

**ADOPTION OF MOBILE MONEY TRANSFER BY
CO-OPERATIVE BANK OF KENYA LIMITED IN THE
SETTLEMENT OF INTERNATIONAL TRANSACTIONS**

BY:

AGNES NABWIRE MAGERO

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
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DECLARATION

This research project is my original work and has not been presented for examination in any other University.

Signature:

Date.....

STUDENT: AGNES NAWIRE MAGERO

D61/60428/2010

This research project has been submitted for examination with my approval as the university supervisor.

Signature.....

Date.....

DR. JOHN YABS

LECTURER,

SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI.

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DEDICATION

This project is dedicated to my darling fiancée, and my family.

ABSTRACT

It has recently been observed by Co-operative bank of Kenya Limited that a significant number of accelerated international business transactions, in the interplay with other factors, can increase productivity; enhance access to services; widen markets; simplify transactions; substitute for physical transport; prevent crime; improve governance, and create new socio-economic opportunities, among many other benefits. The linkage between mobile money and settlement of international business transactions is an echo of older discourses on development of communication that expounded on the positive links between communications, access to information and development. The study seeks to explore the adoption of mobile money transfer and its effectiveness in the settlement of international business. In addition, African scholars believe the enthusiasm about the potential of mobile money remittance services for Africa's development is based on a view that if many western countries experienced the positive impact of science and technology during the industrial revolution, mobile money remittance services would, on this basis, assist Africa to assail socio-economic problems. The qualitative study established Co-Op Bank to a great extent has adopted mobile money transfer for settlement of international transactions. The main driver for adopted mobile money transfer for settlement of international transactions were noted to be competition in the industry, technology leadership, change management, and customer needs and preferences.

The study concludes that the adoption of mobile money transfer in settlement of international business has been effective at Co-operative Bank of Kenya. But the respondent indicated that effectiveness is hampered by regulatory policies, mobile money provider commitment, and perceived risk of mobile money transfer.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

International business is all business transactions-private and governmental-that involve two or more countries. International business comprises a large and growing portion of the world's total business. Today, almost all companies, large or small, are affected by global events and competition because most sell output to and/or secure suppliers from foreign countries and/or compete against products and services that come from abroad.

Accelerated international business transactions, in the interplay with other factors, can increase productivity; enhance access to services; widen markets; simplify transactions; substitute for physical transport; prevent crime; improve governance, and create new socio-economic opportunities, among many other benefits. The linkage between mobile money and settlement of international business transactions is an echo of older discourses on development communication that expounded on the positive links between communications, access to information and development (Butner, 2003).

The link between mobile money remittance services and settlement of international business transactions stems from the recognition that information is a critical factor for development purposes. Mobile money transfer has the potential to amplify the speed and ease, and to introduce new modes with which international business is conducted,(Tacchi 2003).

In addition, the enthusiasm about the potential of mobile money remittance services for Africa's development is based on a view that if many western countries experienced the positive impact of science and technology during the industrial revolution, mobile money remittance services would, on this basis, assist Africa to assail socio-economic problems (Obijiofor, 2009).

Despite the growing recognition about the settlement of international business transactions through the potential of mobile money, the precise ways and extent to which these strategic technologies contribute to sustainable settlement of international business transactions in developing countries are still debatable. There are still divergent views over the nature and scope of contributions that mobile money can make in settlement of international business transactions efforts. In either way there are also concerns that evidence from research on the linkages between mobile money remittance services and settlement of international business transactions in developing countries is still scarce (McNamara, 2008).

It is argued that the available evidence on the topic is largely anecdotal and dominated by promises than reality, Sahay (2006). It is also argued that much of the available evidence focuses on those who have used mobile money remittance services as a result of particular development initiatives such as telecentres. This scarcity of empirical research on the topic is partly attributable to the recent nature of mobile money and partly to differences in the interpretations of the settlement of international business transactions concepts (Souter et al., 2005).

1.1.1 International business transactions

The late 20th century has been characterized by an increased interdependence between the nations of the world. Unprecedented trade liberalization at the multilateral, regional and bilateral level accompanied by the exponential development of new information technologies have changed the way sovereign states, businesses and citizens interact among themselves and with one another. In the Americas, important developments have supplemented those global transformations: our Hemisphere is now well embarked on the road to democratic consolidation and a significant number of social indicators have improved. Remarkable trade liberalization and a switch from protectionist to open market economies have provided the basis for the growth of transnational business activity while democratic values and institutions have been progressively strengthened. However, various factors affect this vital move of nations business interactions, (Nicole 2005).

