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## **Factors Affecting the Uptake of Mobile Money Transfer Services by Small and Medium Enterprises in Pokot Central Sub County**

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### ***Abstract:***

*Mobile money transfer service is facilitated by a mobile network operator and seeks to warrant a convenient and efficient mode in which a customer can send and receive money from a network agent. The conceptual framework put dependent variable as uptake of Mobile Money Transfer by SME's and independent variable as perceived risk. The study used a survey research design, this design was considered appropriate because it saves time and resources and the amount of quality information yielded is valid. The population of the study was the total 145 SME's licensed by the County Government of West Pokot to operate in Pokot Central Sub-County. The sample size of the study was 30 SME's chosen using simple random sampling technique. Data collection instrument was questionnaires which incorporate both open ended and closed ended questions. Finding revealed that, although the risk of sending money to the wrong telephone no is real the same has not discouraged uptake of mobile money transfer service due to the fact that MNO have devised a system where one can retrieve money sent to the wrong account. Finally the research recommended MNO to improve their infrastructure for better quality services, hence more uptake of mobile money transfer services.*

***Keywords:*** Mobile Money transfer, perceived risks, pokot central, SME's, MNO

## **1. Introduction**

### ***1.1. Background of the Study***

The mobile money transfer providers have contributed greatly towards the economic growth of economies as enterprises are sources of revenue, employment and innovation in the society. The scope of the impact in the lives of entrepreneurs has greatly changed as their livelihood has improved; they can now invest in other areas, afford basic amenities and even create opportunities for others (Kraft, 2006). The flow of funds in the business is important for the achievement of business objectives and growth. Small Micro-Enterprises (SMEs) particularly are more prone to capital risks because of the significant levels of investments desired to build the firm (Bagdoniene&Zilione, 2009) and on the other hand assist customers, suppliers and the firm itself by facilitating the process, with the guaranteeing speed of access to cash and the ability of the firm to effectively implement its objectives and at the same time meet the needs of the various stakeholders (Zsolnai, 2011).

Mobile Money Transfer Providers are economic entities that can be family firms, partnerships or limited companies that get involved in business ventures that range from vendors, third party service providers and manufacturing and carry out different types of businesses with the aim of making ends meet for themselves, while ensuring they remain enterprising and retaining customer base or end user and thus in most cases may be specialized in a specific industry and still engage in another for revenue commitments (Dichter, 2007). The Business daily( 2012), reports that majority of small firms in Kenya rely on bank loans for capital financing, putting their growth expansion at the mercy of lenders and fluctuating interest rates. An analysis of firms that entered this year's Top 100 mid-sized companies' survey shows that the number of SMEs that turned to lenders for credit lines and overdrafts increased to 67 percent compared to 57 percent in 2012. As a result of the high cost of credit, most entrepreneurs have cash flow challenges, hence resorting to digging deeper into their personal savings; with others turning to friends and family to raise funds for day to day operations. About half of the businesses face working capital and funding challenges mainly arising from delays in payments from customers. It has been recognized that a greater part of the business community in sub-Saharan Africa comprises of Small and Medium enterprises. Although there are larger companies that exist, the vast majority of these companies are micro, small or informal.

Estimates show that the non-agricultural employment share of the informal workforce in Africa was 78% in 2008 and that self-employment comprised a greater share of informal employment than wage employment (Zsolnai, 2011). Reports show that Self-employment represents about 70% of the informal employment in sub-Saharan Africa. Close to half of the SMEs in sub-Saharan Africa are believed to be owned by women (Bangens & Soderberg, 2011). The vast majority of micro-enterprises operates informally but is nevertheless crucial to the economy. Studies have shown that the overall contribution to GDP in Africa is 42% by informal businesses. The value of this in Kenya is even higher and this is because most of the business in Kenya is micro, small or medium enterprises (Bagdoniene & Zilione, 2009). In order to achieve its objectives, the flow of cash in these enterprises is critical. Societies and businesses in sub-Saharan Africa have a strong cash based heritage. Cash is the default system and means of carrying out small scale transactions. It is the key to doing business. However, most SMEs have found problems with movements of cash and this has affected the cash flow equation (Tan, 2001). The efficient movement of money has been considered key to facilitating the growth of these businesses. The traditional means of moving funds has been through banks but this has been considered expensive owing to the limited profit margins that are made by traders in the SME market (Bagdoniene & Zilione, 2009). They are also considered inefficient and this is because of the low reach of the banks to the communities as well as the time and money involved in finding banks to transfer the cash.

However, Kenya has seen a number of local means and solutions intended to bridge the gap and facilitate money transfer and this was majorly done through buses or public transport (Bangens & Soderberg, 2011). Relaying money through buses is a fairly standardized practice but this is viewed as unsafe due to the risk of robbery. The introduction of Mobile money transfers service has revolutionized the way money is moved through different firms (CRA Intl, 2007). It was meant to address the challenges experienced in the traditional means of carrying out transactions. Most SMEs have adopted the use of MPESA as a means of facilitating the transfer of cash to facilitate business transactions. The recent introduction of LIPA Na MPESA has made it even easier for traders to handle and pay using the money transfer service (BizTech Africa, 2013). However, the problem is that the adoption of this service is not even in Kenya. Pokot central sub County is generally less developed. Many people depend on their livestock as a source of livelihood. Many of the business rely on traditional methods of payments with adoption of Mobile money transfer services at a very low rate. This is due to the fact that the service is dependent on availability of agents and float issues.

The spread and use of the service is very limited. The approach to adopting mobile money transfer services differs throughout the world due to a variety of factors, including the regulatory and legal environments, costs associated, marketing strategies, access to supporting technologies, and economic constraints, as well as experience with antecedent products and services (GSMA, 2008b). Consumers need and experience represent key components of each of these variables and are the decisive determinants of adoption of the service.

The purpose of this study is therefore to examine the factors that influence the uptake of mobile money transfer service by small and medium enterprises in Pokot central sub county and how this has effected SME growth in the area so as to provide recommendations on what the government and other actors in the mobile money transfer sector can do to facilitate growth of these businesses.

#### 1.1.1. Types of Mobile Money Transfer

In Kenya today, there are various mobile money transfer services being embraced by the various mobile network operators. The Mobile network operators and banking institutions have devised various services to meet the customer needs and enhance the socio economic status of the providers of the service. The Mobile money transfer types offered by the Mobile Network Operators are: M-PESA by Safaricom, Airtel money by Airtel, Orange Money by Telkom Orange and Yu cash by Essar Telecom. The Mobile Money Transfer services and Banking services available by banks include: Western Union, PESA Pap by Family bank and M-KESHO by Equity M-PESA as an established Mobile Money Transfer service. Safaricom and Vodafone launched M-PESA, a mobile-based payment service targeting the unbanked, pre-pay mobile subscribers in Kenya on a pilot basis in October 2005. M-PESA started as a public/private sector initiative. Vodafone was successful in winning funds from the Financial Deepening Challenge Fund competition established by the UK Government's Department for International Development to encourage private sector companies to engage in innovative projects to deepen the provision of financial services in emerging economies. The full commercial launch was initiated in March 2007 (Ondieki, 2007). The service comprises a simple registration process to set-up a customer's new M-PESA account into which they can upload (deposit) and download (withdraw) cash at a large number of Safaricom's reseller airtime distribution agents. Making a deposit is a similar process to topping up their airtime pre-pay balance: the account identifier is the mobile phone number and the customer goes to the very same place that they would go to buy airtime. There the similarity ends; the M-PESA account is entirely separate to the pre-pay airtime credit. Once registered, the customer can send funds to any other phone number, on any network (NardiSteve, 2000). The receiver gets a text message that can be taken to a reseller agent and, cashed in, enabling person-to-person money transfer instantly over large distances. A customer can also use their M-PESA account balance to buy goods and services (including airtime credit for any other Safaricom prepaid phone). It comes with a full transaction tracking and reporting system, customer care support and anti-money laundering measures, and is being developed to allow international use for remittances, allowing Kenyans overseas to send money home quickly and much more cost effectively than most alternative means (Hampe 2002).

#### 1.1.2. Mobile Money Transfer across the Globe

Mobile-money schemes in other countries have been held up by opposition from banks and regulators and concerns over money-laundering. M-PESA is starting to do well in other countries, including Tanzania and Afghanistan and lately it was launched in India. At the same time Mobile operators in some other countries are doing an increasingly good job of imitating it. Some of the factors

behind Kenya's lead cannot be copied but many of them can, which means it should eventually be possible for other countries to follow Kenya's pioneering example of such an innovation. India is one country which is implementing mobile money with less success than Kenya, despite having a much larger rural population and all the necessary factors for a successful implementation. The Reserve Bank of India (RBI) sees Mobile Money as a banking service not a Telecommunication enabled money transfer service and regulates it as such. It recognizes mobile money as an alternative currency so there is emphasis on consumer protection. The Reserve Bank of India also believes regulation will ultimately allow for a much bigger scale than the Kenyan model and says players will be able to offer more complex savings and investment products in the future if well regulated from inception. The result of the regulation in India is that Telecommunication companies that want to enter this market must partner with a bank. Apart from making it less attractive for Telecommunication companies to participate, the regulation also means users need basic identification to open "accounts" and must go through some due diligence, which reduces adoption. The Indian regulator argues it is playing the long game, and suggests the reward will be a system that holds up decades from now.

