THE EFFECT OF MPESA MONEY TRANSFER SERVICE ON THE
SOCIO-ECONOMIC STATUS OF THE MPESA AGENTS: A CASE
OF NAIROBI COUNTY

BY

GATWIRI KIRIMI

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SPRING 2018
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GATWIRI KIRIMI

A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Master of Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SPRING 2018
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University – Africa in Nairobi for academic credit

Signed: _____________________________ Date: _________________________
Gatwiri Kirimi (600088)

This research project report has been presented for examination with my approval as the appointed supervisor.

Signed: _____________________________ Date: _________________________
Dr. Paul Katuse

Signed: _____________________________ Date: _________________________
Dean, Chandaria School of Business
ABSTRACT

The core objective of the research was to assess the effect of the Mpesa money transfer service on the socioeconomic status of the Mpesa agents in Nairobi. The specific objectives that guided the study were: to evaluate the effect of Mpesa money transfer service on the socioeconomic status of Mpesa agents in Nairobi County, to assess the effect of Mpesa money transfer service on the standard of living of Mpesa agents in Nairobi County, and to evaluate the effect of Mpesa money transfer service on the saving characteristics of Mpesa agents in Nairobi County.

The study employed the use of a descriptive research design. The population under investigation was Mpesa Money transfer agents within Nairobi County who were more than 10,000, but the study used 164 Mpesa agents for its population. The sampling frame of the study consisted of a list of all registered Mpesa agents in Nairobi County that was obtained from Safaricom’s website. Stratified random sampling was used to breakdown the population into 4 strata that included, attendants, supervisors, managers and self-owners. The sample size was established by use of geographical locations that came to 164. The research employed the use of questionnaires and interviews where necessary as the key data collection instruments. The data collected was processed and analyzed using SPSS. Data was analyzed using inferential statistics and descriptive methods of percentages and standard deviations. Coefficient of correlation was employed to determine whether dependent variables correlated with the independent variable. Regression analysis was used to examine the existing relationships between the study variables.

The study revealed that there needs to be better marketing and training involved to help consumers understand the capability of Mpesa services, and the government needs to put in place policy measures to ensure that the benefits of mobile banking are evenly distributed across the banking and consumer sectors. Agents seeking to expand their market must be ready to spend a considerable amount of money, time and other resources in order to increase market penetration, as well as set aside funds to improve their distribution and enhance their market communication among other things sectors.

The study showed that Mpesa has reduced the overall transaction costs of sending and receiving money thus increasing the freedom, flexibility, and privacy of mobile banking,
as well as access to affordable financial services has help individuals in overcoming poverty and increasing their economic growth. The study revealed that agents plays a key role in the adoption of Mpesa services by creating a dense network of agents who convert cash to e-money and vice versa for customers. Agents with less access to formal financial services mainly use Mpesa accounts to keep money, particularly when they are small amounts.

The study concludes that Mpesa helps users to manage risk and diversify resources within their existing structures of power and dependency increasing their bargaining power, and it is considered private and provides women especially with partial financial autonomy, which allows them to make financial decisions without asking their husbands. The study concludes that Mpesa provides a safe place to keep money and this is sufficient to increase the agents’ ability to have emergency savings.

The study recommends that the government strengthens its ICT platform to encourage better flow and access to information. The ICT platforms can ensure that the information and available systems are not constrained by providing better access to shared service information.
ACKNOWLEDGEMENT

I am grateful to the Almighty God for the gift of life and blessings showered on me throughout my study period.

I appreciate the support and guidance of my course instructor, Dr. Juliana M. Namada, without whose critique and guidance this research proposal would have never seen the light of the day. I am also highly indebted to Dr. Paul Katuse whose guidance and positive encouragement facilitated my completion of this research project report.

I am indeed privileged to have been part of United States International University – Africa and for the chance to pursue my Masters in Business Administration (Strategic Management), and in particular my colleagues who helped me with the review of this research project report.

And finally I will remain forever grateful for the support of my family, friends especially Murithi Philip and colleagues at work for the encouragement and prayers throughout my study period.
DEDICATION

This research project report is dedicated to my 3 lovely sons: Ngugi, Mutuma and Mwenda. You mean the world to me and I love you so very much!
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

There has been a revolution brought about by the telecommunication (telecoms) industry which over the past one decade has rapidly been experiencing phenomenal growth in numerous aspects which comprise connections, number of subscribers as well as enormous data traffic across the world and most particularly in the developing economies such as Kenya (James, 2016). Consequently this technological revolution in mobile phone technology is playing a key role in unlocking the socioeconomic development across the globe (James, 2016). Numerous industries across the world are making a paradigm shift from the old ways of conducting business and are embracing digital technology that entails mobile phones and internet in trading and marketing their wares so as not to be left behind by the ever changing technological trends (James, 2016). Moreover, such businesses have become increasingly globalized so as to minimize costs by offering innovative, irresistible and compelling experiences for their clientele.

This technological growth has enabled people across the divide to keep in touch with their loved ones, friends, and business partners through voice call, Facebook, Twitter, WhatsApp, email to name but a few. These new modes of communication have increased the importance of mobile telephony making it an indispensable channel not only for individuals but also businesses (Scupola, 2013). Because of today’s technological advancement, mobile phones have been greatly enhanced with more than the usual function of calling and receiving calls, but instead can now store data, take pictures, send and receive real-time information and even transfer money by just the click of a button (Scupola, 2013).

On the same vein, many people now regard mobile telephony as an alternative for travelling, and a channel that facilitates rapid access to information, allows business people to analyze global markets, enhances entrepreneurship and makes expansion and carrying out of business activities cheaper, faster, easier and convenient (James, 2016). In the recent past, majority of the telecommunication firms across the world have made it possible for mobile phone users to utilize their devices for paying for their services, goods, receiving timely and sensitive information like stock quotes, further driving...
critical business processes in the economies of many countries. There is a variation in the adoption rate of mobile money transfer services across the world due to a wide range of such aspects as regulatory frameworks, availability of appropriate technologies, and economic constraints (Scupola, 2013).

Must and Ludewig (2010) traces the emergence of mobile money transfer service as well as the fast and global penetration of mobile phones back to 1999. Nevertheless, mobile phone facilitated commerce (m-commerce) might have begun as early as 1997 when mobile phone banking services and mobile phone operated Coca-Cola vending machines were launched in Finland. Some of the earliest reported mobile commercial services comprise a Philippine mobile provider’s 1999 launch of SMART money. Mobile phone technology by 2000, had begun spreading to numerous other countries. Afterwards, in 2004, GLOBE Telecom introduced G-cash (Wishart, 2006). In 2007, Bharti Airtel introduced its mobile money transfer pilot projects in the Indian subcontinent (Bosi, Celly & Joshi, 2011).

According to Wishart (2006), African mobile operators that offered mobile enabled commerce (m-Commerce) comprised CelPay, MTN banking, Mpesa and Fundamo. Nonetheless, this list has expanded considerably over time since then. CelPay was a system designed by Celtel and First Rand Bank of South Africa, while MTN banking was a joint venture between Standard bank of South Africa (SA) and mobile service provider MTN (Davidson & Penicaud, 2011). Mpesa from Safaricom was in the pilot stage in Kenya only at that time whereas Fundamo was a South African m-commerce software developer. About a decade ago, there was no mobile money for the unbanked in Africa. Indeed, mobile phones had just started their infiltration in the continent.

Nonetheless by 2011, more than 60 million customers had subscribed for mobile money (Davidson & Penicaud, 2011). This illustrates a phenomenal growth in comparison to other technologies and their rate of adoption. Davidson and Penicaud (2011) is a good illustration of study on mobile money services carried out world over. On the other hand, Wishart (2006) together with Jenny and Isaac (2010) research focused on Africa where they examined the history of mobile money services in various countries. Later, Jack and Suri (2011) studied the impact of reduced transaction costs and impact on household consumption in Kenya further complementing the initial research discoveries from
Hughes and Lonie (2007). Because of this technology’s novelty, it is evident that global, regional and local research on mobile money is quite recent.

The first ever mobile money operator to launch operations in Kenya was the now defunct KenCell which went by the name Sokotele. Nonetheless, it did not succeed as expected due to poor marketing and as a result failed to get considerable traction. Mpesa was launched in March 2007 by Safaricom and due to aggressive marketing campaigns soon caught fire, taking over the market by storm. During its preliminary stages, Mpesa enabled account holders to send and receive money to and from other account holders within the same network. However, as the technology advanced, other features have been added such as savings and loans accounts, purchase of airtime, pay bill options, cash deposit to banks (mobile banking) and the most recent receiving money from abroad via such channels as Skrill (a United Kingdom based money transfer service). Thus mobile money transfer services have now been fully embraced in Kenya and through such features as the pay bill, one can pay for digital television, school fees, parking fees, electricity and numerous other bills- a growing trend among several consumers particularly those in urban environments.

According to Zutt (2010), the use of mobile money in the payment of bills is mostly amongst wealthy and urban customers. For small and micro enterprises, mobile money has such benefits as support, convenience, security and satisfaction. The kind of financial services offered via mobile money have been classified by World Bank (2012) into mobile banking, mobile payments and mobile finance. Mobile banking can be informational or transactional. Mobile payments on the other hand range from payment done from person-to-person, government-to-person, and business-to-business. Mobile finance entails credit, savings and insurance services. According to Communication Authority of Kenya (CAK) (2017) report, a total number of mobile money transfers stood at 31.0 million during the first quarter of 2017 while the number of mobile agents equaled to 169,698. A sum of 400.6 million transactions (deposits and withdrawals) were effected during the review period with a value of Kshs.1.0 trillion (CAK 2017).

Consequently, the mobile commerce transactions made totaled 247.9 million valued at Kshs. 447.3 billion. Lastly, the total value of person to person transfers equaled Kshs. 474.5 billion during the review period (CAK 2017). All this business would not have been possible without mobile money services and goes further to underscore the critical
significance this novel technology has on the Kenyan economy and beyond. To tap into this remarkable and profitable business of mobile, various mobile money operators have recruited agents to serve as their conduits and direct link and contact to the customer.

To ensure a direct link and effective service to their customers, Safaricom has recruited Mpesa agents all across Kenya. This has led to a lot of individuals and businesses signing up for the agency business with Safaricom getting the lion's share. This category of people is classified as agents by the researcher. There are two ways one can become a Safaricom Mpesa agent. One is direct application to Safaricom which entails first and foremost securing a Certificate of Incorporation in Kenya by registering as a limited company having a minimum of 3 outlets and must have done business for at least 6 months (Safaricom, 2017). Secondly, an individual should have a minimum of Kshs. 100, 000 for every outlet and be prepared to offer a list of Mpesa outlets and have the business permits for every of the Mpesa outlets upon approval of the application (Safaricom, 2017).

Thirdly, the prospective agent should also provide copies of Memorandum and Articles of Association, Copies of Personal Identification Number (PIN) and Value Added Tax (VAT) certificate of the Mpesa businesses already operating in Kenya and a banking license from a trustworthy financial institution in Kenya. Most importantly an individual must provide copies of original identity cards (IDs) and get police clearance from the Criminal Investigations Department (CID) (Safaricom, 2017). After fulfilling all the above requirements of being an Mpesa agent in Kenya, one needs to fill the compulsory Mpesa Agent head office application form as well as the Mpesa agent shop application form which are returned duly filed to Safaricom House in Waiyaki Way, Kenya (Safaricom, 2017).

The second way one can become an agent is through applying via principal agent. This is normally the easier way out and allows one to start Mpesa shop quicker and with fewer requirements. This entails talking to a principal agent already recognized by Safaricom and who already operates Mpesa shops/outlets. The principal agent then sublets one of his agent tills or makes a direct application to Safaricom on an individual's behalf. Mpesa agents provides the following services; registration of Mpesa customers, depositing cash, processing cash withdrawals and customer education (Safaricom, 2016). In addition, Mpesa agents are supposed to comply with Safaricom Anti-Money Laundering (AML)
and Know Your Customer (KYC) Policy. This chapter introduces the concept of organizational transformation occurring in telecommunication industries that go on enhancing the lives of numerous partners in the business of mobile money. Currently, there are over 40,000 Mpesa agents in Kenya with Nairobi hosting around 10,000 (Safaricom, 2017). The researcher has noted that, there has not been a lot of studies done in Kenya in evaluating the effect of Mpesa mobile money transfer service on the socioeconomic status of Mpesa agents. In this regard, the research seeks to evaluate the effect of Mpesa money transfer service on the socioeconomic status of the Mpesa Agents in Nairobi County, Kenya.

Nairobi is one of the 47 counties in Kenya and doubles as the country's capital city. Administratively, Nairobi County is headed by a governor, deputy governor and is divided into 17 constituencies and 87 wards (FinAccess, 2016). Nairobi county business enormously contributes to Kenya's economy and is regarded as a business hub for East and Central Africa. Majority of companies that operate in this region are headquartered in Nairobi, comprising more than 100 multi-national companies such as General Motors, Coca Cola, Google and International organizations such as United Nations (UN). Besides Nairobi is one of the most frequented cities in East and Central Africa thus offering a potent mix of individuals from all parts of the world, the county is also famous for its tourist attractions such as the Nairobi national park (the only one of a kind in the world), museums, host of art galleries, music diversity (IMF, 2014).

