs Bank
Source: Research Data

In order to understand what it takes to hold an account, be it a MM or bank account, this study carried out an analysis of the registration requirement in relation to account holding, Figure 4.4 above refers. This was carried out by evaluating the number of SMEs, whether legally registered or simply unregistered, in using MM or Bank accounts in comparison with the parameter of who actually owns the account in question.

Generally from the research findings, it was realized that 100% of the unregistered SMEs that were using bank accounts in carrying out their money transactions, those accounts were solely owned by the owners of the SMEs. Meaning that no SME, without being legally registered would own a bank account, which is contrasted with the fact that for MM, regardless the SME is registered or unregistered, still it can hold a MM account. All these findings drove the researcher to further analyse what this requirement of being legally registered means to the whole practice of SMEs using or intending to use bank accounts.

In reference to Figure 4.4 below, an analysis was carried out to establish a link between the legal registration tendencies of SMEs with the education level of the SME owner. It was revealed that as you go further to the right end of the figure (i.e. far towards the un-registration tendency side) the tendency of un-registration of SMEs increases with the owners being primary level education, whereas it reduces with the level of education increasing (getting to zero with education level of the SME owner being college and /or further)

Going to the far left of the graph (i.e. moving far towards the registration tendency of the graph), the registration tendency was seen to increase with the increase in the level of education. For instance it was revealed that all SMEs whose owners were of college and /or further education level, registration was 100% a case which wasn’t true for primary level education owners. However, the registration or un-registration tendency was found to be comparable for SMEs whose owners were of advanced level and ordinary level educational grades.
After having established that holding a bank account, SMEs need to be legally registered, furthermore, as it has been seen above in Figure 4.5 above; tendency for legal registration of SMEs has a direct correlation with the education level of the owners of SMEs. Therefore, in this study work, it was seen to be of great importance to underpin what the later discussed would mean to the banking system. This was done by analysing the how the ownership of SMEs is dispersed along the education line of their respective owners, Figure 4.6 herein refers.
From this Figure 4.6, it can be deduced that over 75% of the SMEs in Tanzania are owned by people whose levels of education is either primary school or ordinary level education. With this in mind and considering that it has already been revealed, in this research work, that the tendency to undergo legal registration of SMEs decreases with the reduced level of education of the SMEs respective owners. Therefore, with these altogether combined, it can thus be sufficient to say that, “due to the requirement of having an SME legally registered for the purposes of opening a bank account, it will be difficult or next to impossible for most SMEs to use the banking facilities as their means for executing money transactions.

4.2.3.3 Bank and MM Money Transfer Costs

As it has been seen in previous sections herein, MM is taken for a more convenient means for carrying out money transactions and also ownership of a MM account doesn’t require legal registration of SMEs, points of which further justifies how MM would be the most appropriate solution to their long lived problem around ease in carrying out money transactions. However, these points so far raised will not be sufficient, as per this research, to conclude that MM is the best way out, therefore it is quite vital to as well give a deep look into the costs that do accompany the transactions run over MM in comparison with Banks.

Therefore, departing from the points mentioned above and in reference to Figure 4.7 below, of the SMEs interviewed in this research, analysis was carried out for specifically MM using SMEs and Bank using SMEs. Surprisingly 31% of the bank using SMEs had a perception that MM transactions are either cheap or very cheap in comparison with Bank executed transactions, whereas a total of 53% of the MM using SMEs do perceive MM transactions as being cheaper compared to Bank executed money transactions. Generally, as per this research work, it can thus be comfortably said that carrying out money transactions by using MM is cheaper compared to doing same through the bank infrastructure.
4.2.3.4 Preferred MMNO

Suffices to say that, according to the findings from this research, MM stands out to be the most appropriate means for carrying out money transactions for the purpose of supporting their day to day business operations. Therefore, under this subsection a report is given in relation to the preferred MMNO by the SMEs.

Referring to Figure 4.7 below, out of the SMEs asked about their first MMNO, 50% indicated Vodacom (M-Pesa) to have been their first MMNO went for at their first time of using MM, whereas 26% identified Tigo (Tigo-Pesa) and 24% identified Airtel (Airtel-Money). So as to understand how the matrix stands today in terms of the most preferable MMNO, although still Vodacom stands out to be the most preferred MMNO with 47% of the SMEs indicating it as their preference, Tigo seems to have gained up to 42% SMEs indicating it as their number one preferred MMNO whereas Airtel dropped to 11%. With this trend, it is quite vivid that M-Pesa is losing base while as Tigo-Pesa is touching base. Furthermore this indicates that apart from the competition in mobile network operators in Tanzania which has been, for many years, focused on voice and sms services will now shift to MM services.

