MOBILE MONEY SERVICES AND MARKET PERFORMANCE OF MICRO BUSINESS ENTERPRISES (MBEs): A CASE STUDY OF KAMPALA-NAKAWA SUB COUNTY

BY

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A PROPOSAL SUBMITTED TO THE SCHOOL OF BUSINESS AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS IN BUSINESS ADMINISTRATION OF UGANDA TECHNOLOGY AND MANAGEMENT UNIVERSITY (UTAMU)

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List of Acronyms

USSME	:	Uganda Small Scale and Medium Enterprises
URSB	:	Uganda Research Service Bureau
GSMA	:	Grouped Special Mobile Association
MBEs	:	Micro Business Enterprises
P2P	:	Peer to peer
B2B	:	Business to Business
B2C	:	Business to Customer
SMS	:	Short Messages
MTN	:	Mobile Telephone Network
MNOs	:	MNOs
ATMs	:	Automated Teller Machines
ICTD	:	Information and Communication Technology for Development
UCC	:	Uganda Communications Commission Report
KACITA	:	Kampala City Traders Association
Bout	:	Bank of Uganda
LC	:	Local Council

Approval

This research proposal has been compiled and submitted by Lumu Emmanuel Roy of Registration Number JAN16/MBA/010U to the School of Business and Management under the guidance of my supervision of:

Mr. Byarugaba Benjamin (Supervisor)

Signature…… Date…….

CHAPTER ONE

1.1 INTRODUCTION

Over the last decade, mobile phones increased around the developing world. New services are emerging as mobile network operators (MNOs) diversify services to compliment voice and SMS in a progressively competitive environment, where the goal is improving customer retention and reducing churn (Ali Ndiwalana, Olga Morawczynski, & Popov, 2007) This is the reason why Micro-business enterprises in the developing world are increasingly deploying the use of mobile payments to enhance the quality of their services and increase growth. (Mbogo, 2010)

In this study, the researcher intends to explore how mobile money services affect MBEs market performance in Kampala Nakawa Sub County.

This chapter of the proposal is composed the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, conceptual framework, significance of the study, justification of the study, scope of the study, operational definitions of terms and concepts.

1.2 Background to the study

1.2.1 Historical Background

Mobile money is novel: it was barely heard of a decade ago. The first service for the unbanked became active in 2001, but it is probably the phenomenal growth since 2007 of Kenya's M-Pesa system that has brought mobile money to international prominence. (Aron, 2016)

Mobile money transfer services emerged in Kenya with Safaricom's M-pesa service and M-kesho in 2010. The usage of the service is common in the country among subscribers and also among the unbanked populations in the rural areas. On the other hand in Uganda the small business sector, like in others parts of the world, is seen as a vital contributor in the evolution to a market economy, through job creation and income generation among other factors (Hisrich & Ozturk, 1999) With 80 % of MBEs located in urban areas such as Kampala (Hatega, 2007) they contribute approximately 75 percent of the gross domestic product (GDP) and employ approximately 2.5 million people (Osunsan, 2012). This signifies their undisputed role in the economic development of Uganda.

1.2.2 Theoretical Background

Theoretically, mobile payment procedures are essentially information technology (IT) procedures and channels through which users make various payment transactions. 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. Moreover, the mobile payment procedures are functional services adopted for utilitarian reasons. (Pousttchi, Giaglis, Weerthner, Tschammer, & Foeschi.K, 2003) This study focuses on mobile money services on MBEs market performance in Kampala-Nakawa Sub County. The Theory of Technology Acceptance Model (TAM).is applicable to the study, given the fact that, it has received praises from earlier researchers on its contribution towards our understanding into consumer behavior. (Steve Baron, Anthony Patterson, & Harris., 2008) State that: "Throughout the years, TAM has received extensive empirical support through validations, applications and replications for its power to predict use of information systems". Also, (Legris., John Ingham, & Collereette., 2003) conclude that "TAM has proven to be a useful theoretical model in helping to understand and explain user behavior in information system implementation.

1.2.3 Conceptual Background

Conceptually, financial services provided through digital mobility technologies have multiple configurations, goals, and characteristics. Depending on the combination of agents, technologies and objectives, they may have banking features, which are known as mobile banking. They may also have transaction payment features, which are recognized as mobile payments. Finally, they may also replicate the concept of money with digital features, which is then called mobile money. (Jenkings et al, Laukkanen et al, & Shen, 2008)

However the definitions of these concepts are not rigid and their delimitations are not very clear. In fact there is a considerable confusion with regard to the terms which are often used freely, regardless of their original meanings. This is the case with mobile payments: it may refer to bill payments, acquisition payments, or a transfer of financial resources or money between economic agents, and still come into the banking domain. In certain contexts, other concepts would be more appropriate, like mobile money, mobile transfer and/or mobile banking. (Jenkings et al, Laukkanen et al, & Shen, 2008)

This confusion of terms is not restricted to mobile services, but also to their objectives. For example, the term "bankarization" has been used as a synonym for financial inclusion or even economic inclusion, although these concepts are quite distinct. (Jenkings et al, Laukkanen et al, & Shen, 2008) The wide use of these inaccurate definitions led us to establish an initial conceptual bas is, to support the literature review. It should be stressed that the definitions given below are not the results of the review carried out in this paper, but was prepared as a preliminary phase on the basis of related work (Jenkings et al, Laukkanen et al, & Shen, 2008)

Mobile money services in the study will be conceived as the independent variable, while MBES market performance is the dependent variable. However, this model assumes that Cash flow management is a mediating variable through which the independent variable must go through in order to attain a more accurate effect on dependent variable.

1.2.4 Contextual Background

Contextually since mobile money was established in Uganda, the number of subscribers has been steadily increasing. By the end of 2012, Uganda had over 9 million mobile money users all over the country. Currently, according to that figures has grown to about 19.5 million, due to the fact that mobile money services have deepened financial inclusion in Uganda where bank accounts are six million. (Kiyingi, 2016)

(Namatovu, 2010) Observed that majority of the enterprises in Uganda are found in restaurants and food processing, garages for motorcars and motorcycles, retail and whole sale trade, metal fabrication, furniture assembling, schools and transport services.