Nairobi County has been hailed as an ideal location for those seeking to establish any kind of business especially due to its enhanced infrastructure as well as liberal markets. Conducive government policies have promoted business growth as well as a stable Nairobi economy (FinAccess, 2016). Factors such as the county's high-tech skyline, enhanced technology, and modernity, highly trained and educated manpower coupled with vibrant and diverse market have raised Nairobi to become the region's business hub. The county in recent times has seen world-class skyscrapers built, multinational companies set base and a surge of small microenterprises coupled with an industrial sector that basically will not stop producing the necessary goods for the resident's consumption (IMF, 2014).

Nairobi County alone contributes 60 percent of the Kenya’s Gross Domestic Product (GDP). The county boasts of other sectors such as manufacturing, informal (Jua Kali),
Nairobi tourist industry, banking, insurance, real estate as well as the Nairobi Securities Exchange (NSE) (IMF, 2014). Because of these increased opportunities, Nairobi is home to tens of thousands of Kenyan businesses. The county’s population is approximated to be about 4 million and rising. Many businesses have pitched tent in Nairobi to capitalize on these opportunities. The number of mobile money users has also been rising and Nairobi boasts of the largest Mpesa users. There are more than 40,000 Mpesa agents in Kenya with Nairobi alone hosting over 10,000 of them (Safaricom, 2017). This makes Nairobi County an ideal case study for the impact the Mpesa money transfer service has on the socioeconomic status of the Mpesa agents.

1.2 Statement of the Problem

Mobile money transfer service was developed to assist in the safe, easy and fast transfer of money via the mobile phone. The rise of the mobile money subscribers is on a trajectory path in numerous countries including Tanzania, Ghana, South Africa, Pakistan, Mozambique, Lesotho, Albania, Romania to mention but a few (Monks, 2017). Its success has been linked to its accessibility, inclusivity and affordability, especially amongst low income earners (Monks, 2017). Mpesa technological invention is regarded simple to utilize yet reliable and efficient with the likelihood of extending financial inclusivity to the unbanked or those yearning for cheaper financial services (Zutt, 2010). Consequently, it is a suitable technological invention for people that were unemployed before, had low incomes, faced low standard of living and never had any savings culture.

Most people in Kenya are unemployed, live in poor standards of living, have low or no income and do not save at all. Thus their needs are not effectively met by the government (James, 2016). Mpesa money transfer agency service can be utilized in raising their living standards, giving them meaningful employment, increasing their income as well as their saving characteristics, hence helping in enhancing their overall standards of living. Literature demonstrates that mobile money transfer has enhanced the way business is done, in addition to being reliable, safer and cheaper (Jack & Suri, 2011). Consequently, the advantages of cashless transactions consisting of less risk of criminal and fraudulent activities (Wishart, 2006), coupled with mobile money transfer technology have raised the rates of adoption among several individuals in Kenya especially Nairobi County (Mbogo, 2010).
Nonetheless, core literature gaps exist in showing whether Mpesa mobile money transfer has contributed to the change of socioeconomic status through income levels, employment characteristics, and standard of living and saving characteristics of Mpesa agents in Nairobi County. This research sought to evaluate the effect of Mpesa money transfer service on the socioeconomic status of the Mpesa agents in Kenya by examining their income level, employment characteristics, living standards and saving characteristics of Mpesa agents within Nairobi County, Kenya.

1.3 General Objective

The core objective of the research was to assess the effect of the Mpesa money transfer service on the socioeconomic status of the Mpesa agents in Nairobi.

1.4 Specific Objectives

1.4.1 To evaluate the effect of Mpesa Money Transfer Service on the socioeconomic status of Mpesa agents in Nairobi County.

1.4.2 To assess the effect of Mpesa Money Transfer Service on the standard of living of Mpesa agents in Nairobi County.

1.4.3 To evaluate the effect of Mpesa Money Transfer Service on the saving characteristics of Mpesa agents in Nairobi County.

1.5 Significance of the Study

1.5.1 Mobile Money Transfer Agents

This study may assist owners and managers of mobile money transfer agencies appreciate the benefits of Mpesa services. It may assist them to evaluate their business and counter check the day to day operations against set goals as well as have a deeper understanding of how their businesses affects their socioeconomic status.

1.5.2 Government of Kenya

The Ministry of Finance implements laws and regulations that are aimed to regulate the manner in which these agents operate their businesses. This study facilitates all stakeholders to understand the effect of Mpesa Money Transfer on the socioeconomic
status of agents and thus formulate better policies that may facilitate better management
of Mpesa services within the country.

1.5.3 Scholars

This study serves as a reference tool for researchers interested in the effect of Mpesa money transfer and the socioeconomic status of Mpesa money transfer agents. There has been little research and literature on this study topic, and this study creates a better foundation on the study topic, and it indicates research gaps that future scholars may pursue.

1.6 Scope of the Study

The research concentrated on Mpesa agents of Safaricom in Nairobi County, Kenya. The research did not capture all the important variables to evaluate the effect of the Mpesa mobile money transfer service on the socioeconomic status of Mpesa agents in Kenya. Nonetheless, the exploration of the socioeconomic status, standard of living, and saving characteristics was invaluable for the people interested. The Mpesa agents were restricted to Nairobi County. The main limitation of this research was that employees were unwilling to divulge the income levels. This was overcome by ensuring that the study had an attached official letter to facilitate data collection. The study was undertaken between the months of September 2017 and February 2018.

1.7 Definition of Terms

1.7.1 Mobile Money

Mobile money also referred to as mobile money transfer is defined as the use of a mobile phone in order to transfer funds between banks or accounts, deposit or withdraw funds, or pay bills (Must & Ludewig, 2010). This term can also be used to refer to the use of a mobile device to purchase items, whether physical or electronic (Zutt, 2010).

1.7.2 Socio-Economic Status

Can be described as the class or social standing of a person or group of people and is often gauged as a combination of occupation, income, and education (Jack & Suri, 2011). This can also be defined as an economic and sociological combined total measure of an
individual’s work experience and of an individual's or family's economic and social position in relation to others, based on income, education, and occupation (Davidson & Penicaud, 2011).

### 1.7.3 Standard of Living

The degree of comfort, wealth, necessities and material wealth available to a specific socioeconomic class in a specific geographic region, normally a country (Odekon, 2006).

### 1.8 Chapter Summary

There has been a steady rise of mobile money subscribers in Kenya. This has offered numerous opportunities for all kinds of people to serve as mobile money agents within the industry for different economic purposes. This is the case especially for the largest mobile operator, Safaricom. The first chapter of the research sought to explore the background of the study, statement of the problem and the general objective which is to evaluate the effect of Mpesa money transfer service on the socioeconomic status of Mpesa agents in Nairobi County—the hotspot of Mpesa. The chapter explored variables employed in evaluating the socioeconomic effect on Mpesa agents comprise: levels of income, employment characteristics, living standards as well as the saving characteristics of the agents. Most importantly, this chapter discusses the justification of the study, scope of the study and gives the definition of key terms.

The second chapter is dedicated to the appropriate literature reviews on the effect of Mpesa money transfer service on the socioeconomic status of the Mpesa agents. The third chapter is committed to the discussion of the research methods employed in data collection. The fourth chapter entails presentation of results, analysis as well as the discussion whereas the fifth chapter summaries the findings, conclusion and research recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The core objective of the research was to assess the effect of the Mpesa money transfer service on the socioeconomic status of the Mpesa agents in Nairobi. This study evaluates the effect of Mpesa Money Transfer Service on the socioeconomic status of Mpesa agents in Nairobi County, assesses the effect of Mpesa Money Transfer Service on the standard of living of Mpesa agents in Nairobi County, and evaluates the effect of Mpesa Money Transfer Service on the saving characteristics of Mpesa agents in Nairobi County.

2.2 Mpesa Money Transfer Service and the Socioeconomic Status of Mpesa Agents

There are some key studies that have demonstrated the positive influence of mobile phone penetration in developing countries (Dermish, Kneiding, Leishman & Mas, 2012). Waverman, Meschi and Fuss (2005) found that while mobile phones in less developed countries are playing the same crucial role that fixed telephony played in richer countries in the 1970s and 1980s, the growth impact of mobiles is around twice as important in developing countries, where there is also a critical mass effect, and that a rise of ten mobile phones per 100 people boosts GDP growth by 0.6%.

While users are employing the mobile banking systems to make payments for things such as airtime and pre-paid electricity, and many are using them for sending remittances back to friends and relatives in their rural villages (Must & Ludewig, 2010), there is little evidence to date of an increase in the number of users registering for more formal banking services via mobile phone, such as savings and credit services (Morawczynski, 2008).

Initial analysis seems to indicate that while today’s mobile banking systems are providing good money transfer and payment services to early users, there will need to be better marketing and training involved to help consumers understand what the systems are capable of, as well as improved policy measures to ensure that the benefits of mobile banking are evenly distributed across all banking and consumer sectors (Ivatury, 2012). However, if the key to acceptance of mobile money transfer is in the hands of customers, this leads to the question of the effect of mobile money transfer on the income levels of its agents (Karlan, Ratan & Zinman, 2014).
2.2.1 Investment Cost

Companies seeking to expand their market must be ready to spend considerable amount of money, time and other resources in order to increase penetration into the existing market while also concentrating on more innovative services and products (Ondiege, 2010). This should involve setting aside funds to improving distribution and enhance market communication among other things (Mbiti & Weil, 2011).

The investment cost of mobile money transfer services is embedded in the transactions to be carried out. The marketing and branding of the premise or outlet which will be used for the provision of the mobile money transfer services by the providers is one of the investments costs that have to be looked into (Jenny & Isaac, 2010). The American Marketing Association (AMA) defines a brand as a name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers (AMA, 2011). Therefore it makes sense to understand that branding is not about getting the target market to choose a particular brand over the competition, but it is about getting the prospects to see the brand as the only one that provides a solution to their problem (AMA, 2011).

2.2.2 Customer Loyalty

Customer loyalty is not always easy to construe and many definitions have been proposed. Donner (2010) describe customer loyalty as a composite of a number of qualities. It is driven by customer satisfaction, yet it also involves a commitment on the part of the customer to make a sustained investment in an ongoing relationship with a brand or company. Finally, customer loyalty is reflected by a combination of attitudes (intention to buy again and/or buy additional products or services from the same company, willingness to recommend the company to others, commitment to the company demonstrated by a resistance to switching to a competitor) and behaviors (repeat purchasing, purchasing more and different products or services from the same company, recommending the company to others) (Donner, 2007).

Most present-day strategic plans focus on a profit target and work backward to arrive at required revenue growth and cost reduction. The decisive key in this model is not profit but, instead, the creation of value for the customers (Ivatury, 2012). Scupola (2013) states that the three forces - customers, employees, and investors - that play an important role in
the enterprise form the forces of loyalty. Since a linkage between loyalty, value, and profits exists, these forces can be measured in terms of cash flow.

As an effect, loyalty measures permanently whether or not the company has delivered superior value. Defects can doubtlessly be explained by a lack of value for the customer (Moore, 1991). As a cause, loyalty creates a chain reaction. Wishart (2006) describes it as follows: revenues and market share grow as the best customers are swept into the company’s business, building repeat sales and referrals. Because the firm’s value proposition is strong, it can afford to be more selective in new customer acquisition and to concentrate its investment on the most profitable and potentially loyal prospects, further simulating sustainable growth (Karlan & Morduch, 2009).

Sustainable growth enables the firm to attract and retain the best employees. Consistent delivery of superior value to customers increases employee's loyalty by giving them pride and satisfaction in their work (Dupas, Green, Keats & Robinson, 2012). Furthermore, as long-term employees get to know their long-term customers, they learn how to deliver still more value, which further reinforces both customer and employee loyalty. Long-term employees learn on the job how to reduce costs and improve quality, which further enriches the customer value proposition and generates superior productivity (Karlan & Morduch, 2009). The company can then use this productivity surplus to fund superior compensation and better tools and training, which further reinforce employee productivity, compensation growth, and loyalty (Dupas et al., 2012; Karlan & Morduch, 2009).

Spiraling productivity coupled with the increased efficiency of dealing with loyal customers generates the kind of cost advantage that is very difficult for competitors to match. Sustainable cost advantage coupled with steady growth in the number of loyal customers generates the kind of profits that are very appealing to investors, which makes it easier for the firm to attract and retain the right investors (Beck, Demirgüç-Kunt & Honohan, 2009). Loyal investors behave like partners. They stabilize the system; lower the cost of capital, and ensure that appropriate cash is put back into the business to fund investments that will increase the company's value-creation potential (Ivatury, 2012).

2.2.3 Effective Customer Support

Customer Support refers to the options available to help customers with questions about the service, problems with transactions, or other concerns (Morawczynski, 2009). This
could include interaction via phone, SMS, or in-person (such as visiting an agent or operator retail location). Effective support is support that is a) available whenever a customer has a problem, b) accessible from wherever a customer might be at that moment, and c) resolves the problem in a reasonable amount of time (Morawczynski, 2008).