Source: Research Data
Additionally, this research goes further to understand what drives SME preference of one MMNO over the other, but in this case considering Vodacom and Tigo for the reasons that they are the ones taking almost 90% of the SME preference of MMNO in comparison to Airtel and others. For this aspect, SMEs were requested to comment on the general reliability of the MMNO, which specifically was linked to the frequency of operational issues an SME experiences or has experienced in using MM over a particular MMNO.

Referring to Figure 4.8 herein, it was found out that Vodacom (in this case M-Pesa) had a few frequencies of occurrence of operational issues in comparison to Tigo (i.e Tigo Pesa). This, though not sufficient to conclude, but goes in line with the preference of the MMNO presented in the previous paragraphs. Therefore, I could be said that the choice of an MMNO to use by SMEs in Tanzania, among several other reasons, is subject to or dependent on the frequency of operational issues experienced during execution of the money transactions over MM infrastructure.

Figure 4.8 SMEs Experience - MMNO Operational Issues
Source: Research Data

Therefore, for discussion purposes in this section 4.2, regardless of the individual reasons that contribute to the choice of use of one money transfer method and leave out the other means, referring to the survey made in Kenya, in relation to money transfer practices, survey carried out by FSD Kenya M-PESA study 2007, results showed that in 2006 people were mostly transferring money in cash form where M-PESA for mobile money was still not a means for money transfer for many, however, come 2007 when the FSD Kenya survey research was carried out, it was identified there to be a massive reduction in the use of money delivery by hand or cash, through banks and any other means, but astonishingly, there was a tremendous increase in the usage of M-PESA for mobile money transfer, Figure 4.9 below refers.

Therefore, in combination, the revelation by this research work as well as the trend on mobile money usage in Kenya as identified by FSD Kenya for M-PESA, it thus suffices to say that Mobile Money Service is the convenient means of carrying out money transfer transaction. This sends a signal to the MMNOs and the Government to align infrastructures and policies to ensure that this service works.

Figure 4.9 Kenya Mobile Money Transfer Growth

Source: FSD Kenya M-PESA Study 2007

4.3 Factors influencing the perceived use of Mobile Money services by SMEs in Tanzania

In reference to the customized technology acceptance model for mobile services as put forward by Lu, et al. (2003) and the conceptual model adopted in this research, as further discussed in Chapter 2 herein, this section underpins to test the validity of the hypotheses that, “security assurance influences the rate of usage of mobile money services by SMEs in
Tanzania” and another one that “support reliability influences the rate usage of mobile money services by SMEs in Tanzania presented in the conceptual model of this research in chapter two.

4.3.1 Security assurance influences the rate of usage of mobile money services by SMEs in Tanzania

In order to test the validity of the above mentioned hypothesis, security was linked to the extent to which the accounts cannot be tempered with (i.e. the reduced number of fraudulent acts). Research work was thus done to obtain responses from various SMEs in Tanzania in relation to their experiences of fraudulent acts related to MM usage. Furthermore, responses were sought from the SMEs with an intention of understanding, regardless of whether fraud has occurred to one’s MM account or not, if the occurrence of such fraudulent acts has to do with the perception towards the rate of usage of mobile money services by SMEs.

Analysing the findings, Figure 4.10 below refers; it is vivid that as of today MM services in Tanzania are highly affected by fraudulent acts. This is justified by the fact that out of the MM using SMEs in Tanzania interviewed in this research work, 76% indicated that fraud, of any sort, had happened on their accounts. This is quite a critical alarm for the MMNO to revisit their security channels to identify what can be done to ensure that there is end to end maximum security in the overall MM infrastructures.

Figure 4.10 MM use SMEs - Support & Fraud Experience

Source: Research Data

On the other hand, having the focus shifted on the impacts of occurrence of such fraudulent acts on the overall perceived usage of MM services by SMEs in Tanzania, in reference to Figure 4.11 herein, it was found out that 78% of the MM using SMEs which have
experienced fraud on their accounts were of the perception that it has actually given them a second thought as in whether to continue using MM services or reduce the rate or increase the carefulness. Surprisingly enough, 88% of the MM using SMEs that have not experienced any fraudulent acts on their MM accounts, indicated fraud to be a factor that makes think twice as in whether to use or not to use MM services.

Figure 4.11 Support & Fraud influence on MM Usage

Source: Research Data

Therefore, departing from the above analyses and considering that in this research work, security has been linked evaluated in terms of the magnitude of fraudulent acts occurring in MM services and from the findings there so identified it can thus be generalized that, end to end security in MM services has a direct influence on the perceived rate or tendency of usage of MM services.