Banks and mobile operators in South Africa have been trying for years to perfect a model for using cell phones as payment devices with mixed results. Though a service like Kenya's M-Pesa has proved there is a market for mobile money transfer (about a third of Kenya's GDP passes through it) its success has been hard to replicate. FNB's e-wallet has one million users, but lack of clarity on pricing and the need to comply with stringent banking regulations, rather than the more flexible telecom regulations are obstacles to the growth of these services in South Africa. Though banks and operators haven't worked out a business model for mobile payments locally, near-field communications (NFC), which enables a phone to transmit data like a payment between two devices in close proximity, could be a solution. The current Pakistani m-money market is dominated by Telenor. Most m-money users (registered and unregistered) use Telenor Easypaisa, either exclusively or in combination with other providers. UBL Omni is the second most frequently mentioned m-money product, used by 7 percent of households that use m-money. UfoneUpayment and MCB Mobile each has a marginal share of the market. Telenor Easypaisa is the dominant product in the Pakistani m-money market; 89 percent of households with m-money use Telenor Easypaisa exclusively and an additional 3 percent use it in combination with other m-money products.

### 1.1.3. History of Mobile Money Transfer in Kenya

Mobile money transfer in Kenya took shape with the introduction of M-PESA. Launched in 2007 by Safaricom, the country's largest mobile-network operator, it is now used by over 17m Kenyans, equivalent to more than two-thirds of the adult population. An estimated 25% of the country's gross national product flows through it. M-PESA lets people transfer cash using their phones, and is by far the most successful scheme of its type on earth. M-PESA was originally designed as a system to allow microfinance-loan repayments to be made by phone, reducing the costs associated with handling cash and thus making possible lower interest rates. But after pilot testing it was broadened to become a general money-transfer scheme. Once you have signed up, you pay money into the system by handing cash to one of Safaricom's 40,000 agents (typically in a corner shop selling airtime), who credits the money to your M-PESA account. You withdraw money by visiting another agent, who checks that you have sufficient funds before debiting your account and handing over the cash. You can also transfer money to others using a menu on your phone. Cash can thus be sent from one place to another more quickly, safely and easily than taking bundles of the same in person, or asking others to carry it for you. This is particularly useful in a country where many workers in cities send money back home to their families in rural villages. Electronic transfers save people time, freeing them to do other more productive undertakings.

Dozens of mobile-money systems have been launched. Kenya has been successful in the use of M-PESA because it had several factors in its favor, including the exceptionally high cost of sending money by other methods, the dominant market position of Safaricom, the regulators initial decision to allow the scheme to proceed on an experimental basis without formal approval, a clear and effective marketing campaign ("Send money home"), an efficient system to move cash around behind the scenes among others. Having established a base, initial M-PESA users then benefitted from network effects: the more the people used it the more it made sense for others to sign up for it. Statistics show that 17 million Kenyans (70% of the adult population) use M-PESA through its network of 40,000 agents and an estimated 25% of Kenya's gross national product flows through the channel. But it is useful to remember there are many reasons mobile money worked in Kenya and is struggling in similar markets. The biggest one is first mover advantage which meant regulators allowed the scheme to proceed without hindrance and ensured development led regulation unlike in many markets where development lags behind regulation. But this only tells part of the story. The high cost of domestic remittances in Kenya meant a cheaper alternative was likely to grow and some analysts suggest the violence in 2008 was a critical accelerator for the service. As the legend goes during the post-election violence M-PESA was used by educated urban dwellers to send money to relatives trapped in the villages and slums.

Lastly the innovator (Safaricom) succeeded because of its status as a monopoly which ensured the investment in technology and an agent network was protected leading to an easy dominance of the mobile money transfer Market. M-PESA has since been extended to offer loans and savings products, and can also be used to disburse salaries or pay bills, which saves users further time and money (because they do not need to waste hours queuing up at the bank). One study found that in rural Kenyan those households that adopted M-PESA, their incomes increased by 5-30%. In addition, the availability of a reliable mobile-payments platform has spawned a host of start-ups in Nairobi, whose business models build on M-PESA's foundations.

### *1.2. Statement of the Problem*

The Mobile Network Operators (MNO's) offer mobile money transfer services as one of the additional products other than voice data and internet services to their customers. This service acts as a competitive edge and innovative aspect differentiator. Since March 2007

when the first mobile money transfer system M-Pesa, was launched by Safaricom mobile operator, the service has become a business opportunity for SME's to venture into and has contributed to mushrooming of smaller enterprises that solely operate as agents and those who incorporate the service into their existing businesses.

The use of mobile money transfer technology requires basic knowledge to operate. As a result, majority of the Small and Medium Enterprise operators in Kenya have embraced its use in their daily business operations and are registered users of the service such as Safaricom's M-PESA. Consequently they carry out various transactions using their mobile phones within and around their business surroundings such as paying suppliers for goods and services, paying bills, sending money to friends and relatives, withdrawing cash and topping up airtime accounts. They are able to know their account balances and easily manage their accounts. This has enabled the banked to avoid long queues at banks because the services are available in rural areas.

Given these benefits that mobile money transfer Service provides its users, its adoption across different counties in Kenya has been different. Pokot Central Sub-County is basically a semi-arid area inhabited by pastoralists. Due to prevalent insecurity witnessed in this part of the world coupled by the unavailability of banking services it would have been expected that SME's would have readily adopted mobile money transfer services. This study therefore is an attempt at understanding what factors hinder SMEs in Pokot central sub county from adopting the use of mobile money transfer services given the fact that adoption of the same is beneficial to their business enterprises. The success of mobile money transfer is attributed to the service being affordable and accessible (Mbogo 2010) including low income earners. The technological invention is considered easy to use yet efficient and reliable with the potential to extend financial services to the unbanked or those preferring cheaper financial services. It is an appropriate technological invention for SMEs that continue to face challenges related to limited affordable and accessible financial services to support business operations. SMEs needs for payment and transactional services are not always well served by conventional banks since they do not always find it easy or cost effective to adopt a full- feature package for banking services (Higgins, Kendall & Lyon, 2012). Mobile Money can be used to raise efficiency and boost business growth through cheap, efficient and reliable money service support systems that reduce the need for cash transaction and the risks associated.

Literature reveals that the mobile money is faster, cheaper, more reliable, and safer (Jack & Suri 2011). The benefits of cashless transaction including less opportunity for fraudulent and criminal activities, and mobile money technology (Wishart 2006) have increased adoption rates among SMEs in the capital city (Mbogo 2010). The main literature gaps exist in revealing whether mobile money technology has contributed to SMEs performance through increased sales, increased profits, loans accessibility and savings and if this is limited in geography.

SMEs however have to contend with current mobile money challenges which include inability to offer interests on savings, possibility of fraud and need for accessible cash tellers or agents. Additionally, SMEs might not be comfortable with mobile money security features due to cell phones being prone to theft. Despite these challenges, overwhelming uptake of the service is at 48% according to CCK 2011/2012 Report.

### *1.3. Research Objectives*

The general objective of the study sought to explore the factors that influence the uptake of mobile money transfer services among SMEs in Pokot Central Sub-County. The following are the specific objectives.

1. To determine the effect of perceived risk on the uptake of mobile money transfer services among SMEs in Pokot Central Sub-county.
2. To explore the impact of cost on the uptake of mobile money transfer services among SME's in Pokot Central Sub-county
3. To investigate the effect of perceived benefits on the SMEs uptake of mobile money transfer services in Pokot central sub-county.

### *1.4. Research Questions*

Given the research objectives mentioned above, the following were be the study research questions that were to be explored in this paper.

1. How does perceived risk affect SMEs uptake of mobile money transfer services among SMEs in Pokot central sub-county?
2. What is the effect of the cost of conducting transactions on the update of mobile money transfer services among SMEs in Pokot Central sub-county?
3. In what ways does a perceived benefit of mobile money transfer services affect the uptake among SMEs in Pokot Central Sub-county?

### *1.5. Justification of the Study*

The Kenya Government through Vision 2030 aims at improving the prosperity of all Kenyans through economic development programmes covering all the regions of Kenya. It aims at achieving an average Gross Domestic Product (GDP) growth rate of 10% per annum beginning 2012. To achieve this target, Kenya is continuing with the tradition of macro-economic stability that has been established since 2002. The informal sector is being supported in ways that will raise productivity and distribution and increase jobs, owner's incomes and public revenues. The country is continuing with the governance and institutional reforms necessary to accelerate economic growth. In addition mobile money transfer in partnership with Small and medium Enterprises in Kenya are geared towards employment creation for poverty eradication as envisioned in Sessional Paper No. 2 of 2005 on Development of Small and Medium Enterprises for wealth and employment creation and poverty reduction. The government is therefore expected to ensure that the SME's are supported by ensuring that policies such as tax regimes are favorable and security is guaranteed to provide an enabling

environment to operate their businesses as well as provision of friendly, cheaper and easier access to funds and loans. To researchers and scholars the study will act as basis for further research on other aspects of Mobile Money transfer to other sectors of Kenya economy by:

- i. Providing SMEs with a rationale of whether to invest in the use of mobile money transfer systems or not based on the research outcomes. If the mobile payment system facilitates business growth, investments in the payments systems will be inevitable.
- ii. Secondly, the study was to be important to cellular service providers in charge of the mobile money payment systems as it was to inform them of whether or not to continue their investments in mobile money transfer systems and whether to customize them to support business growth.
- iii. Thirdly, the study findings were to be an important to investors and other stakeholders who may wish to understand the factors that influence uptake of mobile money transfer service.