As both formal and electronic financial services are often very new to mobile money customers, they will typically have a large number of questions and / or problems as they get used to the service (Lusardi & Mitchell, 2014). Problems relating to financial transactions are also of the highest concern to consumers, particularly for those who are cash-constrained, so any delays in resolving even a small problem can cause a customer to stop using the service and / or create negative word-of-mouth sentiment (Beck, Demirgüç-Kunt & Honohan, 2009). Simply being able to speak with a representative can give customers confidence that their issue is being handled, and can go a long way in building goodwill for the service as a whole. This level of customer support is not always the norm for companies / industries serving these customer segments, so it’s important to take a different approach for mobile money services (Lusardi & Mitchell, 2014).

### 2.2.4 Liquidity Management

Liquidity Management refers to ensuring that the agents responsible for handling cash-in/cash-out have adequate physical cash and electronic funds or “e-float” to facilitate the customer transactions they need to perform (Zutt, 2010). In a typical mobile money system, agents purchase e-float from the mobile money operator by delivering physical cash to the operator (Mbarathi, 2014). Then, when customers wish to cash-in, they give the agent physical cash, and the agent in turn transfers a corresponding amount of e-float from their account to the customer’s account. When a customer wishes to cash-out, the sequence happens in reverse (Zutt, 2010; Mbarathi, 2014).

In general, procuring and sending physical funds to rebalance cash and e-float accounts is not trivial, as agents are often not in physical proximity to whichever central office of the mobile money service (or other entity) handles these transactions (Mbarathi, 2014). Liquidity management therefore requires the ability to project, to some degree, the level and type of activity over the period of time between which agents can send and receive physical funds. If there is a mismatch, the agent’s ability to perform either a cash-in or a
cash-out is effectively curtailed, halting the service at that location and causing a significant problem for customers (Zutt, 2010).

2.3 Mpesa Money Transfer Service and the Standard of Living of Mpesa Agents

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 Mpesa 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 & Weil, 2011, Jack & 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. In Niger, Aker, Boumnijel, McClelland and Tierney (2011) look at the effects of using mobile money accounts for delivery of cash transfers versus traditional methods. Specifically, they find mobile money reduced the overall transaction costs of recipients, while offering an increase in freedom, flexibility, and privacy. A qualitative pilot study conducted in rural Cambodia by Vong, Fang and Insu (2012) identify benefits of time, security and convenience for micro-entrepreneurs who use mobile money services in rural areas. From this literature, the expectation is that micro-entrepreneurs would benefit positively from the use of mobile money.

2.3.1 Financial Inclusion

Access to affordable financial services is linked with overcoming poverty, reducing income disparities and increasing economic growth. Despite our understanding of the benefits of financial inclusion, an estimated 2.5 billion people in lower to middle income countries remain unbanked (Jack & Suri, 2011). This means they lack access to the financial services needed to invest in their livelihoods and protect their assets to enable them to move out of poverty or prevent falling deeper into poverty (Jack & Suri, 2014). Not surprisingly, the poor, women, youth and rural residents tend to face even greater barriers to access. Among firms, the younger and smaller ones are confronted by more binding constraints to finance as compared to larger firms (Jack & Suri, 2011).
Traditional bricks-and-mortar banking infrastructure is too expensive to serve the poor, particularly in rural areas. Innovations in technology, such as mobile payments, mobile banking, and digital identities makes it easier and less expensive for people to use financial services, while increasing financial security (Duncombe & Heeks, 2012). More than one billion underserved people in middle and low income countries have access to a mobile phone, providing existing infrastructure that can be used to sustainably offer financial services such as payments, transfers, insurance, savings and credit (Ivatury, 2012). This thereby provides an opportunity with mobile money services to create greater financial inclusion through which to increase economic prosperity for all people, but especially low-income households with microenterprises (Jack & Suri, 2014).

2.3.2 Technology Innovations and Economic Growth

Empirical evidence that investigates a direct effect of payment systems on economic growth is sparse. Berger (2013) found information technology (IT) innovations to have a positive impact on overall economic growth through positive effects on banking systems and bank efficiencies. Waverman, Meschi and Fuss (2005) find investments in mobile telecommunication infrastructure to have a positive and significant impact on economic growth. Specifically, they find that a unit increase in mobile phone penetration increased economic growth of a country by 0.039 percent. They further conjecture this impact may be twice as large in developing countries as compared to developed countries due to the absence of landline infrastructure (ibid). Given payment technology and telecommunication infrastructure investments independently have shown positive effects on economic growth, it is expected that coupled together there would be an even greater positive effect for an economy (Berger, 2013).

The positive effect of Information Communication Technology (ICT) on improved productivity in medium and large firms is well documented in developed countries through a myriad of firm and sector case studies (Lusardi & Mitchell, 2014). However, the literature on the effects of ICT on micro and small enterprises is limited. On the basis of field research in Botswana, Duncombe and Heeks (2012) find that poor rural entrepreneurs rely heavily on informal, social and local information systems. While highly appropriate in many ways, these systems can also be constrained and insular. Greater access to shared telephone services can help break this insularity. Additionally, Duncombe (2007) finds the poor may benefit more from ICT if it is applied to strengthen
a broader range of social and political assets and if it is use to build more effective structures and processes that favor the poor. Subsequently, Donner (2007) finds mobile phone use by micro-entrepreneurs in Kigali, Rwanda enables new business contacts and amplifies existing social relationships. Summarizing 14 research studies for micro and small enterprises (MSEs) Donner (2010) finds mobile phone use alone even without the payment services helps many MSEs become more productive through improvements in sales, marketing and procurement processes. Consequently, there is an opportunity to investigate the marginal impact of mobile money on low-income household enterprises in the least developed countries, which as the literature shows traditionally have not had access to such transformative technology.

2.3.3 Empowerment and Diversification

Through ethnographic research Morawczynski (2009) identifies that mobile money helps rural users to manage risk and diversify resources within their existing structures of power and dependency, which potentially affects intra-household power distance and bargaining. Aker et al. (2011) also find initial evidence through an experiment that due to reduced cost of receiving transfers and greater privacy through mobile money there is a potential link to intra-household decision-making. For some women in Morawczynski’s (2009) study mobile money is considered secret (private) savings that provides women with partial financial autonomy, which allows women to make financial decisions without asking their husbands. In addition, the women noted being able to save for the purchase of household items, unexpected illnesses, and school fees. The women also shared their desire to use the mobile money account to save specifically to start an income generating activity for greater reliability of income and freedom. Interestingly, initial evidence from Aker et al. (2011) suggests that users of mobile money receiving the same amount of cash as non-users diversify their diets more and produce a more diverse basked of agricultural goods.

2.3.4 Social Networks and Risk Sharing

As found by Bosi, Celly and Joshi (2011) and many other researchers, informal solidarity networks provide an important means by which individuals and households share risk. Access to affordable money transfer services has been shown to have an effect on these social networks. Morawczynski (2009) documents initial evidence of social capital deepening and broadening through the use of mobile money. This increase in social
capital suggests a reduction in vulnerability achieved through the solicitation and accumulation of financial resources and the maintenance of social networks. Jack and Suri (2011) also find Mpesa users have correspondingly larger shares of their remittance portfolios linked to other relatives and friends, suggesting broader social networks.

In a subsequent paper, Jack and Suri (2014) explore more concretely the means by which mobile money effects social networks through individuals and household sharing of risk. The authors introduce a complementary source of incompleteness in social networks, transaction costs - the actual costs of transferring resources between individuals in the network. This challenges a dominant assumption in economic theory that transactions between social networks are frictionless. Mobile money has dramatically reduced the cost of sending money across large distances in Kenya, which enables the authors to test effects of transaction costs on risk sharing (Jack & Suri, 2011). They find that when households experience a negative income shock, per capita consumption falls on average 7-10 percent for a non-user of mobile money (Jack & Suri, 2014). While households that use Mpesa with good access to the agent network, experience no such fall in per capita consumption. Not surprising, these effects are even more evident for the bottom three quintiles of the income distribution. Hence, mobile money appears to increase the effective size of, and number of active participants in risk sharing networks, seemingly without exacerbating information, monitoring and commitment costs (Mbiti & Weil, 2011). The benefits of lower transaction costs of mobile money appear to be sufficiently large enough to offset any incompleteness of insurance that would otherwise arise from information or commitment problems within solidarity networks (Jack & Suri, 2014). Given the strong benefits in social networks from the use of mobile money, especially the bottom quintiles, similar advantages are also expected among microenterprise networks (Mbiti & Weil, 2011; Jack & Suri, 2011).

2.3.5 Technology Adoption Profiles of Mobile Money Users

While there were earlier deployments of mobile money in other countries, the launch of Mpesa by Safaricom in Kenya in 2007 experienced the fastest uptake with nearly 15 million users in five years (as of January 2012) (Jack & Suri, 2014). Using data from the Kenya FinAccess survey data in 2006 and 2009, which included 4,000 households, Mbiti and Weil (2011) find that active early adopters of Mpesa are likely to be urban, educated, banked and affluent confirming this profile of early adopters. Jack and Suri (2011)
conducted a panel study on Mpesa mobile money surveying 2,000 households across the country in 2008 and 2010. They also found the user profile of early adopters to be more literate, with higher levels of education and wealth, bank accounts, urban dwellers, and a slight male bias. In the follow-up survey by Jack and Suri (2011) find with time the demographics of Kenyan users begins to shift. According to Moore’s (1991) innovation adoption model, which stratifies users as innovators, early adopters, early majority, late majority and laggards this is naturally expected. Jack and Suri (2011) find in Kenya the early majority is proving to be more balanced between men and women, with increased uptake from the rural areas and those with less education and less well off. In both rounds they find lack of mobile phone cited as the primary reason for not using the service, which suggests that many of the individuals who adopted Mpesa between the two rounds were those who already owned mobile phones. Collectively, these results indicate that with time this technology innovation will be adopted more broadly by the population encompassing the late majority users and eventually the laggard users.

2.4 Mpesa Money Transfer Service and the Saving Characteristics of Mpesa Agents

Savings mobilization is crucial for individual and societal welfare (Ondiege, 2010). At the macroeconomic-level, savings rates are positively associated with future economic growth. At the individual-level, savings help people smooth consumption, cope with unexpected events and finance productive investments (Dermish et al., 2012). However, evidence suggest that in less developed countries, people lack access to formal financial services especially saving account that decrease their ability to save (Karlan & Morduch, 2009). The lack of banking infrastructure and their low coverage network, high transaction costs, financial illiteracy and the lack of information are often cited as a cause of the inaccessibility of populations to formal financial services (Dermish et al., 2012; Jack & Suri, 2014; Ondiege, 2010).

The unbanked individuals are generally poor, live in rural area with precarious and irregular incomes and often lean against microfinance and informal finance to realize their financial projects (Karlan & Morduch, 2009). Ondiege (2010) states that microfinance institutions play an important role in providing formal financial services to the excluded people, and collecting more deposits than that of commercial banks. In many developing countries, they have made a critical contribution by providing first microcredits and in later micro-savings and locating their branches in places that larger
commercial banks were neglecting. However, the cost of operating microfinance institutions remain very high leading to a high transactions cost supported by customers (Jack & Suri, 2014). There is evidence that people need more access to appropriate financial products that meet their needs especially good savings and payments services including remittances, and insurance (Beck, Demirgüç-Kunt & Honohan, 2009; Karlan & Morduch, 2009).

Since the launch on mobile money, the number of registered mobile money users has increased, the number of mobile money agents has also grown. The number of agents plays a key role in the adoption of mobile money by creating a dense network of agents who convert cash to e-money and vice versa for customers (Dupas & Robinson, 2013). Typically, there is no exclusive partnership between agents and each mobile money providers. Some agents operate other business, which are often related to the mobile phone industry such as cell phone retail outlets, airtime distribution stores, grocery stores, and even agent banking branches (Hughes & Lonie, 2007).

### 2.4.1 Safe Storage

People with less access to formal financial services mainly use their mobile money account to keep money, particularly when they are small amounts (Jenny & Isaac, 2010). Morawczynski (2009) documents that mobile money acts as a complement of others saving mechanisms. Some people use their mobile money account to separate their business savings from their personal savings, others withdraw their money from the bank account to save it into their mobile money account or just use it to accumulate money and remit it to relatives when they reach the target amounts. These findings appear to reflect that mobile money affect the saving behavior of users through a breakdown of saving amounts. In this context, Jenny and Isaac (2010) state that, mobile money should have no effect on the behavior of individuals to save more, then keeping the overall level of saving unchanged.