4.3.2 Support reliability influences the rate of usage of MM services by SMEs in Tanzania

For the purpose of testing the validity of the above mentioned hypothesis, support was analysed with respect to the extent of attendance the SMEs get from MMNO in the event there are any operational issues related to MM services. These issues would generally include, one failing to transfer money or money being transferred but not reaching the desired destination or unavailability of the service or transferring money without getting notifications of a transaction being successful etc. Therefore under this research, efforts were directed towards obtaining responses of experiences from various SMEs in Tanzania in relation to level of support services extended to them by the MMNOs in case of any issues whenever they use MM services.
In the light of the findings, Figure 4.11 herein refers; it is vivid that as of today MM services in Tanzania are doing better in providing support to the MM users. This is justified by the fact that out of the MM using SMEs in Tanzania interviewed in this research work, Figure 4.11 refers, 61% indicated that the support services provided by the MMNOs are reliable leaving only almost 40% of the population which indicated that support services provided by the MMNOs are not reliable. This feedback is a good indication for the MMNOs; however efforts should be made towards striving to ensure that the support services level is improved to three decimal places of 99.999%.

Additionally, looking at if the unreliability of support services has an influence on the overall perceived usage of MM services by SMEs in Tanzania, in reference to Figure 4.12 herein, it was found out that 70% of the MM using SMEs which have experienced support issues while using MM services were of the perception that it actually gives them a second thought as in whether to continue using MM services or otherwise. On top of this, 75% of the MM using SMEs that had not experienced any support services difficulties while using MM services, indicated that unreliability in support services would make one think twice as in whether to use or not to use MM services.

Therefore, in the light of the analyses made in this research work, it is sufficient to say that the level of support services extended to the MM services users have a direct influence on the perceived rate or tendency of usage of MM services by SMEs in Tanzania, as thus a critical factor to be looked at.

4.4 Usefulness of MM Services for SMEs in Tanzania

As indicated in the conceptual model, discussed in Chapter 2 herein, the usefulness of MM services was evaluated in terms of the influence MM services have on the overall sales volumes and cost reduction of SMEs in Tanzania. Therefore, this section analyses the validity of the two hypotheses, “Usage of MM services contributes to the cost reduction for SMEs in Tanzania” and another one “Usage of MM services contributes to the increase in volume of sales for SMEs in Tanzania.

4.4.1 Usage of MM services contributes to the cost reduction for SMEs in Tanzania

In order to test the validity of the above mentioned hypothesis, cost reduction for SMEs in Tanzania was linked to two basic parameters, costs of travelling and costs of acquisition of inputs. With these, the research carried out aimed at gathering feedback from various SMEs in Tanzania, that use MM services, about the impact of MM services to their day to
day operational transactions, travelling and acquisition of entity inputs.

Referring to Figure 4.12 herein, of the interviewed SMEs, a total of 53% indicated to strongly believe that with mobile money services introduction and usage in Tanzania there have been reduction in travelling costs which were originally incurred without MM. Mutakyawa Sylvin, who owns a fresh flowers selling at Mwenge in Dar es Salaam, he sources flowers from Arusha. He says in the past before MM services and as it was difficult to work with banks, i.e. deposit the money in Dar es Salaam and wait for the supplier in Arusha to confirm receipt of the funds before issuing the flowers, it was difficult and/or rather costly to carry out business. He says the shop had to employ 3 boys, who were on different days shunting between Dar es Salaam and Arusha to physically purchase and deliver the flowers in Dar es Salaam. This was costly to the shop, but with MM services it has been cut down so drastically since it is easy and cheap to send money through the available MM services providers, the supplier instantly confirms receipt and prepares the consignment immediately and dispatches it to Dar es Salaam.

Interesting to look at, out of the SMEs interviewed, Figure 4.12 refers, a total of 15% indicated clearly to have seen no reduction in costs of travel. Out of these 14% are MM services users with MM accounts. Asking Joseph Rweyemamu, a butchery at Ubungo in Dar es Salaam and one of the 14% MM users who indicated MM services to have not contributed to any travelling routines, he says his business has been established in a way that most of its inputs are delivered at the butcher by the suppliers themselves. Therefore, this being the practice and however there is an introduction of MM services, no significant reduction in travel requirements have been seen.
Furthermore, apart from reducing costs for SMEs, the researcher also focused on finding out whether, with MM services usage, it has been made easy for SMEs to source inputs for their businesses. Regardless if the need to travel has been reduced or not, referring to Figure 4.13 herein, over 61% of the SMEs interviewed indicated that sourcing has generally been made smooth or easy due to the use of MM services.