On top of the surging subscriber numbers, mobile money transactions have grown from Shs962.7 billion to Shs 24 trillion by the end of 2015. The bulk of these transactions is through the market leader, MTN Uganda. (Herman Kasekende, 2015)

Many studies have been undertaken on mobile money services focusing on consumer adoption, technology design improvements and business-driven models. However, to the best of my knowledge, the effects of this innovation in the context of MBEs market performance are not yet well understood and require exploration to further reflect better the subsistence level and informal economy setting like that of Uganda. This study intends to respond to the call for rich, qualitative and quantitative research that might extend the conceptual understanding of the

effects of mobile money services on the MBEs market performance particularly in Kampala Nakawa Sub County.

1.3 Statement of the Problem

Micro-business enterprises (MBEs) in the developing world are increasingly deploying the use of mobile payments to enhance the quality of their services and increase growth. (Mbogo, 2010) Uganda in particular has experienced a fast and explosive growth of mobile money services, (Abuka, 2015) which comes with associated benefits, like potential to increase the efficiency of existing payment systems, due to added value to financial services, Micro-business enterprises. (Sova, 2013)

However the market performance of Ugandan MBEs is declining for example; A 38% decrease in sales of Ugandan MBEs in 2014 was discovered compared to the 30% sales decrease in 2013 (National Small Business Survey Report, 2015)

Thus the cause of the study, which is; to find out the effect mobile money services have on the market performance of Ugandan MBEs particularly in Kampala-Nakawa sub county.

1.4 Purpose of the Study

The purpose of the study is to determine the effect of Mobile Money services on the performance of MBEs in Kampala-Nakawa Sub County

1.5 Specific objectives of the Study

1. To investigate whether mobile commerce affects MBEs Market performance in Nakawa Sub County.

2. To examine how mobile payments contribute to MBEs performance in Nakawa Sub County.

3. To examine whether cash flow management mediates in the relationship between mobile commerce and MBEs market performance in Kampala Nakawa Sub County

4. To find out the relationship between Mobile payments and MBEs market performance in Kampala Nakawa Sub County

1.6 Research questions

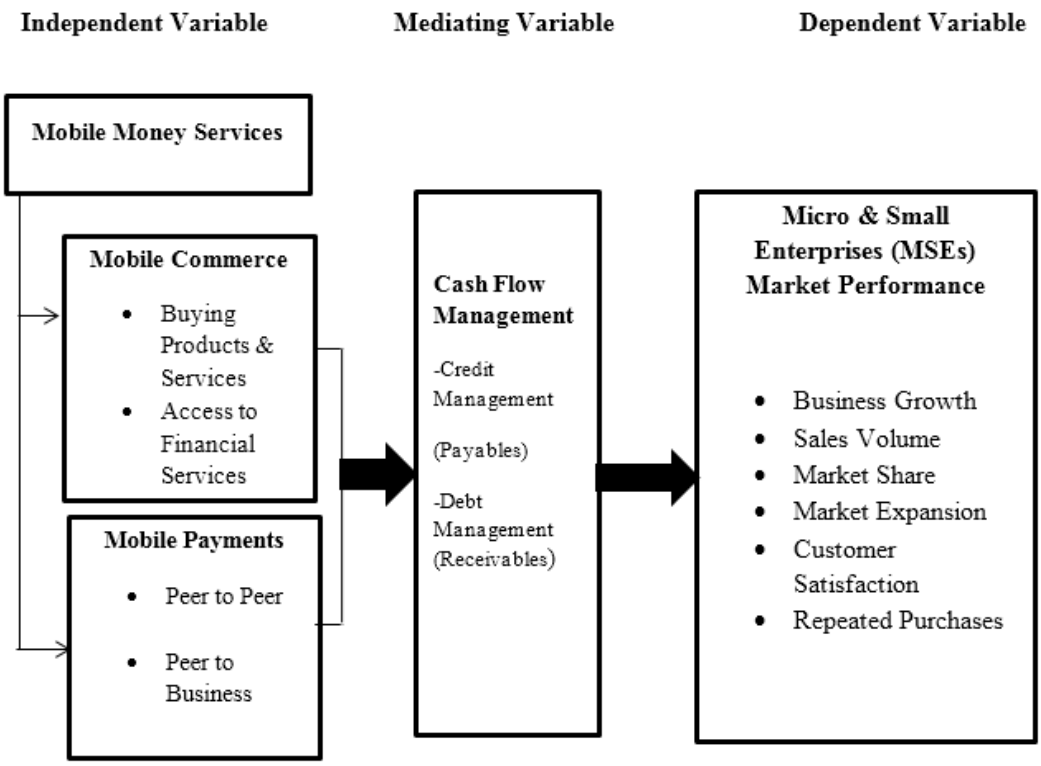
1. What is the relationship between mobile commerce and MBEs market performance in Kampala Nakawa Sub County?
2. Is there a relationship between mobile payment and MBEs market performance in Nakawa Sub County
3. Does cash flow management mediate in the relationship between mobile commerce and MBEs market performance in Kampala Nakawa Sub County?
4. Does cash flow management mediate in the relationship between mobile payments and MBEs market performance in Kampala Nakawa Sub County?

1.7 Hypotheses of the Study

1. Mobile commerce boots MBEs market performance in Nakawa Sub County.
2. Mobile payments contribute to MBEs market performance in Nakawa Sub County
3. Cash flow management mediate in the relationship between mobile commerce and MBEs market performance in Kampala Nakawa Sub County.
4. Cash flow management does not mediate between mobile payments and MBEs market performance in Nakawa Sub County.

1.8 Conceptual Frame Work

The study seeks to determine the effect of Mobile Money services on the performance of MBEs in Kampala-Nakawa Sub County. Mobile money services are the independent variable; with mobile commerce and mobile payments as the dimensions, whose indicators are; mobile access to financial services, and Peer to Business respectively, while MBE market performance as the dependent variable will be measured using changes in sales volume and market share, market expansion, and customer satisfaction. The conceptual framework can be summarized in figure 2 below.



Source: Adopted and modified from (Paul Walela Wanyonyi & Bwisa, 2013)

1.9 Significance of the Study

1.9.1 Ugandan Context

The findings of this study will be important to Ugandan Ministry of Trade, Industry, and cooperatives in making policies regarding MBEs, Kampala City Traders Association (KACITA) in supporting the respective MBEs in Kampala in terms to advocating for their rights, Uganda Investment Authority to interest both local and foreign investors in the MBES Industry since it is the back bone of the growing Economy like Uganda. Plus other managers and regulators

elsewhere in the region particular the dilemma of understanding the effect of Mobile money service use, mediated by cash management system geared to achieving the required market performance standards of MBEs.