### *1.6. Scope of the Study*

This research was conducted in Pokot Central Sub-County. It sought to examine the factors that influence the uptake of mobile money transfer services among SMEs in the sub county. The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ 10 persons, annual turnover of between 500,000 and 5m, plant and machinery capital of 10m to 50m for small enterprise while medium has an employment rate of 50 to 100 persons and annual turnover of between 5m -8000 million euro (MSMEs-bill 2009) in Pokot central sub-county. The mobile money transfer services explored under this study were Yu-cash, MPESA, Airtel Money and Orange money.

### *1.7. Limitations of the Study*

The uptake of mobile money transfer services by the SMEs is a function of many factors which were not investigated. The study was limited to perceived risk, perceived benefits and cost of the services due to limited time. Some respondents for reasons unknown to the researcher withheld information though there was prior explanation that data being collected was purely for academic purposes. In addition, the researcher also faced the challenge of inadequate finances particularly during printing, internet services and traveling to the field to supervise collection of data.

## **2. Literature review**

### *2.1. Theoretical Literature Review*

In Information Systems literature, Roger's (1991) innovation diffusion theory (IDT), Davies' (1989) technology acceptance model (TAM), the extended technology acceptance model (Davis 1989), the theory of planned behaviour (Ajzen 1977) and the unified theory of acceptance and use of technology (UTAUT) (Venkatesh et al. 2003) have been used for the last two decades to explain possible consumer behavior on adoption and acceptance patterns of new technologies and innovations. Several researchers have sought to develop constructs that affect consumer behavior when deciding on the adoption of mobile services by applying these existing information system theories and models (Wu and Wang, 2005, Hung et al 2004, Bouwman et al 2007).

A study of literature on mobile services shows that application of the above information system theories and models have extended to valued added mobile services (Barnes and Huff 2003, Biljon et al 2008, Carlsson et al. 2006, Chen 2008, Muk 2007, Teo and Pok 2003). The most applied, tested and refined model is the TAM followed by UTAUT, IDT and then TPB. In more recent contributions, researchers have used a number of constructs from all four areas and new constructs from other sources. For example, Barnes and Huff (2003) extended IDT by including trust and image as new constructs. Also, Tan and Teo (2000) included perceived risk; subjective norm and self-efficacy. Pedersen et al (2001), posits that the TAM should be extended to include subjective norm and behavioral control constructs.

#### 2.1.1. Theory of Planned Behavior (Ajzen 1972)

The theory of planned behavior (TPB) was developed by Ajzen in 1988. The theory proposes a model which can measure how human actions are guided. It predicts the occurrence of a particular behavior, provided that behavior is intentional. The intentions are the precursors of behavior. This theory predicts deliberate behavior, because behavior can be deliberative and planned.

The theory of planned behavior is an extension of the theory of reasoned action (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975) made necessary by the original models limitations in dealing with behaviors over which people have incomplete volitional control. As in the original theory of reasoned action, a central factor in the theory of planned behavior is the individuals' intention to perform a given behavior. Intentions are assumed to capture the motivational factors that influence a behavior; they are indications of how hard people are willing to try, of how much of an effort they are planning to exert, in order to perform the behavior. As a general rule, the stronger the intention to engage in a behavior, the more likely should be its performance. It should be clear, however, that a behavioral intention can find expression in behavior only if the behavior in question is under volitional control, i.e., if the person can decide at will to perform or not perform the behavior. Although some behaviors may in fact meet this requirement quite well, the performance of most depends at least to some degree on such non motivational factors as availability of requisite opportunities and resources (e.g., time, money, skills, cooperation of others (Ajzen, 1985).

Collectively, these factors represent people's actual control over the behavior. To the extent that a person has the required opportunities and resources, and intends to perform the behavior, he or she should succeed in doing so. The idea that behavioral

achievement depends jointly on motivation (intention) and ability (behavioral control) is by no means new. Ajzen's model had the following variables;

Firstly, Behavioral beliefs which link the behavior of interest to expected outcomes. A behavioral belief is the subjective probability that the behavior will produce a given outcome. Although a person may hold many behavioral beliefs with respect to any behavior, only a relatively small number are readily accessible at a given moment. It is assumed that these accessible beliefs -- in combination with the subjective values of the expected outcomes -- determine the prevailing attitude toward the behavior. Specifically, the evaluation of each outcome contributes to the attitude in direct proportion to the person's subjective probability that the behavior produces the outcome in question.

Secondly, Normative beliefs refer to the perceived behavioral expectations of such important referent individuals or groups as the person's spouse, family, friends, and -- depending on the population and behavior studied - - teacher, doctor, supervisor, and coworkers. It is assumed that these normative beliefs -- in combination with the person's motivation to comply with the different referents -- determine the prevailing subjective norm. Specifically, the motivation to comply with each referent contributes to the subjective norm in direct proportion to the person's subjective probability that the referent thinks the person should perform the behavior in question.

Third, Control beliefs have to do with the perceived presence of factors that may facilitate or impede performance of a behavior. It is assumed that these control beliefs -- in combination with the perceived power of each control factor -- determine the prevailing perceived behavioral control. Specifically, the perceived power of each control factor to impede or facilitate performance of the behavior contributes to perceived behavioral control in direct proportion to the person's subjective probability that the control factor is present.

Fourth, Attitude toward a behavior is the degree to which performance of the behavior is positively or negatively valued. According to the expectancy-- value model, attitude toward a behavior is determined by the total set of accessible behavioral beliefs linking the behavior to various outcomes and other attributes. Specifically, the strength of each belief is weighted by the evaluation of the outcomes or attributes and the products are aggregated.

Fifth, Subjective norm is the perceived social pressure to engage or not to engage in a behavior. Drawing an analogy to the expectancy-value model of attitude, it is assumed that subjective norm is determined by the total set of accessible normative beliefs concerning the expectations of outcomes. Actual behavioral control refers to the extent to which a person has the skills, resources, and other prerequisites needed to perform a given behavior. Successful performance of the behavior depends not only on a favorable intention but also on a sufficient level of behavioral control. To the extent that perceived behavioral control is accurate, it can serve as a proxy of actual control and can be used for the prediction of behavior. (www.people.umass.edu).

### 2.1.2. Unified Theory of Acceptance and Use of Technology (Venkatesh Et Al 2003)

The unified theory of acceptance and use of technology (UTAUT) proposes that performance expectancy, effort expectancy, and social influence predict behavioral intention towards the acceptance of information technology. The theory further proposes that facilitating conditions and behavioral intention predicts use behavior in the acceptance of information technology.

According to the unified theory of acceptance and use of technology, there are four primary variables influencing the intention to use and actual use of technology: performance expectancy (PE), effort expectancy (EE), social influence (SI), and facilitating conditions (FC). In addition, UTAUT includes four moderators, gender, age, experience, and voluntariness that predict the relationship between the primary variables and intent and use behaviors (Venkatesh et. al., 2003). These are explained as follows:

First, Performance expectancy is defined as the degree of expectancy regarding an increase in the job performance of individuals who are using the system. It can be considered the synthesis of variables such as PEU, found in the TAM (Davis et al., 1989), extrinsic motivation, found in the Motivation Model (Davis et al., 1989), job fit, found in the PC Use Model (Triandis, 1977), relative advantage, found in the Diffusion of Innovations Theory (Rogers, 1995), and result expectancies, found in Social Cognitive Theory (Compeau & Higgins 1995; Venkatesh et.al., 2003).

Second Effort expectancy is defined as the degree of facilities brought by use of the system. It can be considered the synthesis of variables such as PEU, found in the TAM (Davis et al, 1989), complexity, found in the PC Use Model (Triandis,1977), and ease of use, found in the Diffusion of Innovations Theory (Rogers,1995; Venkatesh et.al., 2003).

Third Social influence is defined as the degree of importance that other people give to use of the system. It can be considered the synthesis of variables such as subjective norms found in the TAM (Davis et al., 1989), Planned Behavior Theory (Ajzen, 1971), and PC Use Models (Triandis, 1977), and image, found in the Diffusion of Innovations Theory (Rogers, 1995, Venkatesh et.al., 2003).

Lastly Facilitating conditions are the organizational or technical sub-structure supports necessary for use of the system. It can be considered the synthesis of variables such as perceived behavioral control, found in Reasoned Behavior Theory (Ajzen, 1971), facilitating conditions, found in the PC Use Model (Trandis, 1977), and job fit, found in the Diffusion of Innovations Theory (Rogers, 1995), Venkatesh et.al., 2003).

### 2.1.3. Innovation Diffusion Theory

This is another theory which has received similar attention by scholars in explaining consumer behaviour towards new technology is the 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 members of a social system" (Rogers, 1995, p.10). 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).