Source: Research Data

Interesting to notice out from the findings herein in Figure 4.13 above, none of the mobile money services users indicated there to have been no ease in sourcing as a result of using MM services. Therefore in totality, considering the percentages of SMEs that responded...
positively to the two scenarios, it thus suffices to say that MM usage contributes to making sourcing easy for SMEs and furthermore reduces the costs incurred by SMEs through cutting down the need of SMEs to travel to source inputs to their businesses.

4.4.2 Usage of MM services contributes to the increase in volumes of sales for SMEs in Tanzania

Under this section, this research worked to test the validity of the hypothesis “MM services contribute to the increase in volumes of sales for SMEs in Tanzania”. Feedback was gathered from various SMEs in Tanzania, that use MM services, in order to find out if there is any noticeable increase in sales volumes comparing the sales volumes before and after introduction and usage of MM services. Important to note is that, at this point most SMEs were just making assumptions but there were no clear records showing the trend in sales volumes.

Figure 4.14 MM Usage Vs Sales Volumes

Source: Research Data

Referring to Figure 4.14 above, results from field work in this research indicates that almost 60% of the interviewed SMEs responded positively to the question which aimed at finding out whether MM services have contributed to the increase in sales volumes. However, like what has been pointed out in section 4.4.1 above, the SMEs generally had not clear records of the sales volumes where one would clearly see the trends in sales volumes prior and post introduction of MM services in their businesses.

As a matter of curiosity, to understand why SMEs were certain that there are environments
in sales volumes, some SMEs were asked for the reasons behind their responses. Talking to Mutakyawa Sylvin, who runs a fresh flowers shop at Mwenge in Dar es Salaam, he says there has been an increased volume in sales for the reason he mentions that prior to MM services, the supplies were not so certain and there were specific days for deliveries to be made. He could not fulfil some orders as it was difficult to source the flowers. Today after resorting to MM services, there has been an increase in sales as now it is easy to meet all the orders, where he further asserts he can make 3 orders for supplies from Arusha in one day.
CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Following the main objective of this study, this was to examine whether the introduction of Mobile Money services has influence on the improvement of the overall development of SMEs in Tanzania. And as the research findings have been presented in the previous chapter, chapter four, this chapter therefore, is organized to present in section 5.2 the conclusions from the results and driving from the results draw recommendations which are presented in section 5.3.

5.2 Conclusions

5.2.1 Money transfer practices in Tanzania

Considering the findings of this research as reported in chapter 4, three major conclusions can be deduced; firstly, generally it can be said that almost all SMEs in Tanzania do transfer money by using any of the 3 means; hard cash, banks and/or mobile money service which today seems to be the most preferred means. As revealed under this research work, most SMEs are using mobile money services followed by hard cash and lastly the usual banking systems. This fact is contributed to by the fact that using banks requires opening up bank accounts which also requires an SME to be legally registered.

On the other side, mobile money services usage yes requires one to have a mobile money account but it does not necessarily require the SME to be legally registered. Therefore it becomes quite a plug and play to use mobile money services. Additionally, as indicated by many SMEs in this research, it is not only inconvenient to use banks compared to mobile money services for money transfers but also transactions carried out over mobile money infrastructure are cheaper than those carried out over the banking infrastructure. Furthermore, with mobile money services if a transaction has been completed it is on immediate effect that one can confirm receipt of the money and also it is easy to withdraw the money as there are several points where customers can transact (i.e. to cash in or cash out).

As already highlighted, having a bank account requires legal registration of an SME of which by looking at the ownership of the SMEs, i.e. mostly being owned by people
whose education levels are either equal to or lower that ordinary education and furthermore it has been revealed that it is a great practice, of not being legally registered, for SMEs whose owners are education levels lower than or equal to ordinary education. A conclusion to be drawn from this fact is that, since banks require SMEs to be legally registered for them to have bank accounts, then in the light of this it is vivid that banks are at a risk of not having many customer SMEs.

Secondly, yes mobile money service, as revealed in this research work, is the most convenient and cheap means used by SMEs to carry out money transfer transactions whenever it may so be desired, however it has been indicated that mobile money services (specifically on the infrastructure) are still faced by fraudulent acts as well as unreliability in support services in case of any problem. For most SMEs it has been indicated that fraudulent acts have occurred on their accounts in one way or the other. The most said one is where a customer opts to pay through mobile money services and after they have been attended and transferred the money, they call the respective MMNO call center complaining that they have made a transfer to a wrong destination and the money is returned back to them. This has made most SMEs to fall into losses.