1.9.2 Scholars

The findings of this study would benefit to economists as it is a contribution to the body of knowledge in this broad and yet not fully exploited area of Entrepreneurship as well as Marketing strategy. This would help to enhance understanding and development of relevant theories as well as extensive areas of interest.

1.10 Study Scope

1.10.1 Geographical Scope

The research study will be carried out in Nakawa Sub County, Nakawa Sub County in Kampala District. In this study, focus is on identifying the effect mobile money services have on MBEs market performance in Nakawa Sub County.

1.10.2 Time Scope

The study to investigate the effect mobile money services have on MBEs market performance in Nakawa Sub County will analyze experiences of MBEs' owners for a period of 5 years from 2011-2016.

1.10.3 Content Scope

The researcher will attempt to establish the effect mobile money services have on MBEs market performance in Kampala-Nakawa Sub County. This will help to bring out the correlations between various mobile money services and MBE bottlenecks and the MBEs market performance.

1.11 Operational Definitions

A **Micro Enterprise** is defined as an enterprise employing maximum 4 people; annual sales/revenue turnover of maximum Ugandan Shillings 12 million and total assets of maximum Ugandan Shillings 12 million.

Mobile Money is a platform which allows people to use their mobile phones like wallets to transfer money, pay for goods and services and conducts banking services, has started to have a transformative effect at a faster pace as previously envisaged (Nyenje, 2010). This platform offers the new services to move money from place to place and present an alternative to the payment systems offered by banks, remittance firms, pawn shops, and others

Mobile Transaction

This refers to transactions carried out through mobile technologies and devices. In addition to mobile payments, it includes every kind of mobile transaction offered by technology, whether it involves financial values or not.

Mobile payments include payments made or enabled through digital mobility Mobile technologies, via handheld devices, with or without the use of mobile telecommunications payments networks. These payments are digital l financial l transactions, although not necessarily linked to financial institutions or banks. There are several mode ls of mobile payments that are currently employed worldwide.

Performance

Performance is an encompassing concept and can be defined in terms of job generation, growth, profitability, sustainability, survival and stability (Reynolds, 1994). Limited literature related to small business has tended to focus on the linking of planning to performance. Planning involves decision making. For the purpose of this study, business performance is defined as the growth, stagnation or decline of a business entity. Growth will be defined as successful performance, and decline as unsuccessful performance or failure. Stagnation can be defined as successful performance due to the fact that some business owners have no motive and/or intention to grow. (Tambwe, 2015)

Small Enterprise is defined as an enterprise employing maximum 50 people; annual sales/ revenue turnover of maximum Ugandan Shillings 360 million and total assets of maximum Ugandan Shillings 360 million.

Retail Businesses are businesses that sell commodities in small quantities to consumers operated individually or by families (Insee, 2015)

CHAPTERTWO

LITERATUREREVIEW

2.1 Introduction

This chapter intends to draw upon a set of theoretical frameworks required in relation to the study. An explanation is expected to be made of such related literature under the major themes: conceptual review, theoretical review, actual review, and synthesis of the literature review. This chapter intends to identify and explore critically literature on the effect of mobile money services, on MBEs market performance. While there may be common beliefs that mobile money services is associated with MBEs market performance, there is need to make reference to other studies conducted in areas related to the concepts specifically, and the study problem in general.

2.2 Theoretical Review

2.2.1 Technology Acceptance Model (TAM)

Over the years TAM has been tested and applied in the prediction of future consumer behavior the premises that the contracts, perceived usefulness and perceived ease of use are fundamental determinants of system adoption and use (Davis, 1989). These two beliefs create a favorable disposition or intention toward using the IT that consequently affects its use. Perceived Usefulness (PU) is said to be the degree to which person thinks that using a particular system will enhance his or her performance. Whereas Perceived Ease of Use (PEOU) is “the degree to which a person believes that using a particular system will be free of effort” (Davis, 1989). TAM

has received praises from earlier researchers on its contribution towards our understanding into consumer behavior. Lu et al (2003, p.207) states that: “Throughout the years, TAM has received extensive empirical support through validations, applications and replications for its power to predict use of information systems”. Also, (Sun, 2006) conclude that “TAM has proven to be a useful theoretical model in helping to understand and explain user behavior in information system implementation”

TAM is related to the study; Mobile money services and market performance of MBEs, in such a way that; people living in the developing countries perceived usefulness and ease of use of mobile money services to a certain extent determine MBEs market performance.

2.2.2 Innovation Diffusion Theory

Another theory which has received similar attention by scholars in explaining consumer behavior towards new technology is the Rogers’ Innovation Diffusion Theory (Rogers, 1995) Innovation is defined as:

“An idea, practice or object that is perceived as new by an individual or another unit of adoption”, while diffusion is “the process by which an innovation is communicated through certain channels over time among the members of a social system” (Rogers, 1995)

By these definitions, innovation diffusion is achieved by how a social system accepts and begins to use (adopt) an idea or a technology. Roger further states that the following are the characteristics of any innovation: Relative Advantage: the degree to which the innovation is perceived as being better than the practice it supersedes; Compatibility: the extent to which adopting the innovation is compatible with what people do; Complexity: the degree to which an innovation is perceived as relatively difficult to understand and use; Trialability: the degree to which an innovation may be experimented with on a limited basis before making an adoption (or rejection) decision; and Observability: the degree to which the results of an innovation are visible to others (Rogers, 1995).

This theory too is applicable to study, Mobile money services and market performance of MBEs, given the fact that mobile money was accepted and adopted in the developing countries, where the majority of people are unbanked.

2.3 Conceptual Review

2.3.1 Mobile Money Services

"Mobile money" is money that can be accessed and used via mobile phone (Jenkings et al, Laukkanen et al, & Shen, 2008) although mobile money literature is still limited, initial empirical evidence indicates that using a mobile money account brings positive returns to individuals and

enterprises. A market-level analysis conducted by (Mbiti, 2011) found the introduction of M-PESA in Kenya led to significant decreases in the prices of money transfer competitors. Additionally, they found an increase in the frequency of receiving remittances, which the authors conclude over-time has contributed toward financial inclusion in the country (Mbiti, 2011) and (Jack, 2011)

A mobile payment or m-payment is any payment where a mobile device is used to initiate, authorize and confirm an exchange of financial value in return for goods and services (Karnouskos, 2004) Mobile devices in this case include mobile phones, tablets or any other devices that are able to connect to mobile telecommunication networks and enable payment to be made. (Herzberg, 2003) Depending on the channels the MNO makes available for providing the service, a consumer may be limited to the use of mobile phone only or all the other mobile devices aforementioned. M-Payments use what is called e-money or m-money to make payment for goods and services (Herzberg, 2003)