## 2.2. Conceptual Framework

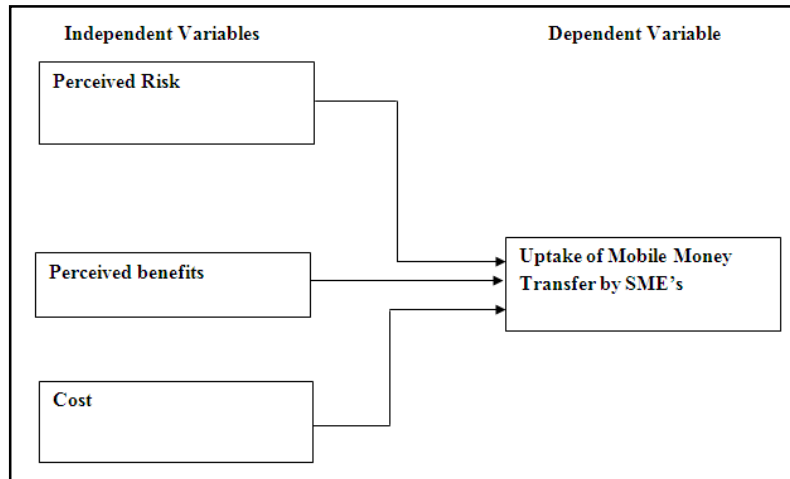


Figure 1: Conceptual framework

The conceptual framework above puts dependent variable as the uptake of mobile money transfer by MSE's and independent variables as perceived benefits, perceived risk and cost of service. This shows that for people to use mobile money transfer services it is purely determined by the aforementioned independent variables.

## 2.3. Factors Affecting Uptake of Mobile Money Transfer by SME's

### 2.3.1. Perceived Risk

A consumer's perceived risk was identified by the selected consumers and mobile money professionals interviewed as a significant barrier for mobile money transactions. Perceived Risk is defined as a consumer's belief about the potential uncertain negative outcomes from the mobile money transaction. Consumers desire to minimize risk supersedes their willingness to maximize utility and thus their subjective risk perception strongly determines their behavior (Bauer et al, 2005). Thus, reducing uncertainty has been found to have a positive influence on consumers' intention to adopt electronic transactional systems (Chen, 2008).

### 2.3.2. Perceived Benefits

Mobile money is a network infrastructure for storing and moving money that facilitates the exchange of cash and electronic value between partners, including clients, businesses, the government, and financial service providers (Kendall et al., 2012). The network displays the characteristics of a platform as it brings together financial service providers and clients and provides them with a core functionality they can use to transact and which can be incorporated into various financial products. Kendall et al (2012) notes that determining the end user profile is important as there are a number of fundamental challenges to reaching the poor who represent a large part of the mobile transfer service with financial services that have blocked market growth in the past. It is important to understand that key innovations or Inclusive financial hurdles are that the vast majority of the poor lives in a cash economy and are paid in cash. For instance in developed economies banks usually receive client's salaries through direct deposit and the money can either be moved to longer term savings products or be withdrawn and spent through channels like ATMs and point-of-sale devices. However, in developing economies Kendall *et al* (2012) also note that the poor lose the natural connection to the financial system that stems from having income born in electronic form. They require a deposit- taking infrastructure to even get their money into the financial institution and to make matters worse, they earn money unpredictably and need to deposit whenever small money they receive comes their way. Meanwhile, banks and other financial service providers are loath to deploy deposit-taking banking infrastructure as hard as they might require servicing poor clients' greater deposit needs since the revenue these clients generate does not justify the investment.

In this case Mobile money seems to have the potential to solve many of these problems and delivering benefits to all its clients. By giving banks and other financial service providers a cheap way to outsource cash handling and deposit and withdrawal transactions, mobile money can enable providers to serve clients at a lower cost per- transaction and at a reduced investment in terms of physical infrastructure. In addition, banks may be able to get more value out of their existing branches and branch staff. Mobile money also helps clients by giving them a dense and diverse network of transaction outlets where they work and live, reducing the cost to clients of accessing financial services. Once clients are in the financial system and able to transact at low cost with banks and other financial

service providers, the platform enables the provider to offer a new set of services and delivery models that were not previously possible or profitable (Kendall et al 2012).

### 2.3.3. Costs

According to Micheni et al (2013), Costs in the adoption and use of Mobile transfers can be classified as Service or transaction costs, implementation or finance costs. Tobbin (2009) specifies that although finance costs determine an organizations pricing strategy which will be translated to service costs, transaction costs can be further classified as transaction price, registration fee, or cost of a new device if one is needed to use the service. Furthermore he states that consumers who were interviewed confirmed that transactional cost can influence their behavior intention to use the Mobile Money transfer services. Given that the original strategy was developed in an organizational context, the transactional cost of using technology was not considered as a relevant variable since the consumer was not responsible for the payment of the technology. Moreover, the concept of transaction cost and facilitating conditions prevail in mobile money adoption studies. According to behavioral decision theory, the cost-benefit framework is important to both perceived usefulness and ease of use. If clients believe that the cost of mobile money service is affordable and acceptable, they will adopt it easier, and then use it. According to Mathieson *et al* (2001), economic drivers and outcomes are the focus of information and telecommunication systems acceptance studies. In this case, the cost variable was used in prior experimentation on mobile banking use.

Luarn and Lin (2005) observe that the cost aspect may prevent many customers from choosing mobile money. Moreover, hardware and or software coupled with financial resources are critical for users of an information system (Mathieson *et al* 2001). Furthermore, Tobbin (2009) states that facilitating environment is the degree to which a person believes that a company and technical infrastructure exist to assist in the use of a system. In the context of mobile money it would refer to issues such as the easy access to the agent network, confidence in the knowledge of how mobile money operates presence of the network coverage, reliable customer support and availability of liquidity/float. However, service cost consideration may prevent many people from choosing mobile money service (Luarn and Lin 2005). Financial cost is likely to directly influence the users' intention to use mobile money services.

According to The Economist (2013), there are many mobile-money systems launched. That begs the question, why is it that Kenya has been the most successful? According to the study, there were several factors in her favor against the rest of the world. These factors include the exceptionally high cost of sending money by other methods, the dominant market position of the leading service provider (Safaricom) the regulator's initial decision to allow the scheme to proceed on an experimental basis without formal approval, a clear and effective strategy ("Send money home"), an efficient system to move cash around behind the scenes and most intriguingly, the post-election violence in the country in early 2008 in which M-PESA was used to send money to people stranded in Nairobi's slums and rural villages. During PEV some Kenyans regarded M-PESA as a safer place to store their money than the banks which were entangled in ethnic disputes.

### 2.4. Critique of the Literature Review

From analysis of available literature it can be revealed that there is a lot of literature on technology adoption and even the factors affecting diffusion of technology. Most of these researches however were not conducted in the developing countries especially in the rural areas.

On risk as a factor affecting uptake of mobile money transfer, Ignacio and Radcliffe (2010) concentrated on Safaricom agent awareness like being paid Kshs. 93 for every registered customer. They are silent about customers getting awareness through other customers. The literatures captured well the transactions carried out in their percentages. It is my considered view that they should have captured issues like direct depositing where an M-PESA customer purports to deposit in his account yet he is depositing directly to the person he is intended to transfer money to.

The literature has extensively dealt on the factors affecting the uptake of mobile money transfer services by SME's. Such factors include; Perceived risks, costs and perceived benefits. As much as it is agreeable that all these factors are important for uptake of mobile money transfers services, the literature has not captured important factors which are; availability of mobile network and mobile handsets among the entrepreneurs.

These three factors are very crucial in determining the uptake of mobile money transfer among small and medium enterprises. This research study will explore all the factors that have influenced the uptake of mobile money transfer services among SME's.

### 2.5. Research Gap

Based on the above reviewed empirical literature, it is evident that extensive research has been done which are related to the research topic in developed and neighboring countries such as Tanzania and Uganda. In this development field there is great interest in the use of mobile phones to increase citizens' access to efficient and affordable financial services, a practice commonly referred to as mobile money transfer services. Chapman and Holtham (2004) in the theory on application of new technology in service delivery, have helped many organizations to improve services. In this theory they argued that the application of new technologies creates potential for improvement in delivery of services as it is in recent developments in mobile phone technologies which has resulted in a rise in volume of banking business performed through the mobile phone such as mobile money transfers (Hock Bee, 1999).

The research did not explain how far it has a positive impact to customer/ users of mobile money transfer services. From the foregoing, no research has been conducted on the factors influencing the uptake on Mobile money transfer among businesses- small and medium. Thus, it is the objective of this study to fill this research gap and contribute to new knowledge.



### 3. Research Methodology

#### 3.1. Introduction

This chapter describes the methodology that was used in collection of data needed in answering the research questions. It is divided into research design, population of the study, sample size, sampling techniques, data collection instruments/ procedures and data analysis/ presentation.

Khamadi (1992) defines methodology as an operational framework within which the facts are placed so that their meaning may be seen more and more clearly. Methodology describes how a project is organized, the order in which jobs are done and the interfaces between them.

#### 3.2. Research Design

Research design is the blueprint that enables the researcher to come up with solutions to problems and guides him in the various stages of the research (Nachmias & Nachmias, 2004). Cooper and Schindler (2003) summarizes the essentials of research design as an activity and time based plan; always based on the research question; guides the selection of sources and types of information; a framework for specifying the relationship among the study variables and outlines the procedures for every research activity. The study used a survey research design as it was helpful in indicating trends in attitudes and behaviors and enabled generalization of the findings of the research study to be done (Kuter & Yilmaz, 2001). This design was considered appropriate for this study because it saves time, expenses and the amount of quality information yielded is valid, while interviewer bias is reduced because participants complete identically worded self-reported measures (Adèr, Mellenbergh & Hand, 2008).