Demombynes and Thegeya (2012) found that mobile money transfer usage increases savings as a simple storage device. They argue that while it does not pay interest, mobile money is considered as a device to store funds safe from dangers of theft and inaccessible to relatives. Hence, it can be relevant to highlight the impact of mobile money usage on individual savings behavior and in some manner on savings patterns such as unpredictable and predictable objectives.
2.4.2 Formal Savings

Most unbanked people save using informal practices like savings groups, investing in land, jewels and livestock, which could be used as a form of saving and as productive assets. In some cases people hold cash, exposing them to theft or unneeded expenditures (Morawczynski, 2008). These forms of informal savings are used to deal with unpredictable and predictable life events, while remain inappropriate. The inappropriateness of these types of saving includes the fact that individuals must plan their investment projects according the predetermined order of the savings pot allocation (Morawczynski, 2008; 2009). In addition to physical asset depreciation, individuals may be obliged to postpone their investment achievement (Morawczynski, 2008).

Mobile money enhances individuals saving behavior and helps them realized their investment project by keeping money inside (Karlan, Ratan & Zinman, 2014). As the mobile money account is personal, individuals can determine their own target to reach in order to realize their investment project (Morawczynski & Pickens, 2009). However, it has been proved that planning for long term objectives requires less access to the money (Mbarathi, 2014). As mobile money increases access to cash its impact on saving for predictable events can be mitigated.

2.4.3 Emergency Savings

In case of emergencies, disposing off items like land, jewels or animals quickly is not easy since participants of informal savings use a predetermined order which makes it impossible to access finances immediately (Karlan, Ratan & Zinman, 2014). This situation leads to individuals to seek assistance from their relatives, who also have to sell an asset or work more (Collins, Morduch, Rutherford & Ruthven, 2009).

A case study by Dupas and Robinson (2013) showed that simply providing a safe place to keep money was sufficient to increase emergency savings from the fact that saving for unpredictable events required more access to cash, than tangible or illiquid assets which cannot be easily convert into liquidity. Morawczynski (2009) states that mobile money is particularly prominent in this regard by providing more access to cash to face unexpected emergencies. The use of mobile money should have a positive impact on individuals saving behavior for unpredictable emergencies because it is a more liquid savings option, accessible anywhere and anytime, which increases family assistance problems (Karlan, Ratan & Zinman, 2014; Dupas & Robinson, 2013); and because mobile money
implements withdrawal charges, it facilitates the ability of people resisting unneeded expenditures (Morawczynski, 2009).

2.4.4 Financial Saving Knowledge

Financial literacy or financial knowledge remains very low and the link between financial knowledge and education level is that less educated individuals are less likely to be knowledgeable about basic financial literacy (Karlan, Ratan & Zinman, 2014; Lusardi & Mitchell, 2014). It is not surprising that majority of the unbanked population mainly consists of people with low levels of education, and hence, it is difficult for the less educated individuals to understand the various services that are available to them and to fill out loan applications, or understand the importance of savings (Lusardi & Mitchell, 2014).

These less educated individuals are generally poor individuals who make use of informal saving methods to protect themselves against unexpected shocks. In contrast, most educated individuals in Sub-Saharan Africa (SSA) who have a high education level are mostly students and are unemployed implying that they have low income levels (Must & Ludewig, 2010). Mobile money may significantly allow the less financial illiterate individuals to enhance their saving behavior, especially for a specific purpose. Mobile money transfer makes it affordable, easy to use, and available anywhere through the country facilitating the less educated, low and irregular income earners with the ability to save and apply for a loan through their phones (Lusardi & Mitchell, 2014).

2.4.5 Interest Free Savings

The banked people need to keep their money in a bank account to build a relationship with the financial institution to access credit in the future, and this makes the impact of mobile money on individuals saving pattern both unpredictable and predictable (Ondiege, 2010). Furthermore, Dupas et al. (2012) show in rural areas, the lack of formal bank accounts due to the interest rates charged for deposits which make it more difficult for people to save, making them more unlikely to have enough saved up to deal with unexpected emergencies, thus, providing individuals with the mobile money option can increase their ability to save for unpredictable events.
Dupas and Robinson (2013) provide robust evidence that shows people are more in need of formal saving devices which offer access to basic saving accounts that do not pay interest. This is why one may infer that financial alternatives such as mobile money services play a prominent role in extending access to formal financial services without any discrimination. Mobile money is suitable to facilitate the bridging of this gap, as well as offer huge access to both rural and urban individuals (Dupas et al., 2012; Dupas & Robinson, 2013).

2.5 Chapter Summary

In this chapter the researcher sought to discuss the economic and social benefits of Mpesa Mobile money transfer service in Kenya, before narrowing down to the discussion of socio-economic factors that Mpesa Money Transfer Service has on the socio-economic status of the Mpesa agents in Nairobi County, Kenya. Although there are numerous factors, the researcher chose to only concentrate on the socioeconomic status, standard of living, and saving characteristics of the respondents. The next chapter dwells on research methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The intention of this chapter is outlining the method utilized for this research, and the structures that follows were employed: research design, target population, sampling design, sample size, data collection methods and research procedures which comprise data types, development of questionnaire, pilot study as well as the complete administration of the tool.

3.2 Research Design

Research design entails a wide range of investigative instruments used by researchers in getting the results. Normally, this calls first for a definite design. Descriptive research consists case study techniques, interviews, archival method, focus group interviews, action research as well as qualitative data analysis (Walliman, 2011). There exists many kind of research designs that are suitable for the various kind of research projects. The preference of which design to use is dependent on the nature of problems that the research aims poses (Walliman, 2011). Every kind of research design a wide range of research techniques that are popularly employed in the collection and analysis of the kind of data that is produced by the investigations. Normally, there exists 3 kinds of research designs: exploratory, explanatory and descriptive, even though some scholars have proposed the action, cultural, historical, feminist, experimental and ethnological (Walliman, 2011).

The researcher in this particular case chose to use the descriptive research design in the evaluation of the effect of Mpesa money transfer services on the socioeconomic status of the Mpesa agents in Nairobi County, Kenya. Descriptive research design makes use of elements of both quantitative and qualitative research techniques to provide a description of the state of affairs as it exists at the moment (Burns & Koponen, 2003). It can also entail collection of quantitative information which can be tabulated alongside a range in numerical type and is crucial in minimizing the data a form that can be managed. In addition, a descriptive survey is also favored since it makes sure there is least bias in data collection (Kothari, 2011).
Quantitative data might be collected through the use of structured interviews, direct observations, surveys as well as reviews of records and documents for collection of numeric information. On the other hand, qualitative information is mostly collected and gathered by use of in-depth interviews, focus groups as well as reviews of appropriate documentaries for various kinds of themes (Sekaran & Bougie, 2013).

3.3 Population and Sampling Design

3.3.1 Population

The population under investigation was Mpesa Money transfer agents within Nairobi County. There are more than 10,000 Mpesa agents in Nairobi County (Safaricom, 2016). Setting up Mpesa agent shop requires one to get the relevant business permits and clearance certificates from both Safaricom and Kenya Police. Upon receiving the necessary mandate, an agent is supposed to brand the shop with Safaricom corporate colors and Mpesa logo.

Study population comprised of randomly selected Mpesa agents in Nairobi County, with the unit of analysis being Mpesa agents in Nairobi County. The selected group had features that were relevant to the study. Unfortunately the entire population could not be covered by the researcher due to such constraints as budget and time.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A simple definition of a sampling frame is the set of source materials from which the sample is selected (Cooper and Schindler, 2014). It can also be defined as a list of sampling units from which selection of sample is made (Sekaran & Bougie, 2013). The purpose of sampling frames, which is to provide a means for choosing the particular members of the target population that are to be interviewed in the survey (Kothari, 2011). The sampling frame of the study comprised of a list of all registered Mpesa agents in Nairobi County was obtained from Safaricom's website. The sampling frame entailed records gotten from Safaricom's head office and comprised of those Mpesa agent shops that had active lines (SIM Cards) in January 2017.
3.3.2.2 Sampling Technique

The sampled population was on the basis of stratified random sampling whereby the population was broken down into 4 strata that includes: attendants, supervisors, managers and self-owners. The choice of respondents was on the basis of convenience sampling to allow the researcher to utilize accessibility and her judgment to select agents that best satisfied the research objectives. This method was employed since the research aims at getting information from all the different groups of individuals engaged in Mpesa money transfer agency business. Thus the agents are of various age groups, various business ventures, and different levels of income, different employment characteristics, varying savings characteristics and standards of living as well as gender.

3.3.2.3 Sample Size

According to Sekaran and Bougie (2013), a sample size can be described as the actual quantity of subsets or sub-sections chosen as a sample to represent the vast population characteristics. Normally, the sample size represents the target population. The sample size was established by use of geographical locations of the agents so as to have nearly all streets within the county covered. In addition, the respondents were experienced workers knowledgeable with the operations of Mpesa agent shop. From the population of 10,000 Mpesa agents, this study utilized 164 Mpesa agents.

3.4 Data Collection Methods

Data collection entails the gathering as well as measuring of information on targeted variables in a recognized systematic fashion, which then allows one to answer research questions that are relevant and evaluate results (Cooper & Schindler, 2014). This research made use of both primary and secondary sources of data for analysis. The primary data was collected by use self-administered questionnaires and interviews. Sekaran and Bougie (2013) argue that a questionnaire is none other than a pre-formulated written set of questions to which respondents in the field records their answers. Cooper and Schindler (2014) argue that the questionnaire as a data collection tool is preferred because of three distinctive benefits.

First and foremost, a lot of information can be collected from many of individuals in the field during a short period of time and in a comparatively economical manner. Secondly,
a questionnaire is practical in nature and the respondent basically takes part by filling out
the questions. Finally, the questionnaire can be administered by the researcher himself or
by any people approved by the researcher with limited effect to its validity (Cooper &
Schindler, 2014). Moreover, questionnaires are favored especially since their responses
are gathered in a manner that is standardized, are comparatively fast in the collection of
information and possibly information can be collected from a big number of people
(Burns & Koponen, 2003).

In carrying out this study, the author acknowledges that qualitative research of this kind
cannot be conducted without first examining sources of data. The research utilized data
collected from the field. In addition, secondary data was utilized in literature review for
clarifying gaps that exist in literature. The main data collection tool that was employed by
the researcher was a structured questionnaire. Collection of information was done from
the sample population using structured questionnaires which were administered to
respondents where suitable boxes were marked/ticked based on impartial judgment. The
questionnaire contained four sections which included: Part A personal details, Part B
Mpesa money transfer service and the socioeconomic status of Mpesa agents, Part C
Mpesa money transfer service and the standard of living of Mpesa agents, and Part D
Mpesa money transfer service and the saving characteristics of Mpesa agents.

There were both open and closed-ended questions in the questionnaire to give room for
responses that were varied. Every questionnaire contained guidelines on the manner of
responding to questions and was circulated using the assistance of trained data collection
officers to minimize errors and increase the rate of response. The questionnaires’ main
objective was getting supplementary and relevant information via further questioning of
the respondents and by assessing appropriate research publications of related enterprises
in the sector. The secondary sources largely consisted of the industry annual filings from
CAK and Safaricom over the last five years.

3.5 Research Procedures

Prior to actual data collection, a pilot study was conducted to a few respondents randomly
selected from the Mpesa agents, the results of which were utilized in refining the
measuring instruments by getting rid of inconsistencies and redundancies in the
instruments after testing their reliability and validity. It is important to do pre-testing is so
as to test the accuracy of the instrument in measuring the desired variable, spotting any aspects of the instruments that need modification and familiarize the researcher to its administration procedure (Cooper and Schindler, 2014). The opinion of experts in field of study was sought to authenticate the validity of the research instruments. After completing the pilot study and making the compulsory amendments, the actual survey was carried out by distributing the questionnaires to the identified respondents electronically and physically.

The respondents were provided with two weeks to fill in the questionnaires, this made sure the study had a positive response rate, and also gave them adequate time to have well thought out responses. Extra steps to enhance the response rate included emails, phone call reminders, and where appropriate courtesy calls. For the respondents who choose interviews, sufficient notice was given and the interview arranged at the most convenient time, sample of expected questions were shared in advance. Interview notes were taken, largely in the questionnaire format and where voice recording was needed, consent of the respondent was obtained.

The researcher collected 10-15 responses daily. The approximated time span for data collection from the 164 respondents was therefore 10 days. Preference was given to normal working hours (8 a.m to 5 p.m) with Monday to Friday being the preferred days for capturing the most number of agents. Contained in the questionnaire was background information consisting of the effect of Mpesa money transfer service on the income levels, employment characteristics, standards of living and savings characteristics of the Mpesa agents in Nairobi County.

3.6 Data Analysis Methods

Basically quantitative methods were employed in analysis of the collected data. These techniques comprised of both inferential statistics and descriptive methods. The collected data was first edited to identify and get rid of omissions and errors. This procedure was carried out simultaneously with the collection of data in the field. Afterwards, coding was done in accordance to categorization for input into computers for data analysis as well as entered into the computer.

For the purposes of analysis, Microsoft Excel statistical packages and Statistical Packages for the Social Sciences (SPSS) were employed. Services of a data analysis were employed
in developing the SPSS data entry templates under the supervision of the researcher. After checking the completeness of the questionnaires and accurate recording, it was input into the developed database for successive analysis. All along the researcher confirmed entries via frequent checks to make sure data was accurately recorded. After all the entries were done, data cleaning was carried out.