2.3.2 Micro Business Enterprises

To date there is no commonly acknowledged definition of Micro Business Enterprises (IFAC, 2011). The definition varies across countries and industries. In Uganda, Micro Business Enterprises are officially defined on the basis of both the number of people employed and the annual turnover of the enterprise (UIA, 2013). Ministry of Finance, Planning and Economic Development defines a small enterprise as an enterprise employing a minimum of 5 people and a

maximum of 50 people; and/or has an annual sales/revenue turnover of a maximum of Ugandan Shillings 360 million and total assets of a maximum of Ugandan Shillings 360 million, while a medium enterprise is defined as an enterprise employing between 50 and 100 people; and/or has an annual sales/revenue turnover of more than Ugandan Shillings 360 million and total assets of more than Ugandan Shillings 360 million (MFPED, 2008). In Uganda the common terminology for MBEs is small business (UIA, 2013). The contribution of MBEs to Uganda economy cannot be over emphasized since MBEs contribute over 90% of total non-farm private sector employment, constitute approximately 20% of the national GDP, contribute over 20% of incomes of the labor force, and have great potential for reducing poverty levels (ADB, 2012). Namatovu et al. (2010) observed that majority of the enterprises are found in restaurants and food processing, garages for motorcars and motorcycles, retail and whole sale trade, metal fabrication, furniture assembling, schools and transport services.

2.3.3 Role and benefits of MBEs

There is a general consensus that the performance of MBEs is important for both economic and social development of developing countries. From the economic perspective, MBEs provide a number of benefits (Kira, 2013).

MBEs have been noted to be one of the major areas of concern to many policy makers in an attempt to accelerate the rate of growth in low-income countries. These enterprises have been recognized as the engines through which the growth objectives of developing countries can be achieved (Mwangi, 2011). They are potential sources of employment and income in many developing countries. MBEs seem to have advantages over their large-scale competitors in that they are able to adapt more easily to market conditions, given their broadly skilled technologies. They are able to withstand adverse economic conditions because of their flexible nature (Maziku, 2012). MBEs are more labor intensive than larger firms and therefore have lower capital costs associated with job creation (Makoni, 2014). They perform useful roles in ensuring income stability, growth and employment. Since MBEs are labor intensive, they are more likely to succeed in smaller urban centers and rural areas, where they can contribute to a more even distribution of economic activity in a region and can help to slow the flow of migration to large cities. Due to their regional dispersion and their labor intensity, it is argued, small-scale production units can promote a more equitable distribution of income than large firms. They also improve the efficiency of domestic markets and make productive use of scarce resources, thus facilitating long-term economic growth (Turyahebwa, 2013).

MBEs contribute to a country's national product by either manufacturing goods of value, or through the provision of services to both consumers and/or other enterprises. This encompasses the provision of products and, to a lesser extent, services to foreign clients, thereby contributing

to overall export performance. MBEs also account for about 90% of the formal business entities in Uganda, contributing 80% of GDP and providing about 61% of employment (World Bank, 2011).

2.4Actual Review

2.4.1 The Effect of mobile Commerce on MBEs Market performance

Although mobile money literature is still limited, initial empirical evidence indicates that using a mobile money account brings positive returns to individuals. A market-level analysis conducted by (Mbiti and Weil, 2011) found the introduction of M-PESA in Kenya led to significant decreases in the prices of money transfer competitors. Additionally, they found an increase in the frequency of receiving remittances, which the authors conclude over-time has contributed toward financial inclusion in the country Mbiti and Weil, (2011, Jack and Suri, 2011). In Mozambique, Batista and Vicente (2013) find evidence that the marginal willingness to remit was increased by the availability of mobile money. They also observed substitution effects of mobile money for traditional alternatives for both savings and remittances. (Laura Frederick, 2013)

(Onyango et al, 2014) examined the impact of adoption and use of mobile phone technology on the performance of Micro Business Enterprises, and indicated a positive relationship between mobile usage and the performance of Micro Business Enterprises. Similarly, (Kakwa, 2012)

report that there is an influence of adoption and use of mobile phone technology among MBEs through faster response to customers' needs, increased internal efficiency, access to new markets and lower operational costs. (Otiso et al., 2013) have found that the highest percentage of MBEs uses mobile banking as opposed to traditional banking. Further, MBEs obtains both information and transactional services through their mobile phones. Mobile banking assists MBEs to access banking information about their bank account inquiries and mini statement. Mobile banking also saves them time on queuing and visiting the bank premise thus concentrating on their businesses. Micro business operators can make withdrawals within their business premise and consequently use the same to pay suppliers and utility bills. (Wamuyu, et al. 2011) observed that it assist in reducing transport cost and risk associated with transacting in cash. According to a Research paper that sought to analyze how, and to what extent, financial transactions over mobile networks are being used by MBEs in Tanzania for business purposes. It was found out that Mobile Money Transfer services are fast compared to the alternatives, convenient thanks to a understandable user interface and a well-developed agent network, as well as affordable to most people. Many of the business people underscore that it saves time, is safe and that they can lessen their dependence of banks that many are tired of (Lennart Bångens & Björn Söderberg 2011)

(Aker & Mbiti, 2010) report on out five merits that MBEs can benefit because of adopting this technology. Microenterprises plays a role in economic development and evidence shows that they use mobile money transactions to carry out their businesses.

2.4.2 The Effect of mobile payments on MBEs Market performance

A number of papers have documented the impacts of mobile phones causing reduced price variation in markets. (Jensen 2007) and (Aker, 2010) find that the introduction of mobile phones reduced price dispersion in fish markets in India and grain markets in Niger respectively. In these instances the mobile phone technology has increased information flows, which has resulted in price reductions.

Mobile finance services such as premiums and asset accruals do have a positive effect on the sales of MBES. Similarly, mobile banking services including withdrawals, making deposits and getting loans through the phone increases the liquidity position of the MBEs. They can increase sale due to availability of funds to settle suppliers and pay for other obligations, with mobile money services. The use of mobile payment services contributes much on MBEs sales. However, the other services contribute to the effect, mobile payment contribute much. Mobile money services therefore have a significant positive effect on sales of MBEs.