#### 3.3. Population of the Study

A population is defined as a complete set of individuals, cases or objects with some common observable characteristics (Mugenda & Mugenda, 2003). Dencombe (2007) defines a population frame as “an objective list of the population from which the researcher can make his or her selection.” A population frame must thus contain an up-to-date list of all those that comprise the target population. In this study target population consisted of all 145 small and medium enterprises licensed by the County Government of West Pokot as at 31<sup>st</sup> December, 2013 to operate in Pokot Central Sub-County.

#### 3.4. Sample Size

Sampling design refers to a research plan that indicates how cases are to be selected for observation or as respondents (Mugenda & Mugenda, 2003). For small populations, the general rule-of-thumb is that one needs to have at least 30 respondents but for bigger populations a representative sample depends on the mode of selection and according to Gay (1981) a sample of 10% is representative. From the target population of 145 SMEs a sample size of 30 respondents consisting of small and medium enterprise managers/owners was chosen using simple random sampling. This sample size is considered representative and comprehensive in the coverage of the study objectives and economical in terms of time and money. International Journal of Business, Humanities and Technology Vol. 2 No. 4; June 2012 82

#### 3.5. Sampling Technique

The study used simple random sampling procedure to select a sample that represents the entire population. According to Mugenda and Mugenda (2003) simple random sampling is a probabilistic sampling technique which ensures each subject, object or respondents do have an equal chance of representation. A simple random sample is used when a population is heterogeneous making it the most appropriate sample to come up with as far as the targeted population is concerned. In this study the stratum consisted of small and medium enterprises located in Pokot Central Sub-County.

#### 3.6. Data Collection Instruments and Procedure

Questionnaires, incorporating both open-ended and closed-ended question items were used to gather the data. According to Cooper and Emory (2008), the questionnaire is conveniently used because it is cheaper and quicker to administer. It is also above researcher's effect and variability and is highly convenient for the respondents as they can fill them during their free time or when workloads are manageable. The instruments incorporated Likert items to measure perception, attitude, values and behavior. The questionnaires were administered through the drop and pick-later method. This ensured time was saved as opposed to self-administered method. Research assistants were used to distribute the questionnaires.

#### 3.7. Data Analysis and Presentation

The collected data was thoroughly examined and checked for completeness and comprehensibility. The data was then summarized, coded and tabulated. The coded Data was entered into the Statistical Package for Social Sciences for analysis. SPSS 17.0 was used to perform the analysis as it aids in organizing and summarizing data by the use of descriptive statistics such as tables. Descriptive statistics such as, percentages and frequency distribution was used to analyze the data. Data presentation was done by the use of frequency tables. This ensured that the gathered information is clearly understood. Qualitative data was analyzed by coding according to variables in the study while quantitative data was analyzed through the use of descriptive statistics where the responses was established and the results then presented inform of tables and pie charts (Muijs, 2004).

## 4. Findings and Discussions

### 4.1. Introduction

This chapter contains the results and presentation of findings of the study. The study sought to analyse the factors affecting the uptake of mobile money transfer services by small and medium enterprises in Pokot central sub county. The independent variables of the study included: perceived risk, Perceived benefits and cost of the mobile money transfer service. The dependent variable was the uptake of Mobile money transfer by small and medium enterprises. The findings were presented based on the study, research objectives. The study sought to address the following research questions: What is the effect of the cost of conducting transactions on the uptake of mobile money transfer services among SMEs in Pokot Central sub-county? In what ways does perceived benefits of mobile money transfer services affect the uptake among SMEs in Pokot Central Sub-county? What are the risks involved in the mobile money transfer service? Of the 30 questionnaires administered the response rate was 100%. Data analysis was done with the aid of SPSS 17.0. Quantitatively, descriptive statistics such as frequencies and percentages were used. The findings were presented through the use of frequency tables.

### 4.2. Gender of Respondents

The study sought to establish the gender of the respondents.

	<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
	Male	23	76.7
	Female	7	23.3
	Total	30	100.0

*Table 1: Gender of respondents*

The study findings revealed that 76.7% of the respondents were male while 23.3% were Female which raises the question what could be the reasons hindering the female gender from engaging themselves fully into this enterprising SME business which has the potential to uplift their standard of living.

### 4.3. Age Bracket of the Respondents

The study sought to establish the age bracket of the respondents of the target study population. The data below presents the findings distribution of the respondents according to their age bracket.

	<b>Respondent Age Bracket</b>	<b>Frequency</b>	<b>Percent</b>
	18 - 25 Yrs	6	20.0
	26 -35 Yrs	20	66.7
	36 -45 Yrs	4	13.3
	Total	30	100.0

*Table 2: Age Bracket of the respondents*

In reference to table 2 above, age bracket of between 26 -35years was found to be the majority at 66.7% followed by 18 -25years with 20% and finally the age bracket of 36 -45years were last with 13.7% respectively.

### 4.4. Level of Education

The study sought to identify the level of education of the respondents who are owners of SME in Pokot central sub county.

	<b>Level of Education</b>	<b>Frequency</b>	<b>Percent</b>
	Primary	10	33.0
	Secondary	14	47.0
	Tertiary	5	17
	Others(none respondents)	1	3
	Total	30	100.0

*Table 3: Level of Education*

The findings in table 3 above indicates that the majority of the respondents had acquired secondary education level with 47% primary school education had 33%, those with tertiary had 17% while others had only 3% .

### 4.5. Other Levels of Education

The study sought to establish if there could be any other levels of education that the respondents have acquired or attained.

	<b>Other level of Education</b>	<b>Frequency</b>	<b>Percent</b>
	None respondents	29	97
	Never went to school	1	3
	Total	30	100.0

*Table 4: Other Levels of Education*

The findings were as indicated in Table 4 above. 97 % of the respondents did not respond leaving the question un- answered while only 3 % indicated that they had never gone to school.

#### 4.6. Numbers of Years Existed in This Business

The study sought to establish the numbers of years that the respondents have been in this business of SME in Pokot central sub county.

	<b>Years in this Business</b>	<b>Frequency</b>	<b>Percent</b>
	1 -5 years	5	17
	5 -10 years	21	70
	10 -15 years	3	10
	Over 15 years	1	3
	Total	30	100.0

*Table 5: Numbers of years existed in this Business*

According to table 5 above analysis of the data revealed that majority of SME owners have existed in this business for at least 5 -10 years which had 70% ,1 -5 years had 17% ,10 -15years had 7.5% while those who have been in business beyond 15 years were 3%.

#### 4.7. Use of Mobile Money Transfer Service

The study sought to establish whether the SME owners/managers were aware of mobile money transfer services and if they are using the same in their day to day transactions.

	<b>Use mobile of mobile money Transfer services</b>	<b>Frequency</b>	<b>Percent</b>
	Yes	24	85.0
	No	6	15.0
	Total	30	100.0

*Table 6: Use of Mobile Money Transfer service*

The findings revealed that the majority of the respondents were aware of the services and are using it in their day to day transactions. Those who were aware were 85% while those that were not aware and are not using these services were 15%.

#### 4.8. Which Mobile Money Transfer Service.

The study question sought to probe the respondents to establish if they were truly aware and was using the mobile money transfer services by asking them to list the MMT service types.

	<b>Which MMT service type</b>	<b>Frequency</b>	<b>Percentage</b>
	M-Pesa	24	80.0
	Airtel Money	2	7
	Easy 24 Services	2	7
	M-Banking Services	1	3
	Pay-bill service	1	3
	Total	30	100

*Table 7: Which Mobile money transfer service*

The research findings revealed that M-Pesa of Safaricom is on the lead scoring 80 %, Airtel money 7%, Essey 24 service had 7% while M-banking and Pay bill services followed with a score of 3% respectively.

#### 4.9. Risks Involved in Mobile Money Transfer Service

The study sought to establish the risks involved in mobile money transactions

Risks involved in this services	Frequency	Percent
Conmen/fraudsters	6	20
Delays in Transaction (systems breakdown)	1	3
Sending Money to wrong Number	19	63
Theft	4	14
Total	30	100

Table 8: Risks involved in Mobile money transfer service

The different risks that were revealed by the study indicates that sending money to wrong telephone numbers led as a risk with 63%, Conmen and fraudsters 20%, Theft had 14% and delays due to systems breakdown scoring 3% respectively.

#### 4.10. To What Extent Does Risks in Mobile Money Transfer Service Influences Uptake

The study question was to ascertain to what extent risks involved in mobile money transfer services influence the uptake of MMT services by SME in Pokot central sub county.

Extent to which risk influences uptake	Frequency	Percent
To no extent	5	16.7
To lesser extent	14	46.7
To high extent	9	30.0
None Respond	2	6.7
Total	30	100.0

Table 9: To what extent do risks in mobile money transfer service influence its uptake

The findings were as follows:

To a lesser extent led by 46.7%, To a higher extent was rated at 30%, To no extent scored 16.7%, and while none respondents was 6.7%. This means that though there were numerous risks involved and experienced by SME owners while using MMT services, the risks influence was recorded to be of less extent since many of the respondent were more aware of the great benefits they derive from MMT services.

#### 4.11. Challenges in Accessing Mobile Money Transfer Services.

The study question sought to establish different challenges that are faced by the users of this services who the respondents in this case study.

Challenges	Frequency	Percentage
Conmen Agents	3	10
Expensive to transfer to other networks	7	23
Poor Network Coverage	18	63
Loss of Phone/Sim-card	2	4
Total	30	100

Table 10: Challenges in accessing mobile money transfer services

According to the findings in table 10 above, poor network coverage was found to be the leading challenge which owners of SME in Pokot central sub county encounter when they want to use MMT services. Network coverage scored 63%, followed by expensive when transacting across other network at 23%, Conmen Agents had 10% while loss of mobile phone/ sim-card had 4% response rate.