In demonstrating how variables related to the collected data, coefficient of correlation was employed in finding out whether dependent variables of income levels, employment characteristics, living standards and savings characteristics are correlated with the socioeconomic status of Mpesa agents. Linear regression analysis was utilized in determining whether the 4 independent variables had any considerable impact on socioeconomic status. The model of the linear regression was: \( \hat{Y} = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + e \). Content analysis was employed in secondary data analysis. Creswell (2003) describes content analysis as a method employed to make inferences by objectively and systematically identifying specified features of messages and using similar related trends. A comparison will also be done with the existing literature so as to determine areas of agreement and disagreements. Tables and charts were used in the presentation of the findings.

3.7 Chapter Summary

In this chapter the researcher sought to basically explain the technique employed for this research which included research design (descriptive research), population of the study (Mpesa agents in Nairobi County), sample size and sampling technique, methods used for data collection (questionnaire), as well as methods of data analysis. The next chapter presents the results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The core objective of the research was to assess the effect of the Mpesa money transfer service on the socioeconomic status of the Mpesa agents in Nairobi. This chapter presents the results and findings based on the following objectives: to evaluate the effect of Mpesa money transfer service on the socioeconomic status of Mpesa agents, assesses the effect of Mpesa money transfer service on the standard of living of Mpesa agents, and evaluates the effect of Mpesa money transfer service on the saving characteristics of Mpesa agents.

4.2 Response Rate and Personal Details

4.2.1 Response Rate

The researcher distributed 164 questionnaires and managed to receive 134 questionnaires that were completely filled. This gave the study a response rate of 81.7% which was above the required threshold and was as shown on Figure 4.1.

![Figure 4.1 Response Rate](image)

4.2.2 Gender

Figure 4.2 shows that 50.7% were female and 49.3% were male. The results mean that a lot of Mpesa agents within Nairobi are female. There was an almost equal distribution of gender in the study making the results conclusive for both genders.
Figure 4.2 Gender

4.2.3 Age

Figure 4.3 shows the age bracket of the respondents, and it shows that 41.8% were aged between 21-30 years, 28.4% were aged between 31-40 years, 16.4% were aged between 41-50 years, 7.5% were aged between 51 years and above, and 5.9% were below the age of 20 years. Majority of the respondents were aged between 21-40 years, and all the age brackets were represented making the study making the results conclusive for all age brackets.
4.2.4 Marital Status

Figure 4.4 shows the marital status of the respondents, and it shows that 63.4% were married, 26.1% were single, 6% were separated, and 4.5% were widows. Majority of the respondents were married.

![Figure 4.4 Marital Status](image)

4.2.5 Years as an Mpesa Agent

Figure 4.5 shows the number of years the respondents had been Mpesa agents, and it shows that 56% had been agents for 2-4 years, 32.8% had been agents for 5-7 years, 7.5% had been agents for 8 years and above, and 3.7% had been agents for less than a year. Majority of the respondents had been agents for 2-7 years meaning they were experienced and thus valid for the study.

![Figure 4.5 Years as an Agent](image)
4.2.6 Household Income in Kenya Shillings

Figure 4.6 shows the household income of the respondents in Kenya shillings, and it indicates that 42.5% of the respondents earned 11000 – 20000 Kenya Shillings, 26.9% earned 21000 – 30000 Kenya Shillings, and 18.7% earned 31000 Kenya Shillings and above, while 11.9% earned 6000 – 10000 Kenya Shillings. The results show that majority of the respondents used Mpesa earnings for a living.

Figure 4.6 Household Income in Kenya Shillings

4.3 Mpesa Money Transfer Service and the Socioeconomic Status of Mpesa Agents

4.3.1 Mpesa Money Transfer Service and the Socioeconomic Status of Mpesa Agents

Table 4.1 shows that there needs to be better marketing and training involved to help consumers understand the capability of Mpesa services since 52.2% of the respondents agreed and 47.8% strongly agreed with a mean of 4.48 and a standard deviation of 0.501. Policy measures need to be improved to ensure that the benefits of mobile banking are evenly distributed across the banking and consumer sectors since 41.8% of the respondents agreed, 41% strongly agreed, and 17.2% were neutral with a mean of 4.24 and a standard deviation of 0.727. Agents seeking to expand their market must be ready to spend a considerable amount of money, time and other resources in order to increase market penetration since 32.8% of the respondents were neutral, 29.1% strongly agreed, 19.4% disagreed, and 18.7% agreed with a mean of 3.57 and a standard deviation of 1.106.
Table 4.1 Mpesa Money Transfer Service and the Socioeconomic Status of Mpesa Agents

<table>
<thead>
<tr>
<th></th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>There needs to be better marketing and training involved to help consumers understand the capability of Mpesa services</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>52.2</td>
<td>47.8</td>
<td>4.48</td>
<td>.501</td>
</tr>
<tr>
<td>Policy measures need to be improved to ensure that the benefits of mobile banking are evenly distributed across the banking and consumer sectors</td>
<td>0</td>
<td>0</td>
<td>17.2</td>
<td>41.8</td>
<td>41</td>
<td>4.24</td>
<td>.727</td>
</tr>
<tr>
<td>Agents seeking to expand their market must be ready to spend a considerable amount of money, time and other resources in order to increase market penetration</td>
<td>0</td>
<td>19.4</td>
<td>32.8</td>
<td>18.7</td>
<td>29.1</td>
<td>3.57</td>
<td>1.106</td>
</tr>
<tr>
<td>Agents set aside funds to improve their distribution and enhance their market communication among other things</td>
<td>0</td>
<td>0</td>
<td>11.2</td>
<td>58.2</td>
<td>30.6</td>
<td>4.19</td>
<td>.619</td>
</tr>
<tr>
<td>Mpesa revenues and market share grow as loyal customers come into the business and build repeat sales and referrals</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>29.1</td>
<td>70.9</td>
<td>4.71</td>
<td>.456</td>
</tr>
<tr>
<td>Sustainable growth is enhanced by long-term employees who know their long-term customers, and learn how to deliver more value</td>
<td>0</td>
<td>0</td>
<td>39.6</td>
<td>11.2</td>
<td>49.3</td>
<td>4.10</td>
<td>.941</td>
</tr>
<tr>
<td>Spiraling productivity coupled with increased efficiency of dealing with loyal customers generates a cost advantage that is very difficult for competitors to match</td>
<td>0</td>
<td>11.9</td>
<td>28.4</td>
<td>37.3</td>
<td>22.4</td>
<td>3.70</td>
<td>.950</td>
</tr>
<tr>
<td>Financial transaction problems are the highest concerns that consumers have, and may lead to them refusing to use the services</td>
<td>0</td>
<td>29.9</td>
<td>47.8</td>
<td>22.4</td>
<td>0</td>
<td>2.93</td>
<td>.722</td>
</tr>
<tr>
<td>Agents purchase e-float from the mobile money operator by delivering physical cash to the operator for their transactions</td>
<td>0</td>
<td>11.2</td>
<td>0</td>
<td>37.3</td>
<td>51.5</td>
<td>4.29</td>
<td>.941</td>
</tr>
<tr>
<td>Procuring and sending physical funds to rebalance cash and e-float accounts is not easy since agents are often not in physical proximity to a central office that handles these transactions</td>
<td>0</td>
<td>29.9</td>
<td>0</td>
<td>38.8</td>
<td>31.3</td>
<td>3.72</td>
<td>1.199</td>
</tr>
</tbody>
</table>
Table 4.1 shows that agents set aside funds to improve their distribution and enhance their market communication among other things sectors since 58.2% of the respondents agreed, 30.6% strongly agreed, and 11.2% were neutral with a mean of 4.19 and a standard deviation of 0.619. Mpesa revenues and market share grow as loyal customers come into the business and build repeat sales and referrals sectors since 70.9% of the respondents strongly agreed, and 29.1% agreed with a mean of 4.71 and a standard deviation of 0.456. Sustainable growth is enhanced by long-term employees who know their long-term customers, and learn how to deliver more value sectors since 49.3% of the respondents strongly agreed, 39.6% were neutral, and 11.2% agreed with a mean of 4.10 and a standard deviation of 0.941.

Spiraling productivity coupled with increased efficiency of dealing with loyal customers generates a cost advantage that is very difficult for competitors to match sectors since 37.3% of the respondents agreed, 28.4% were neutral, 22.4% strongly agreed, and 11.9% disagreed with a mean of 3.70 and a standard deviation of 0.950. Financial transaction problems are the highest concerns that consumers have, and may lead to them refusing to use the services sectors since 47.8% of the respondents were neutral, 29.9% disagreed, and 22.4% agreed with a mean of 2.93 and a standard deviation of 0.722. Agents purchase e-float from the mobile money operator by delivering physical cash to the operator for their transactions sectors since 51.5% of the respondents strongly agreed, 37.3% agreed, and 11.2% disagreed with a mean of 4.29 and a standard deviation of 0.941. Procuring and sending physical funds to rebalance cash and e-float accounts is not easy since agents are often not in physical proximity to a central office that handles these transactions sectors since 38.8% of the respondents agreed, 31.3% strongly agreed, and 29.9% disagreed with a mean of 3.72 and a standard deviation of 1.199.

### 4.3.2 Correlation Analysis for Mpesa Money Transfer Service Factors and the Socioeconomic Status of Mpesa Agents

Table 4.2 indicates that investment cost was significant to Mpesa money transfer service where \( r=0.900 \) and \( p<0.05 \). Customer loyalty was insignificant to Mpesa money transfer service where \( r=-0.101 \) and \( p>0.05 \). Effective customer support was significant to Mpesa money transfer service where \( r=0.251 \) and \( p<0.05 \). Liquidity management was significant to Mpesa money transfer service where \( r=0.583 \) and \( p<0.05 \).
Table 4.2 Correlation Analysis for Mpesa Money Transfer Service Factors and the Socioeconomic Status of Mpesa Agents

<table>
<thead>
<tr>
<th></th>
<th>Mpesa Services</th>
<th>Investment Cost</th>
<th>Customer Loyalty</th>
<th>Effective Customer Support</th>
<th>Liquidity Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mpesa Services</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Cost</td>
<td>.900**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>-.101</td>
<td>.098</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.243</td>
<td>.259</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective Customer Support</td>
<td>.251**</td>
<td>-.035</td>
<td>-.239**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>.003</td>
<td>.691</td>
<td>.005</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidity Management</td>
<td>.583**</td>
<td>.227**</td>
<td>-.298**</td>
<td>.367**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>.000</td>
<td>.008</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed)

4.3.3 Regression Analysis for Mpesa Money Transfer Service Factors and the Socioeconomic Status of Mpesa Agents

Table 4.3 shows the results of the regression analysis. The adjusted r square of 0.981 implies that 98.1% of Mpesa money transfer service is determined by investment cost, effective customer support, and liquidity management. Thus, with every change in Mpesa money transfer service, the value of F (3, 130) = 2329.404, p<0.01. Where the intercept of Mpesa money transfer service becomes better by \( \beta = (0.550 \text{ investment cost} + 0.069 \text{ effective customer support} + 0.106 \text{ liquidity management}) \), and a p<0.01.
Table 4.3 Regression Analysis for Mpesa Money Transfer Service Factors and the Socioeconomic Status of Mpesa Agents

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Liquidity Management, Investment Cost, Effective Customer Support

<table>
<thead>
<tr>
<th>ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>1 Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Liquidity Management, Investment Cost, Effective Customer Support
b. Dependent Variable: Mpesa Money Transfer Service

<table>
<thead>
<tr>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1 Constant</td>
</tr>
<tr>
<td>Investment Cost</td>
</tr>
<tr>
<td>Effective Customer Support</td>
</tr>
<tr>
<td>Liquidity Management</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Mpesa Money Transfer Service

Mpesa Money Transfer Service = 1.400 + 0.500 Investment Cost + 0.069 Effective Customer Support + 0.106 Liquidity Management
4.4 Mpesa Money Transfer Service and the Standard of Living of Mpesa Agents

4.4.1 Mpesa Money Transfer Service and the Standard of Living of Mpesa Agents

Table 4.4 shows that Mpesa has reduced the overall transaction costs of sending and receiving money thus increasing the freedom, flexibility, and privacy of mobile banking since 61.9% of the respondents strongly agreed, 18.7% disagreed, 11.2% agreed, and 8.2% were neutral with a mean of 4.16 and a standard deviation of 1.196. Access to affordable financial services has helped me in overcoming poverty and increased my economic growth since 61.9% of the respondents strongly agreed, 26.9% agreed, and 11.2% were neutral with a mean of 4.51 and a standard deviation of 0.691. Mpesa services have made it easier and less expensive for me to use financial services as well as increase my financial security since 51.5% of the respondents strongly agreed, 20.1% were neutral, 17.2% disagreed, and 11.2% agreed with a mean of 3.97 and a standard deviation of 1.189. As an agent, I rely heavily on informal, social and local information systems which are limited in nature since 52.2% of the respondents were neutral, 29.1% agreed, and 18.7% disagreed with a mean of 3.10 and a standard deviation of 0.686.