Mobile phones provide technological services that reduce costs; increase income and increases reach ability and mobility. They can help to extend social and business networks and they clearly substitute for journeys and, for brokers, traders and other business intermediaries (Donner 2005), (Hughes & Lonie, 2007). It is therefore important to note that the adoption, usage and the influence mobile phones have an effect on the Micro enterprises of Kenya. (Mukami Munyange,

2012). The uses can be categorized as social, business/economic and political. For micro entrepreneurs, just like all other users use mobile phones same device for both business and social purposes, as a result there were increased profits in business, and enhanced social networks (Chogi, 2006). The emergence of M-PESA service, a Text messaging (SMS) provide the solution to small businesses banking needs for the majority of the Kenyan population, because the majority don't hold bank accounts but they do have the services of a mobile phone, hence they could settle bills by building up credit on the mobile phones and then sending a text (SMS) to make a payment. The leading mobile service providers in Kenya have introduced some money transfer services whose objective is to enable Kenyans to make 'micro payments' using their mobile phones. These services are supposed to provide an e-commerce platform of choice in a country where credit cards have struggled to reach most the population without the bank accounts. M-PESA, an innovative new mobile payment solution that enables customers to complete simple financial transactions by use of mobile phone (Hughes & Lonie, 2007), (Chogi, 2005).

In the study by (Muriuki, 2011) and (Mbogo, 2010), factors that were found to make the use of M-Pesa to be high were low transaction costs, the costs associated with the sending of money using the mobile payment services is also very low as compared to those from the commercial banks and other money transferring companies (Omwansa, 2009); ease of operation of the money transfer process; easy accessibility of the money transfer service, today M-PESA has over

35,000 agents countrywide within easy reach of Kenyans, and about 70 % of financial transactions are now handled by M-PESA (O'Sullivan, 2011); speed of transaction, money is sent and received by the recipient immediately; efficiency in use of the M-Pesa service; and Support from the Mobile Payments Provider is essential. Payment systems exhibit network externalities as the value of a payment system to a single user increases when more users begin to use it (Mallat, 2007).

Also, (Davies, 2007), evaluating the multiplier effect of a cash transfer programme in Malawi notes that when cash is injected in a region from outside and used to make purchases of goods and services produced in the region, will stimulate local sales hence better performance for local businesses

In their study on Mobile Money transfer use among MBEs in Tanzania, (Bångens and Söderberg, 2011), focused on business usage such as paying suppliers or receiving payments from customers. The results were based on MBEs mainly located in Dar es Salaam but partly in Morogoro, Singida, and Mwanza, the impact was mainly seen in time saved and improved logistics though there were indirect effects on liquidity;

(Pagani, 2004), states that accessibility (ability to reach the required services) is one of the main advantages of mobile payment services. 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. With more time in the business, more customers are served leading to increased sales and therefore growth of the business.

2.4.3The Effect of Cash flow management on Mobile Commerce mobile money services

As MBEs dominate in sub-Saharan Africa and liquidity/cash-flow management are key bottlenecks for MBEs operations, the fast diffusion of mobile money transfer was viewed as a potential key tool for facilitating financial transactions. Research shows that most business owners have mobile phones; over 80% and the difference between formal and informal businesses is small (Esselaaretal, 2008).Although the technology is accessible to MBEs in many sub- Saharan countries, little is known to date of the scope, direction and impact on the businesses. There is thus scant empirical data on the phenomenon. (Lennart Bångens & Björn Söderberg, 2011)

2.4.4The Effect of Cash flow management on Mobile payments

Microenterprises obtain both transactional and informational services through this new technology. Information relating to account balance and notification on transactions are also accessible easily. In addition, processing of loan proceeds, withdrawals, and depositing of funds are also doable (Ishengoma, 2011). Traditional banking exposes MBEs to risk associated with

cash transactions but use of mobile banking reduces such risk, save them time and reduce cost of transport. Since the services are accessible within the premise, MBEs can dedicate their time to manage the business well thus reducing operational cost (Otiso et al., 2013); (Jagun, et al., 2008).

The use of mobile payments also provides economies of scale in procuring of materials and reduces the supply chain (Donner & Escobari, 2010). (Wanyonyi & Bwisa, 2013) determined the influence of mobile money transfer services on the performance of MBEs. They found that MBEs use mobile money transfer for: B2B (Mobile payments) transfer when making purchases from suppliers and C2B (customer to the business) transfers when customers buy from the business and for debt collection for credit sales contributes to improved performance of the micro enterprises. However, Wamuyu, et al. (2011) reported a limited use of mobile money transfer for B2B and B2C transactions as opposed to C2C and C2B e-commerce transactions though mobile money transfer, and that mobile internet services have a positive significant effect on the performance of MBES.

Financial performance of MBEs is a critical issue since the revenue earned by MBES determines its sustainability. The frequent sales made improve the profitability of an enterprise whereas few sales indicate little or no profits at all. Similarly, MBEs are able to receive payments from customers on due dates without spending much monitoring cost. This cost reduction is beneficial

to the MBEs since they are able to create long-term relations to their customers and suppliers (Otis et al. 2013).

2.5 Empirical Review

In a study of small and micro enterprises in the manufacturing industry in Canada, the introduction of e-business methods was found to explain 4% of sales growth and 5% of export performance (Raymond, Bergeon & Bill, 2005). They argue that whichever way one looks at it, whether profits are stepped up due to cost savings or profits are realized as a result of increased sales, the effect is notable.

(Nyaga, 2013) examined the impact of mobile money services on the performance of MBEs, and found out that use of mobile money has made a significant contribution to the MBES sector. First, majority of traders relies on it as opposed to the formal banking sector for their day-to-day transactions. Secondly, MBES operators have a clear understanding of the basic functions of mobile money services. Banking services assist both customers and businesses to settle their transactions. As opposed to traditional banking services, mobile banking is a new innovation, where banking services done through a network referred to as branchless banking.

Microenterprises obtain both transactional and informational services through this new technology. Information relating to account balance and notification on transactions are also accessible easily. In addition, processing of loan proceeds, withdrawals, and depositing of funds are also doable (Ishengoma, 2011). Traditional banking exposes MBEs to risk associated with cash transactions but use of mobile banking reduces such risk, save them time and reduce cost of

transport. Since the services are accessible within the premise, MBEs can dedicate their time to manage the business well thus reducing operational cost (Otiso et al., 2013); (Jagun, et al., 2008).