#### 4.12. How Can These Challenges Be Mitigated by the Various Actors in MMT Services?

The study sought to establish mitigation measures against the cited challenges in the use of Mobile money transfer services in general.

Mitigation Measures	Frequency	Percent
Awareness Creation	5	17
Improve Network Coverage	13	43
Reduce service Charges	7	23
Strict agents Monitoring	5	17
Total	30	100

Table 11: How can these challenges are mitigated by various actors in the mobile money transfer services?

The study findings revealed that as mitigation measure to the challenges, there is need to improve network coverage which was rated at 43% followed by reduction of service charges especially when transacting across networks which was rated by the respondents at 23%, awareness creation and Strict agent monitoring for quality service delivery was rated at 17% by the respondents.

#### 4.13. Does Cost of Transaction Discourages the Use of Mobile Money Transfer Service

The study sought to establish whether the cost of mobile money transfer services discourages the uptake of MMT services among SME in Pokot central sub county.

	<b>Agree or Disagree</b>	<b>Frequency</b>	<b>Percent</b>
	Strongly disagree	1	3.3
	Disagree	12	40.0
	Neutral	4	13.3
	Agree	10	33.3
	Strongly Agree	1	3.3
	None respondent	2	6.7
	Total	30	100.0

Table 12: Cost of transaction discourages the use of mobile money transfer service.

The findings revealed that the majority disagreed with a score of 40%, those who Agreed followed by 33%, those Neutral had 13%, none respondents scored 6.7% strongly disagree and strongly agree had a score of 3% respectively.

#### 4.14. To What Extent Do You Subscribe to the View That Using Mobile Money Transfer Has Benefits?

The study sought to establish the extent to which the respondents do subscribe to the statement that mobile money transfer services have many benefits.

<b>To what extent do you agree to the above statement</b>	<b>Frequency</b>	<b>Percent</b>
To no extent	1	3.3
To a low extent	6	20.0
To higher extent	15	50.0
To a very high extent	5	16.7
To an extremely high extent	1	3.3
None respondent	2	6.7
Total	30	100.0

Table 13: To what extent do you subscribe to the view that using mobile money transfer has benefits?

The study findings were as indicated above in table 13. Majority of respondents agreed with the statement at a higher extent which scored 50%, at a low extent was rated at 20%. to every higher extent was rated at 16.7%, while to no extent and to an extremely high extent scored 3.3 % respectively. 6.7% of the respondents did not answer the question

#### 4.15. Benefits of Mobile Money Transfer Services

The study question was strategically to establish whether the respondents acknowledges and have benefited from the mobile money transfer services in their daily transactions.

<b>Benefits of Mobile money Transfer services</b>	<b>Frequency</b>	<b>Percentage</b>
Efficient in transacting	2	7
Quick services	18	60
Secure and safe	5	17
Low cost of transactions	3	10
Accessibility to services	1	3
Income Increment	1	3
Total	30	100

Table 14: Benefits of Mobile Money Transfer Services

The study revealed that among the benefits that were highlighted by the respondents as table 14 above shows is that mobile money transfer service is quick which was rated at 60% by the respondents. Security and safety of services was rated 17%, low cost of transaction was rated at 10% while Accessibility and income increment had 3% each respectively.

#### 4.16. Discussion of Findings

The primary aim of this study was to determine the factors affecting the uptake of mobile money transfer services by small and medium enterprises in Pokot central sub county. This aim to a larger extent was accomplished and is summarized below.

To explore the awareness levels of mobile money services in Pokot Central sub-county among SMEs, the study found that respondents had a widespread knowledge of mobile money services in the locality ranging from 99% in respect of sending and receiving money, purchase of airtime, viewing transactions and depositing cash, to 75% in services related to banking services through mobile money

such as viewing bank statements or receiving notifications of transactions. The high rate of enrolment to mobile money services in this region is much higher than the 75% penetration reported by Communications Commission of Kenya in 2012/2013. It is necessary to note that the report was a reflection of the general population of Kenya and not specific to any region.

This study intended to be a valuable source for further empirical and conceptual research on mobile money transfer services. Besides its general contribution of identifying, conceptualising and operationalising the key factors that predict its acceptance and adoption, the results can be used for further investigation into the success and or challenges of other mobile money related services. It provides further understanding into the attitude of the consumer towards mobile data services in general and the use of mobile phones for financial services specifically. A further qualitative study into why the uptake has not been overly successful with specific emphasis on early adopters may be necessary in the future. Also, the developmental impact of mobile money transfer in the country will be significant for further development of this service.

Although our study provides some interesting insights into factors affecting the intention to use mobile money transfer, it has some limitations. First, the exposure to mobile money transfer in Pokot Central is still at its infant stages due to its semi-arid climate, and we had to explain to most respondents what it is. Insufficient understanding of mobile money transfer and its applications does affect consumers' intention to use the service. Also a number of our respondents were illiterate and the translation of the questionnaire may affect their understanding and interpretation. Finally, the survey was conducted in the Pokot central sub-county and may not be a perfect representation of the entire population.

The second study objective was to explore the impact of cost on the uptake of mobile money transfer services among SME's in Pokot Central Sub-county, the study findings revealed that few respondents were using the service to facilitate a business transaction and also sending money to relatives hence the cost of sending seems to be too high. Some use it as a savings facility or to access loans even though these services are made available through partnership with the banking sector and mobile money service providers e.g. the M-Shwari product from Safaricom and Commercial Bank of Africa. Some were using mobile money services for business related transactions like to pay bills, pay salaries, deposit or withdraw money from their banks, and to buy or sell business related goods.

Majority of SMEs were utilizing this service for traditional functions like sending and receiving money, a study finding consistent with Njenga (2010) who also found that mobile money services were mostly used for sending and receiving money. However, those using a particular mobile money services were more likely to rate that service as important to the business. For example, 65% of respondents were using mobile money services to purchase business supplies out of which 58% rated this service as either very important or important to the business. These results disagreed with the findings of Mbogo (2010) who found that behavioural intention to use mobile money services was significantly correlated to actual usage. However, it is important to note that this study setting was different from that of Mbogo (2010).

SMEs in this region do not seem to interact with the banking sector for other or supportive banking services. Linkage to the banking sector from this study was only 29%. This could be because respondents viewed mobile money service as a variation of branchless banking with delivery of financial services outside conventional banking. This conclusion made by Wambari and Mwaura (2009) and supported by some of the findings of this study, may warrant further investigation to see if enrolment into mainstream banking has been affected by the introduction of mobile money services.

The third study objective was to investigate the effect of perceived benefits on the SMEs uptake of mobile money transfer services in Pokot central sub-county. If qualities of mobile money services such as low cost or convenience and accessibility resulted in increased SMEs performance in West Pokot Central sub-county. We found out that 51% of respondents strongly agreed that mobile money had a positive impact on their sales. The biggest reason for this the convenience of the mobile money services, echoed by 90% of respondents. Those who used mobile money services were more likely to give more informed feedback on the importance of the service to their business compared to those that did not. The importance of mobile money service, therefore, seemed to increase as the number of those using the service increased.

A finding unique to this study was the positive relationship between the mobile money transactional cost and usage. Those who were more likely to use the service were also more likely to rate the transactional cost as expensive in comparison to those who did not use the service who were more likely to rate the service as cheap or reasonable. This finding could have resulted from many of the mobile money subscribers being on the M-Pesa platform which had recently increased their transaction costs. Those not using the service may not have been aware of the true cost of using the service after these changes. Mbogo (2010) had determined that low cost positively correlated to the behavioural intention to use mobile money services, but our findings revealed that the perception of transaction cost as expensive amongst actual users of the service had no effect on their use since customers continued to use the service despite this perception. This finding needs further investigation to determine how this applies against price elasticity of demand. It will also be important to evaluate if other towns would note similar findings as this region. Equally, considering that M-Pesa was by far the biggest provider of service in this region, it will be useful to evaluate how they have managed to achieve high uptake despite other cheaper providers like Airtel Money.

It is important to note that inferential statistics failed to prove the concept that mobile money in general has a positive impact to business growth. The majority of the respondents were only using mobile money for services like receiving or sending money, and few were using the mobile money services to pay bills, counter transactions or access loans. As already outlined above, Mbiti and Weil (2011) found that most people used the mobile money service to send or receive money as opposed to savings or other services. High volumes in mobile money transfers have also been well demonstrated by the FSD (2012) report which noted that high volumes of mobile money payments account for over 90% of the Kenya economy compared to other forms of money transfers. These forms of cashless transaction have the benefits of increased financial liquidity which has benefits to the SMEs industry.

Lastly, this study established that mobile money services are considered efficient and reliable by SMEs in Pokot Central sub-county. Most of the respondents in this study were of the opinion that mobile money services are not very reliable but are confident using it. Communication and quality of service was rated as often reliable, while customer support was rated as sometimes reliable or often reliable. The study revealed that various challenges contributed to the service efficiency and reliability rating further presented. Challenges were experienced by 90% of the respondents; the primary problem being delays in completing a transaction experienced by 66%. A smaller percentage (22%) had challenge related to no floats that would enable them to transact and even fewer (18%) had lost money while transacting using this service.