Mobile phone use enables my business to expand its contacts and amplifies the existing social relationships since 42.5% of the respondents were neutral, 26.9% agreed, 18.7% strongly agreed, and 11.9% disagreed with a mean of 3.52 and a standard deviation of 0.932. Mpesa helps users to manage risk and diversify resources within their existing structures of power and dependency increasing their bargaining power since 44.8% of the respondents agreed, 38.1% were neutral, and 17.2% strongly agreed with a mean of 3.79 and a standard deviation of 0.716. Mpesa is considered private and provides women especially with partial financial autonomy, which allows them to make financial decisions without asking their husbands since 38.1% of the respondents agreed, 30.6% were neutral, 17.2% disagreed, and 14.2% strongly agreed with a mean of 3.49 and a standard deviation of 0.940. Mpesa has increased my social capital and has reduced my vulnerability attained through the solicitation and accumulation of financial resources since 66.4% of the respondents agreed, and 33.6% strongly agreed with a mean of 4.34 and a standard deviation of 0.474.
Table 4.4 Mpesa Money Transfer Service and the Standard of Living of Mpesa Agents

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mpesa has reduced the overall transaction costs of sending and receiving money thus increasing the freedom, flexibility, and privacy of mobile banking</td>
<td>0</td>
<td>18.7</td>
<td>8.2</td>
<td>11.2</td>
<td>61.9</td>
<td>4.16</td>
<td>1.196</td>
</tr>
<tr>
<td>Access to affordable financial services has helped me in overcoming poverty and increased my economic growth</td>
<td>0</td>
<td>0</td>
<td>11.2</td>
<td>26.9</td>
<td>61.9</td>
<td>4.51</td>
<td>.691</td>
</tr>
<tr>
<td>Mpesa services have made it easier and less expensive for me to use financial services as well as increase my financial security</td>
<td>0</td>
<td>17.2</td>
<td>20.1</td>
<td>11.2</td>
<td>51.5</td>
<td>3.97</td>
<td>1.189</td>
</tr>
<tr>
<td>As an agent, I rely heavily on informal, social and local information systems which are limited in nature</td>
<td>0</td>
<td>18.7</td>
<td>52.2</td>
<td>29.1</td>
<td>0</td>
<td>3.10</td>
<td>.686</td>
</tr>
<tr>
<td>Mobile phone use enables my business to expand its contacts and amplifies the existing social relationships</td>
<td>0</td>
<td>11.9</td>
<td>42.5</td>
<td>26.9</td>
<td>18.7</td>
<td>3.52</td>
<td>.932</td>
</tr>
<tr>
<td>Mpesa helps users to manage risk and diversify resources within their existing structures of power and dependency increasing their bargaining power</td>
<td>0</td>
<td>0</td>
<td>38.1</td>
<td>44.8</td>
<td>17.2</td>
<td>3.79</td>
<td>.716</td>
</tr>
<tr>
<td>Mpesa is considered private and provides women especially with partial financial autonomy, which allows them to make financial decisions without asking their husbands</td>
<td>0</td>
<td>17.2</td>
<td>30.6</td>
<td>38.1</td>
<td>14.2</td>
<td>3.49</td>
<td>.940</td>
</tr>
<tr>
<td>Mpesa has increased my social capital and has reduced my vulnerability attained through the solicitation and accumulation of financial resources</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>66.4</td>
<td>33.6</td>
<td>4.34</td>
<td>.474</td>
</tr>
<tr>
<td>Mpesa has dramatically reduced the cost of sending money across large distances in Kenya, which reduces the household per capita consumption</td>
<td>0</td>
<td>0</td>
<td>11.9</td>
<td>50.7</td>
<td>37.3</td>
<td>4.25</td>
<td>.657</td>
</tr>
<tr>
<td>Early adopters of Mpesa are likely to be urban, educated, banked and affluent compared to the ones in rural areas who are uneducated</td>
<td>0</td>
<td>0</td>
<td>28.4</td>
<td>63.4</td>
<td>8.2</td>
<td>3.80</td>
<td>.572</td>
</tr>
</tbody>
</table>

Mpesa has dramatically reduced the cost of sending money across large distances in Kenya, which reduces the household per capita consumption since 50.7% of the respondents agreed, 37.3% strongly agreed, and 11.9% were neutral with a mean of 4.25
and a standard deviation of 0.657. Early adopters of Mpesa are likely to be urban, educated, banked and affluent compared to the ones in rural areas who are uneducated since 63.4% of the respondents agreed, 28.4% were neutral, and 8.2% strongly agreed with a mean of 3.80 and a standard deviation of 0.572.

4.4.2 Correlation Analysis for Mpesa Money Transfer Service and the Standard of Living of Mpesa Agents

Table 4.5 shows that financial inclusion was significant to Mpesa money transfer service where $r=0.897$ and $p<0.05$. Technology innovation and economic growth was significant to Mpesa money transfer service where $r=-0.215$ and $p<0.05$. Empowerment and diversification was insignificant to Mpesa money transfer service where $r=-0.162$ and $p>0.05$. Social networks and risk sharing was significant to Mpesa money transfer service where $r=-0.420$ and $p<0.05$. Technology adoption profiles and mobile users was insignificant to Mpesa money transfer service where $r=-0.127$ and $p>0.05$.

Table 4.5 Correlation Analysis for Mpesa Money Transfer Service and the Standard of Living of Mpesa Agents

<table>
<thead>
<tr>
<th>Mpesa Services</th>
<th>Financial Inclusion</th>
<th>Technology Innovation &amp; Economic Growth</th>
<th>Empowerment &amp; Diversification</th>
<th>Social Networks &amp; Risk Sharing</th>
<th>Technology Adoption Profiles &amp; Mobile Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mpesa Services</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Inclusion</td>
<td>.897**</td>
<td>.000</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology Innovation &amp; Economic Growth</td>
<td>-.215*</td>
<td>.013</td>
<td>-.208*</td>
<td>.016</td>
<td>1</td>
</tr>
<tr>
<td>Empowerment &amp; Diversification</td>
<td>-.162</td>
<td>.061</td>
<td>-.264**</td>
<td>.002</td>
<td>.229**</td>
</tr>
<tr>
<td>Social Networks &amp; Risk Sharing</td>
<td>-.420**</td>
<td>.000</td>
<td>-.349**</td>
<td>.000</td>
<td>-.209**</td>
</tr>
<tr>
<td>Technology Adoption Profiles &amp; Mobile Users</td>
<td>-.127</td>
<td>.142</td>
<td>-.467**</td>
<td>.000</td>
<td>.388**</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)
4.4.3 Regression Analysis for Mpesa Money Transfer Service and the Standard of Living of Mpesa Agents

Table 4.6 shows the results of the regression analysis. The adjusted r square of 0.815 implies that 81.5% of Mpesa money transfer service is determined by financial inclusion, technology innovation & economic growth, and social networks & risk sharing. Thus, with every change in Mpesa money transfer service, the value of F (3, 130) = 196.694, p<0.01. Where the intercept of Mpesa money transfer service becomes better by $\beta = (0.396 \text{ Financial Inclusion} - 0.070 \text{ Social Networks & Risk Sharing})$, and a p<0.01; and it also becomes better by 0.037 Technology Innovation & Economic Growth, and p>0.05.

Table 4.6 Regression Analysis for Mpesa Money Transfer Service and the Standard of Living of Mpesa Agents

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.905</td>
<td>.819</td>
<td>.815</td>
<td>.13585</td>
</tr>
<tr>
<td>a. Predictors: (Constant), Social Networks &amp; Risk Sharing, Financial Inclusion, and Technology Innovation &amp; Economic Growth</td>
<td></td>
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</table>

**ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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<tr>
<td>1</td>
<td>Regression</td>
<td>10.890</td>
<td>3</td>
<td>3.630</td>
<td>196.694</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>2.399</td>
<td>130</td>
<td>.018</td>
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</tr>
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<td></td>
<td>Total</td>
<td>13.289</td>
<td>133</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Predictors: (Constant), Social Networks &amp; Risk Sharing, Financial Inclusion, and Technology Innovation &amp; Economic Growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Dependent Variable: Mpesa Money Transfer Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
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</table>

**Coefficients**

<table>
<thead>
<tr>
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<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th>Sig.</th>
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<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Constant</td>
<td>2.732</td>
<td>17.737</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Financial Inclusion</td>
<td>.396</td>
<td>21.503</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Technology Innovation</td>
<td>.037</td>
<td>.987</td>
<td>.326</td>
</tr>
<tr>
<td></td>
<td>&amp; Economic Growth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social Networks &amp; Risk Sharing</td>
<td>-.070</td>
<td>-.3120</td>
<td>.002</td>
</tr>
<tr>
<td>a. Dependent Variable: Mpesa Money Transfer Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mpesa Money Transfer Service = 1.400 + 0.396 Financial Inclusion + 0.037 Technology Innovation & Economic Growth – 0.070 Social Networks & Risk Sharing
4.5 Mpesa Money Transfer Service and the Saving Characteristics of Mpesa Agents

4.5.1 Mpesa Money Transfer Service and the Saving Characteristics of Mpesa Agents

Table 4.7 shows that agents play a key role in the adoption of Mpesa services by creating a dense network of agents who convert cash to e-money and vice versa for customers since 70.9% of the respondents agreed, and 29.1% strongly agreed with a mean of 4.29 and a standard deviation of 0.456. Agents with less access to formal financial services mainly use Mpesa accounts to keep money, particularly when they are small amounts since 61.9% of the respondents agreed, 26.9% strongly agreed, and 11.2% were neutral with a mean of 4.16 and a standard deviation of 0.559. Agents use their Mpesa account to separate their business savings from their personal savings since 71.6% of the respondents were neutral, and 28.4% strongly agreed with a mean of 3.57 and a standard deviation of 0.905. Mpesa enhances agents saving behavior and helps them realize their investment projects by keeping money inside since 49.3% of the respondents agreed, 42.5% were neutral, and 8.2% strongly agreed with a mean of 3.66 and a standard deviation of 0.627.

Planning for long term objectives as an agent requires that I have less access to the saved money since 35.8% of the respondents strongly agreed, 29.9% agreed, 22.4% strongly disagreed, and 11.9% were neutral with a mean of 3.57 and a standard deviation of 1.524. Mpesa provides a safe place to keep money and this is sufficient to increase my ability to have emergency savings since 50.7% of the respondents were neutral, 37.3% strongly agreed, and 11.9% agreed with a mean of 3.87 and a standard deviation of 0.932. Mpesa has implemented withdrawal charges that facilitate my ability to resist unneeded expenditures since 30.6% of the respondents were neutral, 28.4% agreed, 22.4% strongly agreed, and 18.7% disagreed with a mean of 3.54 and a standard deviation of 1.038. Mpesa has enhanced the ability for the less educated individuals to understand the various services that are available to them and has encouraged their savings behavior since 44% of the respondents agreed, 25.4% were neutral, 18.7% disagreed, and 11.9% strongly agreed with a mean of 3.49 and a standard deviation of 0.932.
Table 4.7 Mpesa Money Transfer Service and the Saving Characteristics of Mpesa Agents

<table>
<thead>
<tr>
<th></th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agents plays a key role in the adoption of Mpesa services by creating a dense network of agents who convert cash to e-money and vice versa for customers</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>70.9</td>
<td>29.1</td>
<td>4.29</td>
<td>.456</td>
</tr>
<tr>
<td>Agents with less access to formal financial services mainly use Mpesa accounts to keep money, particularly when they are small amounts</td>
<td>0</td>
<td>0</td>
<td>11.2</td>
<td>61.9</td>
<td>26.9</td>
<td>4.16</td>
<td>.599</td>
</tr>
<tr>
<td>Agents use their Mpesa account to separate their business savings from their personal savings,</td>
<td>0</td>
<td>0</td>
<td>71.6</td>
<td>0</td>
<td>28.4</td>
<td>3.57</td>
<td>.905</td>
</tr>
<tr>
<td>Mpesa enhances agents saving behavior and helps them realize their investment projects by keeping money inside</td>
<td>0</td>
<td>0</td>
<td>42.5</td>
<td>49.3</td>
<td>8.2</td>
<td>3.66</td>
<td>.627</td>
</tr>
<tr>
<td>Planning for long term objectives as an agent requires that I have less access to the saved money</td>
<td>22.4</td>
<td>0</td>
<td>11.9</td>
<td>29.9</td>
<td>35.8</td>
<td>3.57</td>
<td>1.524</td>
</tr>
<tr>
<td>Mpesa provides a safe place to keep money and this is sufficient to increase my ability to have emergency savings</td>
<td>0</td>
<td>0</td>
<td>50.7</td>
<td>11.9</td>
<td>37.3</td>
<td>3.87</td>
<td>.932</td>
</tr>
<tr>
<td>Mpesa has implemented withdrawal charges that facilitate my ability to resist unneeded expenditures</td>
<td>0</td>
<td>18.7</td>
<td>30.6</td>
<td>28.4</td>
<td>22.4</td>
<td>3.54</td>
<td>1.038</td>
</tr>
<tr>
<td>Mpesa has enhanced the ability for the less educated individuals to understand the various services that are available to them and has encouraged their savings behavior</td>
<td>0</td>
<td>18.7</td>
<td>25.4</td>
<td>44.0</td>
<td>11.9</td>
<td>3.49</td>
<td>.932</td>
</tr>
<tr>
<td>Mpesa has made it possible for the less educated, low and irregular income to save and apply for loans through their phones</td>
<td>0</td>
<td>0</td>
<td>49.3</td>
<td>25.4</td>
<td>25.4</td>
<td>3.76</td>
<td>.833</td>
</tr>
<tr>
<td>Mpesa has extended the access to formal financial services without any discrimination and payment of interest rates</td>
<td>0</td>
<td>0</td>
<td>17.2</td>
<td>48.5</td>
<td>34.3</td>
<td>4.17</td>
<td>.699</td>
</tr>
</tbody>
</table>
Mpesa has made it possible for the less educated, low and irregular income to save and apply for loans through their phones since 44% of the respondents were neutral, and 25.4% equally agreed and strongly agreed with a mean of 3.76 and a standard deviation of 0.833. Mpesa has extended the access to formal financial services without any discrimination and payment of interest rates since 48.5% of the respondents agreed, 34.3% strongly agreed, and 17.2% were neutral with a mean of 4.17 and a standard deviation of 0.699.