The use of mobile payments also provides economies of scale in procuring of materials and reduces the supply chain (Donner & Escobari, 2010). (Wanyonyi & Bwisa, 2013) determined the influence of mobile money transfer services on the performance of MBEs. They found that MBES use mobile money transfer for: B2B transfer when making purchases from suppliers and C2B transfers when customers buy from the business and for debt collection for credit sales contributes to improved performance of the micro enterprises. However, (Wamuyu, et al, 2011) reported a limited use of mobile money transfer for B2B and B2C transactions as opposed to C2C and C2B e-commerce transactions though mobile money transfer, and that mobile internet services have a positive significant effect on the performance of MBEs.

Financial performance of MBEs is a critical issue since the revenue earned by MBEs determines its sustainability. The frequent sales made improve the profitability of an enterprise whereas few sales indicate little or no profits at all. Similarly, MBEs are able to receive payments from customers on due dates without spending much monitoring cost. This cost reduction is beneficial to the MBEs since they are able to create long-term relations to their customers and suppliers (Otis et al. 2013).

(Mbogo, 2010) has established the success factors attributable to the use of mobile payments by Micro- business operators and revealed that the convenience of the money transfer technology plus its accessibility, cost, support and security factors relate to the behavioral intention to use and actual usage of the mobile payment services by the micro businesses to enhance their success and growth.

2.6 Synthesis and Gap Analysis

All the above literature review by the respective authors presents a more complete picture of mobile use by MBEs than was previously available to ICTD researchers, and also identifies priorities for future research, including comparisons of the effect of mobile use across subsectors of MBEs and assessments of use of advanced services such as mobile Micro-banking and mobile commerce in developing economies like Uganda.

Many studies have been undertaken on mobile money services focusing on consumer adoption, technology design improvements and business-driven models. However, to the best of my knowledge, the effects of this advanced innovation in the context of Ugandan MBEs market performance are not yet well understood and still require exploration to further reflect better the subsistence level and informal economy setting like that of Uganda. This study intends to respond to the call for rich, qualitative and quantitative research that might extend the conceptual

understanding of the effects of mobile money services on the MBEs market performance particularly in Kampala Nakawa Sub County.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter three (3) presents a review of the research methods and design appropriateness, a discussion of the population and sample. In addition, it explains in detail the methods that will be used in the gathering of the data and the various stages the researcher will go through to acquire the information. In this chapter the researcher elaborates on the area of study, sample size, methods of data collection, data presentation, interpretation and analysis.

3.1 Research Design

Sekeran (2009) defines research design as the scheme, outline or plan that is used to generate answers to research problem. It can also be defined as the master plan specifying the methods and procedures for collecting and analyzing the needed information.

The study will employ a cross sectional descriptive survey design since it is expected to enable the researcher to identify the opinions of the sampled MBE employees, about the factors influencing significant effects of Mobile money services on MBEs market performance, at some point in time, in Kampala-Uganda,.

3.2 Study population

Sekeran (2009) defined population as basically, the universe of units from which the sample is to be selected. The term 'Units' is employed because it is not necessarily people alone who are sampled. It can also be defined as the entire group of people, events, or things of interest that the

researcher wishes to investigate. According to the Census of Business Establishments in Uganda of 2011, a sampling frame of 454,104 enterprises was identified from the whole country.

The study will use data that will be collected from retail businesses located in Nakawa Sub County in Kampala. The population of micro businesses in Nakawa Sub County is just 10.6% (194 micro business establishments) of those in Kampala (1830) (National Small Business Survey Report, 2015) These MBEs will be selected because their use of mobile money services in order to understand the constraints to market performance.

3.3 Sample Size

Sekeran (2009) describes sample as a subset of the population. It comprises of some members selected from it. That is; some of the elements of the population form the sample. Also is defined as a segment of the population selected for investigation.

Nakawa Sub County has an estimated 194 MBEs population, which is 10.6% of 1830 Kampala MBE population. (National Small Business Survey Report, 2015)

According to the (Uganda Micro, Small and Medium Enterprises sector Policy 2015), micro enterprises are those businesses enterprises employing not more than 5 people. To get our expected study total population of respondents we will get the estimated Nakawa Sub County

MBEs population and multiple it with required number of MBE employees according to Uganda Micro, Small and Medium Enterprises sector Policy 2015.

$$194 \times 5 = 970$$

The study will consider any MBE employees regardless of age and gender. This will be done in order to minimize bias. The sample size will be determined using Solven's formula as edited by Bartlett *et al* 2000.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

- n is the desired sample size
- N is population of the study.
- e, is the confidence interval of the study.

It is therefore followed (BODMAS)

n = 970/ 1+ 970 (0.05)2
n= 970 × 0.0025
n= 1+ 2.425

$$n = \frac{970}{3.425}$$

=283.21

= 283 respondents

The targeted sample is 283 respondents

Within the population of 970 respondents, a sample of 283 respondents will be selected from

the 130 micro business enterprises, as a representative of the whole population. In addition of 3 customers from each of the selected MBE will be interviewed (selected by convenience sampling) to give their experience / views on the subject matter. This will help the researcher to get an administrative opinion on the issues raised in this study.

3.4 Sampling Techniques

To determine the number of respondents the researcher will use the simple random sampling technique where respondents will be selected from zones. The simple random sampling will be in order to ensure that the sample is unbiased. Triangulation will be employed.

The study will be carried out using the purposive method of sampling for the Micro Business enterprises. This is dictated by the nature of the study which is aimed at getting specific information from specific individuals. The Convenience method of sampling will also be used for taking on proprietors that are readily available. A total of 130 respondents will be requested to fill the questionnaires.

3.5 Data collection methods

Key Informants interviews:

These are interviews conducted with key individuals (respondents from MBEs owners and their customers) within the target population. These will provide the researcher with detailed, qualitative information about impressions, experiences and opinions of respondents about the effect of mobile money services on MBEs market performance in Nakawa Sub County

Observation method:

This is a systematic data collection approach. This method of observation involves prolonged engagements in the areas of study and a continuous recording of the observations. It is important to note that there is Participant observation and non-participant observation. The researcher will use the above method through some visits to the study area. This will make it possible to clearly monitor what takes place within the MBEs. The researcher will use the observation method because it involves a high element of accuracy and could easily get firsthand information. This method is also less costly in terms of money. It will also be easy to acquire data especially on those questions which would otherwise remain unanswered using the questionnaire method. Observation as a method of data collection will make it possible for continuous monitoring. The

immersion and prolonged involvement into the study area will lead to the development and fostering of free and open speaking to members.