Thirdly, it is worth to mention that although mobile money services are taking pace in the country today, there is still a preference made by users as in why to use one MMNO and leave out the others. For instance, as indicated by many SMEs today in Tanzania, M-Pesa provided by Vodacom is the most preferred mobile money service infrastructure. Most SMEs indicate that network reliability and support availability are the basic reasons for their preference of one MMNO over the other.

5.2.2 Development of SMEs as influenced by MM Services

Referring to the report of the findings as elaborated in chapter four regarding the influence of MM Services on the development of SMEs in Tanzania, it was clearly indicated by most SMEs that there has been an influence by introduction of mobile money services in Tanzania. This has been revealed by most SMEs responding positively towards the hypothesis that mobile money services have contributed to the increase in volumes of sales achieved and also that the need of travel and costs of operation of the SMEs have been reduced.
APPENDIX A

REFERENCES


FSD -Tanzania (2009), Key findings of the Finscope survey 2009: The demand for, and Barriers to accessing financial services in Tanzania


FSD - Tanzania (2007). “Key findings of the Finscope survey in Tanzania in 2006”


APPENDIX B

QUESTIONNAIRE

1. General Business Information

1.1 Is the enterprise legally registered under its own name? Yes: □ No: □

1.2 Gender of enterprise owner: Male: □ Female: □

1.3 Enterprise owner’s education level:
   Primary: □ O-Level: □ A-Level: □ >= College: □

1.4 Number of employees involved in the enterprise:
   1-5: □ 6-10: □ 11-14: □ 15-20: □ >=21: □

1.5 Number of years the enterprise been operational
   1-3: □ 4-7: □ 8-10: □ >=11: □

2. General Business Operational Information

2.1 In its operations, does the enterprise have a bank account that it uses?
   Yes □ No: □

2.2 Who is the owner of this bank account?
   Business Owner: □ The enterprise: □

2.3 For how long has the enterprise run its money transactions through this bank account?
   1-3: □ 4-6: □ 7-10: □ >=11: □

2.4 In its business, has the enterprise started to use any mobile money services?
   Yes □ No: □

2.5 For how long has the enterprise run its money transactions through this account?
   1-2: □ 3-5: □ >=6: □

2.6 Who is the owner of this mobile money services account?
   Business Owner: □ The Enterprise: □

3. Mobile Money Usage
3.1 Operationally, how convenient is it to carry out money transactions through bank account compared to mobile money services?

Very Easy: □ Easy: □ Difficult: □ Very difficult: □

3.2 Operationally, today what is most convenient mode used for money transfers related to the enterprise?

Physical cash: □ By Bank: □ Mobile Money: □ Other: □

3.3 Using mobile money services, is it noticeable for number of customers to have increased?

Yes □ No: □

3.4 Using mobile money services, has it made easy to source inputs to the enterprise?

Very Easy: □ Easy: □ Difficult: □ Very difficult: □

3.5 Compared to money transfer charges in banks, mobile money services are:

Very Cheap: □ Cheap: □ Expensive: □ Very expensive: □

3.6 Has the need of the enterprise to travel to source inputs into the enterprise increased with the adaptation of mobile money services?

Yes: □ No: □

3.7 Has the number of the enterprise’s business transactions carried out without the physical presence of the customer increased with the adaptation of mobile money services compared to when the enterprise was operating with a bank account?

Yes □ No: □

3.8 Is there a noticeable increase in the amount of sales as a result of adapting to accept payments through mobile money services?

Yes: □ No: □

4. Mobile Money Services MNO selection

4.1 What was the first MNO to use for mobile money services?

Tigo: □ Vodacom: □ Airtel: □ Other: □
4.2 What MNO are you frequently using today?

- Tigo: □
- Vodacom: □
- Airtel: □
- Other: □

4.3 In comparison which of the following MNOs has always operational mobile money services?

- Tigo: □
- Vodacom: □
- Airtel: □
- Other: □

4.4 Whenever there is a problem that the services are not available has it normally been easy to get support?

- Yes: □
- No: □

4.5 Has the frequency of support not being easy get whenever there is a problem with the services been an issue leading to switching MNOs?

- Yes: □
- No: □

4.6 Has it happened that fraud occurred on your mobile money services account?

- Yes: □
- No: □

4.7 Has the frequency of occurrence of such fraud issues influenced your second thought in frequently using mobile money services?

- Yes: □
- No: □