### 4.5.2 Correlation Analysis for Mpesa Money Transfer Service and the Saving Characteristics of Mpesa Agents

Table 4.8 shows that safe storage was significant to Mpesa money transfer service where \( r=0.367 \) and \( p<0.05 \). Formal savings was significant to Mpesa money transfer service where \( r=-0.363 \) and \( p<0.05 \). Emergency savings was insignificant to Mpesa money transfer service where \( r=-0.031 \) and \( p>0.05 \). Financial savings knowledge was significant to Mpesa money transfer service where \( r=0.370 \) and \( p<0.05 \). Interest free savings was insignificant to Mpesa money transfer service where \( r=-0.112 \) and \( p>0.05 \).

**Table 4.8 Correlation Analysis for Mpesa Money Transfer Service and the Saving Characteristics of Mpesa Agents**

<table>
<thead>
<tr>
<th></th>
<th>Mpesa Services</th>
<th>Safe Storage</th>
<th>Formal Savings</th>
<th>Emergency Savings</th>
<th>Financial Savings Knowledge</th>
<th>Interest Free Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mpesa Services</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safe Storage</td>
<td>.367*** .000</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formal Savings</td>
<td>-.363** .000</td>
<td>.090</td>
<td>.304</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Savings</td>
<td>-.031 .723</td>
<td>.073</td>
<td>.405</td>
<td>.178* .039</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Financial Savings</td>
<td>.370** .000</td>
<td>-.443** .000</td>
<td>-.091</td>
<td>-.664** .000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Knowledge</td>
<td>-.112 .196</td>
<td>-.457** .000</td>
<td>-.319** .000</td>
<td>-.905** .000</td>
<td>.725** .000</td>
<td>1</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed)
4.5.3 Regression Analysis for Mpesa Money Transfer Service and the Saving Characteristics of Mpesa Agents

Table 4.9 shows the results of the regression analysis. The adjusted r square of 0.612 implies that 61.2% of Mpesa money transfer service is determined by safe storage, formal savings, and financial savings knowledge. Thus, with every change in Mpesa money transfer service, the value of F (3, 130) = 70.935, p<0.01. Where the intercept of Mpesa money transfer service becomes better by β = (0.628 Safe Storage – 0.341 Formal Savings + 0.252 Financial Savings Knowledge), and a p<0.01.

Table 4.9 Regression Analysis for Mpesa Money Transfer Service and the Saving Characteristics of Mpesa Agents

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>a. Predictors: (Constant), Safe Storage, Formal Savings, and Financial Savings Knowledge</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ANOVAb</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>a. Predictors: (Constant), Safe Storage, Formal Savings, and Financial Savings Knowledge</td>
</tr>
<tr>
<td>b. Dependent Variable: Mpesa Money Transfer Service</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficientsa</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td>1</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>a. Dependent Variable: Mpesa Money Transfer Service</td>
</tr>
</tbody>
</table>

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4.6 Chapter Summary
The chapter has presented the results from the analyzed data. Descriptive statistics of percentages, means and standard deviations have been used to present the level of rating of various statement as presented in the questionnaire, and meaning offered about them. Inferential statistics of correlations has been used to identify key factors that influence the use of Mpesa money transfer services, and regressions have been used to formulate a linear relationship between significant factors and the use of Mpesa money transfer services. The next chapter presents the discussions, conclusions, and recommendations of the study.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter finalizes the study through the presentation of the study summary, discussions based on the study objectives, conclusions of the study based on the same study objectives, and presentation of the recommendations based on the study findings, and recommendations for further studies based on the scope of the study.

5.2 Summary of Findings

The core objective of the research was to assess the effect of the Mpesa money transfer service on the socioeconomic status of the Mpesa agents in Nairobi. The specific objectives that guided the study were: to evaluate the effect of Mpesa money transfer service on the socioeconomic status of Mpesa agents in Nairobi County, to assess the effect of Mpesa money transfer service on the standard of living of Mpesa agents in Nairobi County, and to evaluate the effect of Mpesa money transfer service on the saving characteristics of Mpesa agents in Nairobi County.

The study employed the use of a descriptive research design. The population under investigation was Mpesa Money transfer agents within Nairobi County who were more than 10,000, but the study used 164 Mpesa agents for its population. The sampling frame of the study consisted of a list of all registered Mpesa agents in Nairobi County that was obtained from Safaricom’s website. Stratified random sampling was used to breakdown the population into 4 strata that included: attendants, supervisors, managers and self-owners. The sample size was established by use of geographical locations of the agents so as to have nearly all streets within the county covered who came to 164.

The research employed the use of questionnaires and interviews where necessary as the key data collection instruments. The data collected was processed and analyzed using SPSS. Data was analyzed using inferential statistics and descriptive methods of percentages and standard deviations. Coefficient of correlation was employed to determine whether dependent variables correlated with the independent variable.
Regression analysis was used to examine the existing relationships between the study variables. Data was presented in the form of table and figures.

The study revealed that there needs to be better marketing and training involved to help consumers understand the capability of Mpesa services, and the government needs to put in place policy measures to ensure that the benefits of mobile banking are evenly distributed across the banking and consumer sectors. Agents seeking to expand their market must be ready to spend a considerable amount of money, time and other resources in order to increase market penetration, as well as set aside funds to improve their distribution and enhance their market communication among other things sectors.

The study showed that Mpesa has reduced the overall transaction costs of sending and receiving money thus increasing the freedom, flexibility, and privacy of mobile banking, as well as access to affordable financial services has help individuals in overcoming poverty and increasing their economic growth. Mpesa services have made it easier and less expensive for agents and customers alike to use financial services as well as increase their financial security. It can also be concluded that Mpesa agents rely heavily on informal, social and local information systems which are limited in nature, while the use of mobile phones enables agents and customers to expand their business through acquisition of new contacts and it amplifies the existing social relationships.

The study revealed that agents plays a key role in the adoption of Mpesa services by creating a dense network of agents who convert cash to e-money and vice versa for customers. Agents with less access to formal financial services mainly use Mpesa accounts to keep money, particularly when they are small amounts, and they use their Mpesa account to separate their business savings from their personal savings. The study also showed that Mpesa enhances agents saving behavior and helps them realize their investment projects by keeping money inside, and planning for long term objectives as an agent requires that they have less access to the saved money.

5.3 Discussions

5.3.1 Mpesa Money Transfer Service and the Socioeconomic Status of Mpesa Agents

There needs to be better marketing and training involved to help consumers understand the capability of Mpesa services. This results coincide with Ivatury (2012) who states
that, while today’s mobile banking systems are providing good money transfer and payment services to early users, there will need to be better marketing and training involved to help consumers understand what the systems are capable of.

Policy measures need to be improved to ensure that the benefits of mobile banking are evenly distributed across the banking and consumer sectors. This results correspond with Ivatury (2012) who states that, there is a need to improve policy measures to ensure that the benefits of mobile banking are evenly distributed across all banking and consumer sectors.

Agents seeking to expand their market must be ready to spend a considerable amount of money, time and other resources in order to increase market penetration. This results concur with Ondiege (2010) who states that, companies seeking to expand their market must be ready to spend considerable amount of money, time and other resources in order to increase penetration into the existing market while also concentrating on more innovative services and products.

Agents set aside funds to improve their distribution and enhance their market communication among other things sectors. The results coincide with Mbiti and Weil (2011) who state that companies seeking to expand should set aside funds to improve distribution and enhance market communication among other things.

Mpesa revenues and market share grow as loyal customers come into the business and build repeat sales and referrals sectors. The results concur with Wishart (2006) who states that, revenues and market share grow as the best customers are swept into the company’s business, building repeat sales and referrals.

Sustainable growth is enhanced by long-term employees who know their long-term customers, and learn how to deliver more value sectors. The results agree with Dupas et al. (2012) who state that, as long-term employees get to know their long-term customers, they learn how to deliver still more value, which further reinforces both customer and employee loyalty.

Spiraling productivity coupled with increased efficiency of dealing with loyal customers generates a cost advantage that is very difficult for competitors to match sectors. These results coincide with Beck, Demirgüç-Kunt and Honohan (2009) who state that, spiraling
productivity coupled with the increased efficiency of dealing with loyal customers generates the kind of cost advantage that is very difficult for competitors to match.

Financial transaction problems are the highest concerns that consumers have, and may lead to them refusing to use the services sectors. These results coincide with Beck, Demirgüç-Kunt and Honohan (2009) who state that, problems relating to financial transactions are also of the highest concern to consumers, particularly for those who are cash-constrained, so any delays in resolving even a small problem can cause a customer to stop using the service.

Agents purchase e-float from the mobile money operator by delivering physical cash to the operator for their transactions sectors. The results concur with Mbarathi (2014) who states that, in a typical mobile money system, agents purchase e-float from the mobile money operator by delivering physical cash to the operator.

Procuring and sending physical funds to rebalance cash and e-float accounts is not easy since agents are often not in physical proximity to a central office that handles these transactions sectors. The results concur with Mbarathi (2014) who states that, procuring and sending physical funds to rebalance cash and e-float accounts is not trivial, as agents are often not in physical proximity to whichever central office of the mobile money service (or other entity) handles these transactions.

5.3.2 Mpesa Money Transfer Service and the Standard of Living of Mpesa Agents

Mpesa has reduced the overall transaction costs of sending and receiving money thus increasing the freedom, flexibility, and privacy of mobile banking. The results coincide with Aker, Boumnijel, McClelland and Tierney (2011) who found that mobile money reduced the overall transaction costs of recipients, while offering an increase in freedom, flexibility, and privacy.

Access to affordable financial services has helped me in overcoming poverty and increased my economic growth. The results are in agreement with Jack and Suri (2011) who state that, access to affordable financial services is linked with overcoming poverty, reducing income disparities and increasing economic growth.
Mpesa services have made it easier and less expensive for me to use financial services as well as increase my financial security. The results concur with Duncombe and Heeks (2012) who state that, innovations in technology, such as mobile payments, mobile banking, and digital identities makes it easier and less expensive for people to use financial services, while increasing financial security.

Agents rely heavily on informal, social and local information systems which are limited in nature. The results are in agreement with Duncombe and Heeks (2012) who found that poor rural entrepreneurs rely heavily on informal, social and local information systems that were highly appropriate in many ways, but very constrained and insular.

Mobile phone use enables my business to expand its contacts and amplifies the existing social relationships. The results are similar to those of Donner (2007) who found that mobile phone use by micro-entrepreneurs in Kigali, Rwanda enables new business contacts and amplifies existing social relationships.

Mpesa helps users to manage risk and diversify resources within their existing structures of power and dependency increasing their bargaining power. The results concur with Morawczynski (2009) who identified that mobile money helps rural users to manage risk and diversify resources within their existing structures of power and dependency, which potentially affects intra-household power distance and bargaining.

Mpesa is considered private and provides women especially with partial financial autonomy, which allows them to make financial decisions without asking their husbands. The results concur with Morawczynski (2009) who identified that mobile money is considered secret (private) savings that provides women with partial financial autonomy, which allows women to make financial decisions without asking their husbands.

Mpesa has increased my social capital and has reduced my vulnerability attained through the solicitation and accumulation of financial resources. This results are in agreement with Morawczynski (2009) who notes that, the increase in social capital suggests a reduction in vulnerability achieved through the solicitation and accumulation of financial resources and the maintenance of social networks.
Mpesa has dramatically reduced the cost of sending money across large distances in Kenya, which reduces the household per capita consumption. The results concur with Jack and Suri (2011) who state that, mobile money has dramatically reduced the cost of sending money across large distances in Kenya, which enables the authors to test effects of transaction costs on risk sharing.