3.6 Data collection instruments

Primary data will be obtained from respondents by the researcher through interviews, administration of questionnaires. Secondary data will be obtained from documented statements. Interviews will also be conducted among the selected employees and customers while the questionnaires will be addressed to the enterprises. As regards secondary data, annual reports and other published material will be used. These will include KCCA, URSB, KACITA annual reports and any other documents that will be relevant to the study.

3.6.2 Key informant interview guide

Key informant interview guides will be used as a qualitative data collection tool to get first-hand information from the key informants. The guides will contain a list of questions that will be asked in relation to the themes of the study specifically the independent variable (Mobile money services), the dependent variable (MBES market performance) and the mediating variable (Cash flow management).

3.6.3 Document review checklist

A Document review checklist will be used for carrying out the documentary review. A list of different documents to be reviewed will be generated including documents that have information

on sales reports, production volumes, outlets supplied as well as mobile money service provision records and lists. All the documents that are related to the independent variable (Mobile Money services) and the dependent variable (MBEs market performance will be reviewed.

3.6.3 Observation Guide

The plans to conduct an observation guide to MBEs, who are using mobile money services. It will uses one independent and dependent variables respectively. The times will be defined as days. The data will be analyzed using quantitative techniques. If there is one set of observations, the data obtained will be frequencies. If a statistic is used to assess the role of the variables, the researcher will use a nonparametric statistic, such as a chi-square.

Observation Guide in which the researcher could record frequencies or means and standard deviations of the observations made of Mobile money study on Nakawa MBE market performance. The observations will be repeated on different days of the week, using additional copies of the check list.

3.7 Pretesting Validation and Reliability

Validity refers to the truthfulness of findings or the extent to which the instrument is relevant in measuring what it is supposed to measure. Validity here refers to the extent to which the instrument accurately measures what it is intended to measure (Sekeran, 2009). This study will utilize triangulation to ensure validity of research findings prior to the administration of the research instruments. Content validity ratio will be employed to determine the content validity index using the formula below:

CVI = Total Number of items rated by all respondents / Total number of items in the instrument

A CVI of 0.7 and above is considered satisfactory.

Reliability

Reliability measures the consistency of research instruments to come out with the same result each time it is used under the same condition (Sekeran, 2009). The reliability of the research instruments will be ascertained through pre-testing to cross check the consistency and accuracy of the questions and answers obtained. A Cronbach alpha test will be particularly carried out to establish the reliability of the questionnaire. If R sqd (Alpha) value is equal to 0.7 or it is above, then the instrument was considered satisfactory (Cronbach, 1951)

3.8 Procedure of Data Collection

A systematic procedure during data collection will be followed; further to successfully defending of this study's proposal, the researcher will obtain a letter of recommendation to conduct the research from the School of Business and Management of Uganda Technology and Management University (UTAMU) to ensure that the ethical guidelines are followed throughout the data collection process and to help access the employees at their place of work. Each questionnaire will contain an introductory letter requesting for the respondent‘s collaboration in providing the required information for the study. The study will use both secondary and primary data. Primary data will be collected through use of observation, questionnaires and interviews while secondary data will be sourced from documented statements and reports on Micro Business Enterprises for additional analysis

3.9 Data Analysis

3.9.1 Data processing

Data from the field will be sorted, coded and organized in tables to reveal the percentage scores of the different study attributes

Editing: The researcher will edit the data collected for accuracy and completeness.

Coding: The researcher will code the pre-coded questions so that all answers obtained from different respondents are classified into meaningful categories.

Frequency tabulation: This will involve placing the number of responses falling into a particular category and recording the responses using tallies so as to come up with a statistical table. This is intended to simplify organization of raw data for easy interpretation.

3.9.2 Qualitative Analysis

Data from key informants will be analyzed in three ways i.e. thematic verbatim and case studies. Thematic verbatim will involve condensing individual responses into similar themes and integrating them into interview schedule for easy analysis. In verbatim, the researcher will record statements, comments or remarks of the respondents. This will involve direct quotation of the words, statements or comments of the respondents. In case study, interesting and relevant stories will be captured and placed in a box or frame. The use of the qualitative design is aimed at giving deeper insights of the issues expected to be uncovered by the qualitative research methods.

3.9.3 Quantitative Analysis

The Pearson's correlation coefficient and multivariate regression analysis will be carried out using the SPSS program to establish the relationship between the two variables. In presenting the findings, tables and figures will be used. The frequency distribution tables will be used to tabulate data to show percentages calculated

Quantitative data collected using questionnaires will be analyzed using descriptive statistics, where frequencies and percentages were obtained. This is because this kind of analysis allows

measurement and description of the relationship between two variables (Amin, 2005). Correlation analysis will be essentially used to measure the direction, strength and significance of the relationship between the mobile money services and market performance of MBEs.

3.10 Measurement of variables

In this section the researcher seeks to assign codes to empirical properties of the variables that will determine the type of statistical analysis that can be conducted, and, therefore, the type of conclusions that can be drawn from the research. Interview questions that that can lead to only two responses will be assigned two codes that is; 0 and 1, whereas interview questions that can lead to more than two responses will take on codes beginning from 1. Respondents with the same code of response will then be aggregated into one data table that will be used in the analysis. Respondents will be expected to answer yes or no for some questions, strongly agree, agree, strongly disagree and disagree for the other questions.

Responses to ages will be in group format to allow for grouping at the data collection level.

Simple correlation design will be used to explain the mobile money services (independent variable) effect on MBEs market performance (dependent variable) in Kampala particularly in Nakawa Sub County. This is in accordance with Amin (2005), who states that simple correlation study can be used to determine the relationship between two variables. The

independent variable will measure parameters such as mobile commerce (Buying products and service, Access to financial services), Mobile payments (Peer to peer and Peer to business) among others. The dependent variable, MBEs market performance will measure dimensions such as changes in level of sales, business growth, profitability, market expansion, customer satisfaction. Data will be analyzed using descriptive frequencies and percentages. The analytical package that will be used is SPSS -17.0.

3.11 Ethical Considerations

The objective of ethics in research is to ensure that no one suffers adverse consequences from the research activities (UCLA Centre for Policy research, 2015). The researcher‘s aim is to ensure that the rights of the respondents are not violated. This will be done with the following in mind;

- No provision for respondents' actual names on Key informant Guide
- Respondents should consent to being included in the study
- Providing adequate reasons as to why the study is being carried out.

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APPENDICES

Appendix I: Key informant interview guide For Employees:

Dear Respondent,

This is a research leading to the award of MASTERS IN BUSINESS ADMINISTRATION.