Understanding the role of mobile money transfer in international business transactions is a broad entity. As international business dominate in sub-Saharan Africa and liquidity and cash-flow management are key bottlenecks for international business operations, the fast diffusion of mobile money transfer is viewed as a potential key tool for facilitating financial transactions. Research shows that most business owners have mobile money; over 80 % and the difference between formal and informal businesses is small (Esselaar et al, 2008).

Although the technology is accessible to international business in many sub- Saharan countries, little is known to date of the scope, direction and impact on the businesses. There is thus scant

empirical data on the phenomenon. Early on in this revolution, cell phone users .Figured out that they could effectively transfer money across wide distances by purchasing, sending, and reselling .air-time" (i.e., pre-paid cell phone credit that can be used for voice or SMS communication, (Braun 2006).

1.1.2 Settlement of International Transaction by Co-operative bank of Kenya

According to the Co-operative Bank of Kenya Fact book, the bank is incorporated in Kenya under the Company's Act and is also licensed to do the business of banking under the Banking Act. The bank was initially registered under the Co-operative Societies Act at the point of founding in 1965.This status was retained up to and until June 2008 when the Bank's Special General Meeting resolved to incorporate under the Companies Act with a view to complying with the requirements for listing on the Nairobi Stock Exchange (NSE).The bank went public and was listed on December 2008. The Bank runs three subsidiary companies, namely; Kingdom Securities Limited, a stock broking firm with the bank holding a controlling 60% stake; Co-op Trust Investment Services Limited, the fund management subsidiary wholly-owned by the bank; and Co-operative Consultancy Services (K) Limited, the corporate finance, financial advisory and capacity-building subsidiary wholly-owned by the bank (Co-operative Bank Human Resource Division, 2011).

The Co-operative Bank is 100% privately owned by over 116,000 shareholders .Out of this, Coop Holdings Co-operative Society Limited owns 64.56%, with the rest held by other investors. The Co-operative Bank Foundation is the Co-operative Bank's vehicle for social responsibility. The current flagship project of the foundation is an education scholarship scheme for bright but

less endowed children who are facing difficulties in paying school fees for secondary education. Co-operatives are at the core of the business. They define who Co-operative bank are, they are the bank's strategic shareholders, they are the single largest customer base, and they remain the key focal point of the bank's strategy. The Co-operative Movement is the strategic and anchor shareholder in the Bank. The movement holds a majority 65% stake through Coop Holdings Co-operative Society Limited, which holds the stake on behalf of 3,080 co-operative societies and unions with millions of individual members (Co-operative Bank Human Resources Division, January 2009).

1.1.3 The concept of mobile money transfer

Mobile money transfer is a process innovation, viewed as an outward shift of an existing supply function, which corresponds to lower variable costs in the production of an existing product or service, and is therefore a productivity increase (Dasgupta and Stiglitz 1980). Both types of innovations leads to growth of the innovator, everything else equal. The positive growth implications of conducted mobile money settlements are independent of the business's ability to appropriate private profits from the investment (Götz, 1999, Hannan and McDowell, 1990, Reinganum, 1981, Sutton, 1991).

Traditional means for money transfers include bank and post transfers as well as money transfer specialists. These organizations are known among migrant communities as having huge fee schedules, especially for small amounts. However, it is a well-known fact that the informal channels for money transfer (black market and grey market) represent a market that is comparable in value to the official money transfer market. The informal methods include

physical transport of cash and settlement between people paying for different expenses in different locations.

The informal channels tend to be more unsecure in nature. There has been many ways in which mobile money has contributed to settlement of international business transactions reduction, understanding these linkages depends greatly on, among other things, how settlement of international business transactions are conceptualized and defined (Souter 2005; and Torero, 2006; McNamara, 2008).

In recent years however, there has been recognition that business success has multiple causes and manifestations beyond lack of income. It includes non-material aspects such as social isolation, vulnerability, powerlessness, denial of rights, and lack of services and communication channels to convert one's own resources into value-creating activities (McNamara, 2003). The recognition of the complexity of money remittance concepts and slow response to their conditions has led to the concept of settlement of international business transactions being a difficult entity. The complex set of strategies and practices that organization develops to navigate money remittance and the broader security conditions that reinforce that entity. Settlement of international business transactions also entails the means, activities, entitlements and assets by which nations make a living (Chambers, 1995).