Early adopters of Mpesa are likely to be urban, educated, banked and affluent compared to the ones in rural areas who are uneducated. The results are similar to those of Mbiti and Weil (2011) who found that active early adopters of Mpesa are likely to be urban, educated, banked and affluent confirming this profile of early adopters.

5.3.3 Mpesa Money Transfer Service and the Saving Characteristics of Mpesa Agents

Agents play a key role in the adoption of Mpesa services by creating a dense network of agents who convert cash to e-money and vice versa for customers. The results concur with Dupas and Robinson (2013) who state that, the number of agents plays a key role in the adoption of mobile money by creating a dense network of agents who convert cash to e-money and vice versa for customers.

Agents with less access to formal financial services mainly use Mpesa accounts to keep money, particularly when they are small amounts. The results are in agreement with Jenny and Isaac (2010) who note that, people with less access to formal financial services mainly use their mobile money account to keep money, particularly when they are small amounts. Agents use their Mpesa account to separate their business savings from their personal savings. This results are in agreement with Morawczynski (2009) who notes that, some people use their mobile money account to separate their business savings from their personal savings.

Mpesa enhances agents saving behavior and helps them realize their investment projects by keeping money inside. The results concur with Morawczynski and Pickens (2009) who state that, since the mobile money account is personal, individuals can determine their own target to reach in order to realize their investment project. Planning for long term objectives as an agent requires that they have less access to the saved money. The results concur with Mbarathi (2014) who states that, it has been proved that planning for long term objectives requires less access to the money.
Mpesa provides a safe place to keep money and this is sufficient to increase my ability to have emergency savings. The results are in agreement with Dupas and Robinson (2013) who found that, simply providing a safe place to keep money was sufficient to increase emergency savings from the fact that saving for unpredictable events required more access to cash, than tangible or illiquid assets which cannot be easily convert into liquidity. Mpesa has implemented withdrawal charges that facilitate my ability to resist unneeded expenditures. This results are in agreement with Morawczynski (2009) who notes that, because mobile money implements withdrawal charges, it facilitates the ability of people resisting unneeded expenditures.

Mpesa has enhanced the ability for the less educated individuals to understand the various services that are available to them and has encouraged their savings behavior. The results are in agreement with Lusardi and Mitchell (2014) who state that, mobile money may significantly allow the less financial illiterate individuals to enhance their saving behavior, especially for a specific purpose.

Mpesa has made it possible for the less educated, low and irregular income to save and apply for loans through their phones. The results are in agreement with Lusardi and Mitchell (2014) who state that, mobile money transfer makes it affordable, easy to use, and available anywhere through the country facilitating the less educated, low and irregular income earners with the ability to save and apply for a loan through their phones.

Mpesa has extended the access to formal financial services without any discrimination and payment of interest rates. The results concur with Dupas and Robinson (2013) who state that, financial alternatives such as mobile money services play a prominent role in extending access to formal financial services without any discrimination.

5.4 Conclusions

5.4.1 Mpesa Money Transfer Service and the Socioeconomic Status of Mpesa Agents

The study concludes that there needs to be better marketing and training involved to help consumers understand the capability of Mpesa services, and the government needs to put in place policy measures to ensure that the benefits of mobile banking are evenly distributed across the banking and consumer sectors. Agents seeking to expand their
market must be ready to spend a considerable amount of money, time and other resources in order to increase market penetration, as well as set aside funds to improve their distribution and enhance their market communication among other things sectors. The study concludes that Mpesa revenues and market share grow as loyal customers come into the business and build repeat sales and referrals sectors, and that sustainable growth is enhanced by long-term employees who know their long-term customers, and learn how to deliver more value sectors. The study concludes that financial transaction problems are the highest concerns that consumers have, and may lead to them refusing to use the services sectors.

5.4.2 Mpesa Money Transfer Service and the Standard of Living of Mpesa Agents

The study concludes that Mpesa has reduced the overall transaction costs of sending and receiving money thus increasing the freedom, flexibility, and privacy of mobile banking, as well as access to affordable financial services has help individuals in overcoming poverty and increasing their economic growth. Mpesa services have made it easier and less expensive for agents and customers alike to use financial services as well as increase their financial security. It can also be concluded that Mpesa agents rely heavily on informal, social and local information systems which are limited in nature, while the use of mobile phones enables agents and customers to expand their business through acquisition of new contacts and it amplifies the existing social relationships.

5.4.3 Mpesa Money Transfer Service and the Saving Characteristics of Mpesa Agents

The study concludes that agents plays a key role in the adoption of Mpesa services by creating a dense network of agents who convert cash to e-money and vice versa for customers. Agents with less access to formal financial services mainly use Mpesa accounts to keep money, particularly when they are small amounts, and they use their Mpesa account to separate their business savings from their personal savings. It can be concluded that Mpesa enhances agents saving behavior and helps them realize their investment projects by keeping money inside, and planning for long term objectives as an agent requires that they have less access to the saved money.
The study concludes that Mpesa provides a safe place to keep money and this is sufficient to increase the agents’ ability to have emergency savings, and it enhances the ability for the less educated individuals to understand the various services that are available to them and has encouraged their savings behavior.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Mpesa Money Transfer Service and the Socioeconomic Status of Mpesa Agents

The study recommends that Mpesa agents should be provided with quick and direct access to Safaricom representatives, because when customers have issues, their ability to speak with a representative can give customers confidence that their issue is being handled, and can go a long way in building goodwill for the service as a whole.

5.5.1.2 Mpesa Money Transfer Service and the Standard of Living of Mpesa Agents

The study recommends that the government strengthens its ICT platform to encourage better flow and access to information. This will limit the reliance of Mpesa agents on informal, social and local information systems which are limited in nature. ICT platforms can ensure that the information and available systems are not constrained by providing better access to shared service information.

5.5.1.3 Mpesa Money Transfer Service and the Saving Characteristics of Mpesa Agents

The study recommends the government together with mobile service providers and financial institutions to come up with programmes aimed at increasing the financial literacy of the unbanked individuals. This knowledge would provide them with the know-how of utilizing mobile banking services, as well as provide the basic financial literacy that would increase their customer number.

5.5.2 Recommendations for Further Studies

This study has assessed the effect of Mpesa money transfer service on the socioeconomic status of the Mpesa agents in Nairobi. The study concentrated on Mpesa agents of
Safaricom in Nairobi County with a focus on how Mpesa money transfer has changed the socioeconomic status, standard of living, and saving characteristics of these agents. The study recommends that further studies be conducted on other agents that are not in Nairobi County. Similar studies should also be conducted on other money transfer agents who work for Airtel Money, Orange Money, and other agents who work for banks in order to evaluate the comprehensive impact of these money transfer agencies.
REFERENCES


Ivatury, G. (2012). *The Early Experience with Branchless Banking (Focus Note No. 46)*. Washington, DC: Consultative Group to Assist the Poor.


James, J. (2016). *Patterns of Mobile Phone Use in Africa. In: The Impact of Mobile Phones on Poverty and Inequality in Developing Countries*. Heidelberg, GER: Springer International Publishing.


United States International University – Africa,

P. O. Box 14634 – 00800,

Nairobi – Kenya.

Dear Sir/Madam,

REF: PERMISSION TO COLLECT DATA FOR ACADEMIC RESEARCH.

My name is Gatwiri Kirimi, a student in USIU- Africa, pursuing a Master’s Degree in Business Administration (MBA). This questionnaire is distributed in order to gather information the development of the effect of Mpesa money transfer service on the socioeconomic status of the Mpesa agents. Through your participation, the study will be able to among other things help in identifying the opportunities and challenges that this market presents.

The information you provide will be treated with confidentiality and will solemnly be used for the purpose of this study.

I am therefore requesting for your help in filling in the attached questionnaire aimed at data collection.

Yours faithfully

Gatwiri Karimi.
APPENDIX II: QUESTIONNAIRE

Dear Respondent,

This research is an academic exercise and it intends to evaluate the effect of Mpesa mobile money transfer service on the socioeconomic status of the Mpesa agents in Nairobi County, Kenya in partial fulfillment of a Master of Business Administration at USIU-A School of Business. Your responses are valuable to the success of this study and are based on your experience with engagement in Mpesa money transfer service. Kindly note that your responses will be guarded with utmost confidentiality and will be used ONLY for the purposes of this study. This study relies on your response. Thank you for your anticipated interest to partake in this research.

Section A: Personal Details

1. Gender of respondent
   Male [ ] Female [ ]

2. Age of the respondent
   Below 20 Years [ ] 21-29 Years [ ] 1-39 Years [ ] 41-49 Years [ ] 51 Years and Above [ ]

3. Marital status
   Single [ ] Married [ ] Separated [ ] Widow [ ]

4. How long have you been operating as Mpesa agent?
   Less than 1 Year [ ] 2-4 Years [ ] 5-7 Years [ ] 8 Years and Above [ ]

5. What is your daily household income, net income after taxes and fringe benefits deductions in Kenya Shillings (Ksh)?
   Below 5 Ksh [ ] 6-10 Ksh [ ] 11-20 Ksh [ ] 21-30Ksh [ ] 31 Ksh and above [ ]
## Section B: Mpesa Money Transfer Service and the Socioeconomic Status of Mpesa Agents

Kindly rate your response based on the following statements using the scale 1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, and 5-Strongly Agree.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
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<tbody>
<tr>
<td>There needs to be better marketing and training involved to help consumers understand the capability of Mpesa services</td>
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<td>Policy measures need to be improved to ensure that the benefits of mobile banking are evenly distributed across the banking and consumer sectors</td>
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<td>Agents seeking to expand their market must be ready to spend a considerable amount of money, time and other resources in order to increase market penetration</td>
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<td>Agents set aside funds to improve their distribution and enhance their market communication among other things</td>
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<tr>
<td>Mpesa revenues and market share grow as loyal customers come into the business and build repeat sales and referrals</td>
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<td>Sustainable growth is enhanced by long-term employees who know their long-term customers, and learn how to deliver more value</td>
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<td>Spiraling productivity coupled with increased efficiency of dealing with loyal customers generates a cost advantage that is very difficult for competitors to match</td>
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<td>Financial transaction problems are the highest concerns that consumers have, and may lead to them refusing to use the services</td>
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<td>Agents purchase e-float from the mobile money operator by delivering physical cash to the operator for their transactions</td>
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<td>Procuring and sending physical funds to rebalance cash and e-float accounts is not easy since agents are often not in physical proximity to a central office that handles these transactions</td>
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**Section C: Mpesa Money Transfer Service and the Standard of Living of Mpesa Agents**

Kindly rate your response based on the following statements using the scale 1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, and 5-Strongly Agree.

<table>
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<tr>
<td>Mpesa has reduced the overall transaction costs of sending and receiving money thus increasing the freedom, flexibility, and privacy of mobile banking</td>
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<td>Access to affordable financial services has helped me in overcoming poverty and increased my economic growth</td>
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<td>Mpesa services have made it easier and less expensive for me to use financial services as well as increase my financial security</td>
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<td>As an agent, I rely heavily on informal, social and local information systems which are limited in nature</td>
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<td>Mobile phone use enables my business to expand its contacts and amplifies the existing social relationships</td>
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<td>Mpesa helps users to manage risk and diversify resources within their existing structures of power and dependency increasing their bargaining power</td>
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<td>Mpesa is considered private and provides women especially with partial financial autonomy, which allows them to make financial decisions without asking their husbands</td>
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<td>Mpesa has increased my social capital and has reduced my vulnerability attained through the solicitation and accumulation of financial resources</td>
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<td>Mpesa has dramatically reduced the cost of sending money across large distances in Kenya, which reduces the household per capita consumption</td>
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<td>Early adopters of Mpesa are likely to be urban, educated, banked and affluent compared to the ones in rural areas who are uneducated</td>
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Section D: Mpesa Money Transfer Service and the Saving Characteristics of Mpesa Agents

Kindly rate your response based on the following statements using the scale 1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, and 5-Strongly Agree.

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<tbody>
<tr>
<td>Agents plays a key role in the adoption of Mpesa services by creating a dense network of agents who convert cash to e-money and vice versa for customers</td>
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<td>Agents with less access to formal financial services mainly use Mpesa accounts to keep money, particularly when they are small amounts</td>
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<td>Agents use their Mpesa account to separate their business savings from their personal savings</td>
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<td>Mpesa enhances agents saving behavior and helps them realize their investment projects by keeping money inside</td>
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<td>Planning for long term objectives as an agent requires that I have less access to the saved money</td>
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<td>Mpesa provides a safe place to keep money and this is sufficient to increase my ability to have emergency savings</td>
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<td>Mpesa has implemented withdrawal charges that facilitate my ability to resist unneeded expenditures</td>
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<td>Mpesa has enhanced the ability for the less educated individuals to understand the various services that are available to them and has encouraged their savings behavior</td>
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<td>Mpesa has made it possible for the less educated, low and irregular income to save and apply for loans through their phones</td>
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<td>Mpesa has extended the access to formal financial services without any discrimination and payment of interest rates</td>
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THANK YOU