The purpose of this study is to determine the effect of Mobile Money services on the market performance of Micro Business Enterprises in Kampala Nakawa Sub County

The study specifically focuses on whether Mobile Money services have an effect on market performance of Micro Business Enterprises in Kampala Nakawa Sub County

Kindly, provide your opinion on each of the issues as objectively as possible. Please trust that the information you provide will be treated with utmost confidentiality it deserves and this study is strictly for academic purposes only.

In each section of the questionnaire, you are provided on how you can give your opinion. Please be assured that all your information will be treated as **strictly confidential** and will be combined with all other responses to form an overall picture.

Yours truly

Lumu Emmanuel Roy (Researcher)

SECTION A: SOCIAL DEMOGRAPHIC CHARACTERISTICS

Section A: Background Information

1. Sex

a) Male ( )

b) Female ( )

2. Marital Status

a) Single ( )

b) Married ( )

c) Divorced ( )

d) Separated ( )

3. Name of your business ----------

4. What position do you hold in the organization (optional) ----------?

5. Do you have a KCCA license? Yes { } No { }

6. What size of business organization is your Enterprise? Tick where appropriate

Micro { } Small { } Medium { }

7. How many employees do you have in the business? (Full time and Part time basis including directors and owners)

8. Does your business enterprise use mobile money services? Yes { } No { }

SECTION B: <u>Mobile Money Services</u>

7. Customers buy your products and services via mobile money Yes { } No { }

8. In your business enterprise you pay suppliers via mobile money Yes { } No { }

9. Your business enterprise accesses banking services via mobile money Yes { } No { }

10. What mobile money serve is frequently used business enterprise? (Circle the most appropriate)

a) Payments for products and Services

b) Payment of salaries/wages

c) Mobile Banking

d) Buying Airtime

11. Why is the above preferred mobile money serve (8) frequently used in business enterprise? (Circle the most appropriate)

a) It is convenient

b) Faster

c) More affordable

d) Easy to use

12) What should be done to improve on the mobile money serve?

……
……
……
……
……

Section C: <u>Market Performance of Micro Business Enterprises</u>

13. Customers are generally satisfied with the products or services of business enterprise.

Yes { } No { }

14. If Yes / No why?

.....
.....
.....

15. Customers recommend your business enterprise's products and services to other people.

Yes { } No { }

16. If your answer above is Yes/No, why?

.....
.....
.....

17. This business enterprise has loyal customers who make repeated sales. Yes { } No { }

18. If Yes / No why?

.....
.....
.....

19. What should be done to improve the quality of products and services in your Micro Business Enterprise.……
……
……
……
……

Section D: <u>Cash flow Management:</u> (Tick the most appropriate)

20. Do you have a cash flow management system in your business enterprise? Yes { } No { }

21. If yes, which of cash flow management systems does your business enterprise use?

a) Credit management ( )

b) Debtor management ( )

c) Stock management ( )

22. Why does your business enterprise prefer the selected cash flow management systems above?

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……

23. In your opinion how better can cash flow managements improve customer satisfaction in your Business Enterprise?

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……

Appendix II **Key informant interview guide For Customers**

Dear respondent,

This is a research leading to the award of MASTERS IN BUSINESS ADMINISTRATION.

The purpose of this study is to determine the effect of Mobile Money services on the market performance of Micro Business Enterprises in Kampala Nakawa Sub County

The study specifically focuses on whether Mobile Money services have an effect on market performance of Micro Business Enterprises in Kampala Nakawa Sub County

Kindly, provide your opinion on each of the issues as objectively as possible. Please trust that the information you provide will be treated with utmost confidentiality it deserves and this study is strictly for academic purposes only.

In each section of the questionnaire, you are provided on how you can give your opinion. Please be assured that all your information will be treated as **strictly confidential** and will be combined with all other responses to form an overall picture.

Yours truly

Lumu Emmanuel Roy (Researcher)

SECTION A: SOCIAL DEMOGRAPHIC CHARACTERISTICS

Section A: Background Information

1. Sex

a) Male ( )

b) Female ( )

2. Marital Status

a) Single ( )

b) Married ( )

c) Divorced ( )

d) Separated ( )

3. Name of Micro Enterprise you are a Customer to …….

SECTION B: Mobile Money Services

4. I use mobile money services while transacting with the above Enterprise? Yes { } No { }

5. You normally the pay for your products and services via mobile money. Yes { } No { }

6. Why If Yes/No

……
……
……

7. Which particular mobile money serve do you use while transacting with this business enterprise?

a) Mobile money Payments

b) Mobile money Loans

c) Mobile money Insurance

d) Mobile Banking Services

8. Why do you preferred the above mobile money serve frequently used in business enterprise? (Circle the most appropriate)

a) It is convenient

b) Faster

c) More affordable

d) Easy to use

9. What should be done to improve on the mobile money serve for the business enterprise you customer?

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……
……

Section C: Market Performance of Micro Business Enterprises

13. You are generally satisfied with the products or services of this business enterprise.

Yes { } No { }

14. If Yes / No why?

.....
.....
.....

15. The business enterprise quickly responses to your complains, claims and suggestions.

Yes { } No { }

16. Mobile financial services are convenient for you to use at the above business enterprise.

Yes { } No { }

17. If Yes / No why?

.....
.....
.....

18. What should be done to improve the quality of products and services of this Micro Business Enterprise?

……
……
……
……
……

Section D: Cash flow Management: (Tick the most appropriate)

19. Does the above business enterprise at time offer products /services on credit from?

Yes { } No { }

20. If yes, after what period of time are you required to pay your due balance?

a) After one (1) month ( )

b) After four (4) months ( )

c) After six (6) months ()

d) After One Year or so ()

21. In your opinion what do you recommend as the best credit method to improve customer satisfaction of this Business Enterprise?

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……
……

Appendix 2: Observation Guide

Activity	Day 1	Day 2	Day 3	Day 4	Day 5
Number of MBE Customers					
Number of mobile money transactions					

Appendix 3: Research Work plan

Activity	April	May				June				July	
	Wk4	Wk1	Wk2	Wk3	Wk4	Wk1	Wk2	Wk3	Wk4	Wk1	W
Proposal drafting											
Proposal submission											
Data collection											
Data entry and analysis											
Report writing											
Submission of first draft											
Submission of 2nd draft											

Appendix 4: Research Budget

ITEM	COST'UGX
Travel (public means)	150,000
Subsistence allowance	200,000
Data Analysis	50,000
Stationery and secretarial costs	20,000
Report production (printing and binding)	80,000
Total	500,000