Since delays accounted for the largest percentage of experienced difficulties, customers were most likely to deal with the challenge by wait for it to resolve itself. Moving to another agent helped with the transactions in relation to no floats. We did not explore how business owners reacted to the of loss of money, but most interestingly, no one decided on aggressive measures like legal option for solving problems experienced like losing money.

The other challenge was related to the affordability of mobile money services. Majority of the respondents thought that cost of a SIM card and SIM card replacement were affordable while the cost of sending or receiving money was expensive. This could be as a result of most SMEs being on M-Pesa that had increased their transaction cost as a result of taxation. Some of these findings have already been documented by Ndunge and Mutinda (2012) who outlined the current M-Pesa challenges as fraud, network or connectivity problems, mobile money transactional cost that are perceived as expensive and M-Pesa- limiting social aspects of meeting and sharing since one can send money and excuse themselves from social events.

Thus, this study achieved its objectives and obtained detailed information arising from the use of mobile money services by SMEs. In respect of the conceptual framework, mobile money transactional costs, convenience, efficiency and reliability have all been shown to affect SME business performance through the service leading to increased enrolment in mobile money services, increased financial transactions resulting in increased sales and therefore perceivable contribution to business growth. We can argue that these factors will increase business competitiveness (increased sales and resultant higher profits) due to a variety of transaction options when applied in a business as compared to those that may not have applied them. Further studies, however, may need to be undertaken to describe the effect and relationships. Mobile money transactional cost may require further evaluation since our study found that even when the perception amongst users was that the service was expensive, they were still more likely to use it and think of the service as important to the business.

#### *4.17. Summary of the Findings*

This study had 100% response rate as a result of the respondents being guided by the research assistants to fill the questionnaire and being informed that the research findings were purely for academic purposes. There were more male respondents 77% compared to female respondents 23%. Age bracket of between 26 -35yrs were the majority by 65%. The majority have existed in this business for at least 5 -10 years which had 70% .Among businesses sampled majority of the respondents were aware of MMT services (85%) and were using the same in their daily transactions. Thus yes scored 85% while those that were not aware and not using these services scored only 15%. Moreover, the study established that M-Pesa of Safaricom is the most preferred MMT system at 80% Airtel money was rated at 7%, Essey 24 service had 7% while M-banking and Pay bill services followed with a score of 3% each respectively. On perceived risk the study established that though there is apprehension of using MMT due the fact that money can be sent to the wrong telephone on the fact that MNO have devised a system of ensuring retrieval of money sent to the wrong no means that perceived risk has not negatively affected uptake of MMT by SME in Pokot central sub county. On perceived benefits the study established that among benefits derived from using MMT include Quick safe secure and cheap means of transferring money thereby positively affecting uptake of mobile money transfer service by SME in Pokot central sub county. The study established that cost of MMT does not hinder uptake of MMT by SME in Pokot central sub county. This due to the fact that compared to other means of transferring money MMT is comparably cheap. Also the fact that other convectional banking services are either inadequate or nonexistent makes it prudent for SME in Pokot central sub county to embrace MMT.

### **5. Summary, Conclusions and Recommendations**

#### *5.1. Summary.*

The study sought to establish whether there are any perceived risks that are experienced by enterprises owners and consumers of the Mobile money transfer services and how they affect the uptake of the same service, the findings revealed that sending money to wrong telephone numbers was a leading risk as a risk with 63%, Conmen and fraudsters 20%, Theft had 14% and delays due to poor network scoring 3% respectively.

Upon further probing on the same subject of risks and its influence to the uptake of mobile money transfer services, The findings were as follows to lesser extent led by 46.7%To to higher extent 30%,To no extent scored 16.7%, and while none respondents had 6.7%.this means though there were numerous risks involved and experienced by users of these services, the risks influence was recorded to be of less extent since many of the respondent s were more aware of the great benefits they derive from these services.

The study was guided by the following research questions. What is the effect of the cost of conducting transactions on the uptake of mobile money transfer services among SMEs in Pokot Central Sub-county? Basically, as reflected in the study findings, cost of the services seems not to deter consumers and operators in this enterprises since when probed ,40% disagreed that the cost doesn't affect their uptake and use of this services, those respondent who agreed had a score of 33.3% while none respondents had 6.7% Though

through further probing the study revealed among the challenges of these services to the common community population in the rural setup, was the cost of transaction which cited as being expensive.

Based on the research question; in what ways do perceived benefits of mobile money transfer services affect the uptake among SMEs in Pokot Central Sub-county, the study revealed that there are different benefits the target population gets from these mobile money transfer services, scoring highest was quick service means of transacting at rate of 60%, Secure and safe had a score of 17%, Its of low cost compared to post office means 10%, Accessibility and income increment to the small and medium enterprises holder and consumer scored 3% each respectively.

Based on the research findings, I recommend more technical training workshops and seminars be held by the services providers companies and software technicians and mobile phones companies to be involved and these should be focused to improve enterprises owners and service consumers on the products efficient use of the same. More training of strategic risks awareness creation skills should be contacted either by the support of services providers and any other stakeholders. This will encourage efficiency and good performance in the business. The main focus on the training should be in areas the businessmen and consumers are lacking relevant skills such accuracy in transaction, and enterprise financial management and entrepreneurship for that what enhances risks rate to be high( ignorance)

From the study findings on attitude and perceptions i recommend schedules of workshops and seminars with a view to improve working relationship between the businessmen ,consumers of the services for information sharing and cutting down tariffs and any other taxes that may leading the high cost of these services. Also the government should control and make sure they are allowing reasonable rates of taxes and labour rates for efficient service production hence affordable but of good quality service and products. The government should strictly monitor and regulate the service providers in this sector to avoid exploitation of the service end users.

### 5.2. Conclusions

Based on the research findings and result of the analysis, several perceived risks among others were fraudsters and the risk of sending money to the wrong telephone numbers and since the service providers have not developed check and balance measures and efficient monitoring systems, the study concludes that much needs to be done to safeguard safety and benefits of the whole inclusive target beneficiaries and enterprise stakeholders. Further more in-reflection of the study analysis results, there were several perceived benefits that the SMEs revealed as leading to uptake of the mobile money transfer service in the target community and so the findings pointed out quick and efficient, secure and low cost means of transferring money across long distances compared to other modes in existence. While cost as a variable was studied and the respondents shared that though it was among the factors affecting mobile money transfer service uptake but compared to other means of same service available in the market, M-pesa services led 87%- followed by Essey 24 service and Airtel money tied with 7% and M-banking and pay bill service and the study concluded that M-pesa dominates the market across the target community.

### 5.3. Recommendations

The study revealed that the respondents were apprehensive in using mobile money transfer service due to the fact that sometimes money is transferred to wrong telephone number and the process of retrieving the same is cumbersome therefore I recommend that MNOs device a system where an individual can retrieve money sent to wrong telephone number quickly before the person to whom the money has been sent to wrongly reaches an agent and withdraws the same. On the same note the researcher recommends Safaricom for introducing the 'do it yourself' platform whereby when a person sends money to the wrong telephone no He / She can text Safaricom customer care who in turn reverse the same in the shortest time possible.

This study has led to the discovery that majority of the SMEs preferably use M-pesa against other mobile money transfer service providers. This study therefore recommends further study to be done to ascertain the reason as to why most SMEs prefer M-pesa than the rest of mobile money transfer types. Furthermore through the analysis and findings the study revealed that more male (77%) are engaged the ownership of SME compared to their female counterparts (23%).It is hereby recommended that government and other stakeholders roll out vigorous campaigns to rop in the female gender to engage in ownership of SME with a view to uplifting their standard of living which majority of women live below the poverty line. It also came out that network coverage is a great hindrance to mobile money transfer service uptake. I therefore recommend that mobile network operators invest more in network coverage masts to increase network coverage in rural Pokot central sub-county.

### 5.4. Area for Further Research

The researcher recommends further research to find out why majority of the SME are owned by the youths (90%) which is out of the ordinary considering the fact that uptake of the the youth enterprise fund among the youths in Pokot central sub-county is not very good.

Secondly the researcher recommends that further research be done to evaluate the contribution of mobile money transfer services to the growth of SME with a view to encouraging MMT if the same leads to the growth of SME. This will go a long way in ensuring that marginalized areas like Pokot central sub-county with rampant security challenges open up for development.

Lastly the researcher recommends further Study to explore factors that have made M-Pesa achieve high uptake (80%) despite other MMT providers like Airtel money, you cash and orange money being offered by the other MNO in the market.



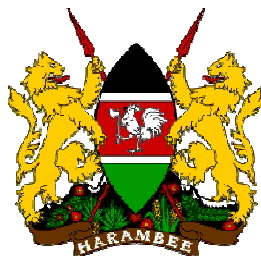
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**APPENDIX III: LICENSED SME'S IN POKOT CENTRAL SUB- COUNTY**

OFFICE OF THE GOVERNOR

**RE: LICENSED SME'S IN POKOT CENTRAL SUB- COUNTY**

Forwarded herewith please find licensed SME's in Pokot central sub- county. For your information and further necessary action. your information and further necessary action.

S/NO.	Name of Business	Proprietor	Kind Of Business
1.	Chepkono filing Station	Samuel Chemerinyang	Filling Station
2.	Joseph Limangole	Joseph Limangole	Retail shop
3.	Ronga's	Losiwanyang Rongai	Retail shop
4.	Hyperlink	James Nakererio	Computer college
5.	Garrissa Fashion	Suleiman Khalif	Boutique
6.	Rutoo Clinic	Boaz Rutoo	Chemist
7.	Sitinyang	Dan Sitinyang	Hides & Skin
8.	Retail Shop	Limaa Nicholas	Retail/ Hard Ware
9.	Martin /David	Martin /David	hardware
10.	Henry Wafula	Henry Wafula	Hardware
11.	Solomon Lopolokou	Solomon Lopolokou	Retail shop
12.	Limangole Agro- vet	Joseph Lomangole	Agro-vet
13.	Maima investment	Maima Cyrus	Retail Shop
14.	Lochoben	Benson Locholia	Retail Shop
15.	Trans- Night	Tongolo Arupemuk	Retail shop
16.	Retail shop	Samson Amuket	Retail shop
17.	Chemosir	Michael Limanyang	Auto –Spares
18.	Kaa- Sakitia Kiak	Lokemer Kitilit	Agro-vet
19.	Lotekee's	Loteke Leo	Retail shop
20.	Lomortom	Selina Jacob	Retail shop
21.	Sirkoi	Losiwanyang Sirkoi	Retail shop
22.	Peyarei	Benson Peyarei	Clinic
23.	Moses Keditukei	Moses Kedituke	Retail shop
24.	Mama Teko Curio	Selina Pkerker	Art Curio
25.	Mid land Hotel	Agnes Lomuket	Retail shop
26.	Lotumale	Reuben Lotumale	Auto – spares
27.	High way chemist	Thomas Ngolesia	Chemist
28.	Kuja Kashin	Kuja Kashin	Bar
29.	Korellach	Haron Korellach	Bar Spirit/Wine
30.	Hugget	Hugget Ayoo	Retail
31.	Alpha	Alpha Nyongesa	Bakery
32.	Highway Hotel	Mary Akadeli	Hotel
33.	Talai Shop	Mark Kinei	Wholesaler/ Hotel
34.	akorif	Peter akorif	Retail
35.	Eliud	Eliud Wafula	Retail
36.	Chemtikaa	Lilian Chemtikaa	Retail
37.	Lochilakori	Jacob Lochilakori	Utensil
38.	Lokomoiywa	Susan Lokomoiywa	Fuel filling
39.	Loluk Christopher	Loluk Christopher	Maize Retail
40.	Jackson Limaa	Jackson Limaa	Retail

S/NO.	Name of Business	Proprietor	Kind Of Business
41.	Chesta	Kibet Chesta	Retail
42.	Rafiki clinic	Isaac Mnangat	Chemist
43.	Sukuta	Samuel Kaptoro	Retail
44.	Pyeko Welding	Stephen Pyeko	Auto- spares/welding
45.	Highway chemist	Charles Domokong	Chemist
46.	Amos Mnangat	Amos Mnangat	Photo studio
47.	Musa Lilimo	Musa Lilimo	Auto – spares
48.	Amos Mnangat	Kasikar	Retail store
49.	Musa Lilimo	Lomadou Loktari	Agro-vet
50.	Amos Mnangat	Andrew Kanyatta	Retail
51.	Musa Lilimo	Petareng	Boutique
52.	Kale shop	Musa cholon	Retail shop
53.	Muino stores	Katoliki	Retail stores
54.	Loreupe	Losiwanyang Nyarakin	Retail shop
55.	Kapsekero	Lokitan Kedireng	Retail shop
56.	Kedisha Pertechan	Kedisha Pertechan	Retail shop
57.	Simba shop	Pertum William	Retail shop
58.	Jackson Lomakwang	Jackson Lomakwang	Retail shop
59.	Simion Lowoya	Simion Lowoya	Retail shop
60.	Kopocho Hotel	Philemon Lorita	Hotel
61.	Aljasira	Salome Mayodi	Hotel
62.	Rutoo	Boaz Rutoo	Hotel
63.	Sky light hotel	Peter Mackenzi	Hotel
64.	Chepam	David kapelsiwa	Hotel
65.	Milcah Charito	Milcah Charito	Retail shop
66.	John Longolekou	Paulo Lomuria	Agro-vet
67.	Vincent Pyatich	John Longolekou	Retail shop
68.	Kasamugh	Vincent Pyatich	Retail shop
69.	Adrew K. Ptekwenyo	Kasamugh	Retail shop
70.	Loyara Lokwalap	Adrew K. Ptekwenyo	Retail shop
71.	John Longolekou	Loyara Lokwalap	Retail shop
72.	Californai stores	Reuben Kiyapyap	Retail stores
73.	Kapiwo	Alfred Aleutum	Retail shop
74.	Kalengo	Wilfred Kalengo	Retail shop
75.	Mama cheyech	Grace Cheyech	/hotel Chips
76.	Kasarani	Meshack Mesheluk	Clothes fashion
77.	Kosengohgh	Kapelsiwa Rinonyang	Clothes fashion
78.	Kale	Noah Cholong	Retail shop
79.	Mersia Lorita	Mersia Lorita	Retail shop
80.	Julius Posen	Julius Posen	Retail shop
81.	Dan Katoliki	Dan Katoliki	Retail shop
82.	Simon Korisia	Simon Korisia	Retail shop
83.	Madatukei Chorotwo	Madatukei Chorotwo	Retail shop
84.	Stephen cheptesol	Stephen cheptesol	Hotel shop
85.	Muskut	Korinyang Lorita	Retail shop
86.	Kauk Junior	Samuel Komoltich	Retail shop
87.	Pottiew Canteen	Joel Lokedi	Retail shop
88.	Samuel Tudoo	Samuel Tudoo	Retail shop
89.	Angolemuk	Angolemuk Toungo le	Retail shop
90.	Hilda	Hilda c. Lotodo	Retail shop
91.	Rachan stores	Ceoffrey Pilan Longaliga	Soda Depot
92.	Mkulima Hotel	Merikou	Hotel
93.	Pitpagh shop	Philip Petasia	Kiosk
94.	Mkelel shop	Jackson Nguriareng	Accessories
95.	Tamlal	James Koitilo	Boutique
96.	Ambassador	Bramwel aaritee	Soda Depot

<b>S/NO.</b>	<b>Name of Business</b>	<b>Proprietor</b>	<b>Kind Of Business</b>
97.	Mtelo shop	Pius Mtelo	Retail shop
98.	Lomut agrovet	Philip kamar	Agrovet
99.	Cherere store	Mathas cherere	Retail shop
100.	Dadii general	Ezekiel kayango ringara	Retail shop
101.	Option one	Antony Cherismo	Bar
102.	Leah shop	Mama Cheyech	Retail shop
103.	Sabwani agrovet	Boaz Lourien	Agrovet
104.	Tukutk kiosk	John Tukutuk	Retail shop
105.	Chepkokogh 2	Madaa serea	Retail shop
106.	Mid stage refreshers	Napetot Joseph	Soda depot
107.	Pokoko	Losisi Toiwatum	Hotel
108.	Pseror	Kedisia Loringan	Retail shop
109.	Clinic	Joseph Sawil	Chemist/clinic
110.	Musa filling	Musa Tomengara	Filling station
111.	Daniel lorenga	Daniel lorenga	Retail shop
112.	Lonuk kamashanipu	Lonuk kamashanipu	Retail shop
113.	Mersia Lorita	Mersia Lorita	Retail shop
114.	Kedisia lomukengole	Kedisia lomukengole	Hotel shop
115.	Alis Geoffrey	Alis Geoffrey	Hotel shop
116.	Kiralima petanyang	Kiralima petanyang	Hotel shop
117.	Losiwanyang yarakil	Losiwanyang yarakil	Retail shop
118.	James Lelteka	James Lelteka	Retail shop
119.	Jacob losiakomol	Jacob losiakomol	Retail shop
120.	Lucas Lokoranyang	Lucas Lokoranyang	Retail shop
121.	Kirangura paragon	Kirangura paragon	Retail shop
122.	Tuliangura Kacherian	Tuliangura Kacherian	Retail shop
123.	Kapwito	Johnstone Kapiwut	Hotel
124.	Kapsoo	Milcah Charito	Retail shop
125.	Lomuria	Paulo Lomuria	Agro-vet
126.	Longolekou	John Longolekou	Retail shop
127.	Joseph Sawil	Joseph Sawil	Retail shop
128.	Boaz roptum	Boaz roptum	Butchery
129.	Lingareng Sammy	Lingareng Sammy	Retail shop
130.	Todoreng Yaranyang	Todoreng Yaranyang	Retail shop
131.	Christopher Chepuret	Christopher Chepuret	Retail shop
132.	Lingasia Chemungwa	Lingasia Chemungwa	Retail shop
133.	Tulianyang Lorot	Tulianyang Lorot	Hotel shop
134.	Clement Lopar	Clement Lopar	Hotel
135.	Jackson Pusientich	Jackson Pusientich	Retail shop
136.	Clement Longolenyang	Clement Longolenyang	Retail shop
137.	Richard ngolereng	Richard ngolereng	Boutique
138.	Nancy Sirkoi	Nancy Sirkoi	Retail shop
139.	Mama Chemusto	Mama Chemusto	Retail shop
140.	Mama Ben	Mama Ben	Retail shop
141.	Charles Longorok	Charles Longorok	Retail shop
142.	Charles Longorok	Charles Longorok	Hotel
143.	Wilson Kortome	Wilson Kortome	Retail shop
144.	Musa Pusintich	Musa Pusintich	Retail shop
145.	Hellen Koitum	Hellen Koitum	Retail shop