1.2 Research Problem

Mobile money transfer technology has recently been on a lime light on its great aid to settlement of international business transactions in many parts of the developed and developing world from prohibitive levels to amounts that are, in comparison, virtually trivial. Nowhere has this

transformation been as acute as in sub-Saharan Africa. Clearly, mobile money has been a revolution in international business entity.

Previous empirical studies support the argument that mobile money transfer is positively associated with firm-level growth. Positive effects of mobile money investments and business transaction usage on firms growth have been demonstrated in the health care sector (Devaraj and Kohli, 2000, 2003). Similar results were found in the insurance industry where top performing firms with high premium income growth had higher mobile money transaction expense ratios and lower non- mobile money transaction costs (Harris and Katz, 1991). In addition, positive effects of mobile money transactions investment on sales growth were found among valve manufacturing firms (Weill, 1992). Koellinger (2005) finds a positive relationship between mobile money transactions and not--related innovation and turnover growth using data from the 2003 e-Business Watch survey.

Various local authors stressed that mobile money transfer may be characterized as a typical general purpose technology that, like earlier technological breakthroughs, has a wide range of applications and a large impact on economic activity, Ondijo (22008). At the aggregate level, Kongelo (2004) and Njia (2006) argue that the resurgence of growth in the developing countries is mainly founded on the development and deployment of semiconductors that continuously exhibit a price decline and increasing performance, following Moore's law (Moore 1965). Other authors have also demonstrated an increasingly productive use of mobile money transfer in the user sectors, and not only a productivity growth in the ICT producing sector itself Mokuia and Ndeche (2007). However Gordana (2003) raised doubts about this productivity growth

acceleration story by taking a case of exchange beaures in Nairobi and attributed most of the observed changes in international business transactions to price-measurement success and cyclical factors. None of these studies focused on effectiveness of mobile money transfer on settlement of international business transactions, on any of these diverse commercial banks in Kenya. This study thus sought to fill the gap by seeking answers to the question: what extend has the cooperative bank of Kenya utilized mobile money transfer in the settlement of international transactions in Kenya?

1.3: Research Objectives

The objectives of the study were two

- i. To determine the extent to which co-op bank has adopted mobile money transfer for settlement of international transactions
- ii. To establish the effectiveness of mobile money transfer as a means of settlement of international transactions in Kenya.

1.4 Value of the Study

First, the study will post a contribution to the study theory, by appreciating innovation in international business studies strategy as an achieving strategic concept for its contribution to business success. Secondary the study will explore the effectiveness of mobile money transfer initiatives towards international business transactions in various countries in general. The study assists in identification of factors influencing the success of mobile money transfer concepts

towards international business transactions entity guide hence those involved in policy making when implementing such regulations. Thirdly the study offers an opportunity for review of critical success factors for international business transactions. Finally the study will offer success reference window by forming a basis for further research in this area among academics and in the broad field of international business.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the past studies that have been conducted on international strategies and mobile money transfer strategy. The review includes a detail view of the concept of mobile money transfer and the critical success factors of mobile money transfer and its impact on settlement of International business transactions

2.2 Internationalization Strategy

Strategy is the direction and scope of an organization over the long-term which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations, (Pearce and Robinson, 2004).

In other words, strategy is about; where is the business trying to get to in long-term, which markets should a business compete in and what kinds of activities are involved in such markets? (Markets; scope), how can the business perform better than the competition in those markets? (Advantage), what resources (skills, assets, finance, relationships, technical competence, facilities) are required in order to be able to compete? (Resources), what external, environment factors affect the businesses' ability to compete? (Environment), and what are the values and expectations of those who have power in and around the business, (Pearce and Robinson, 2004).

Thompson, 2001 defines strategy as a plan, ploy, pattern, position and a perspective. It is a plan specifies a consciously intended course of action. Strategy as a ploy is a maneuver intended to outwit and shed off a competitor. As a pattern, it is developed in the absence of intentions and without pre-conception. Further, strategy as a position indicates how an organization will develop a sustainable competitive advantage. Strategy as a perspective reveals how an organization perceives the outside world. Strategies are means to ends, and these ends concern the purpose and objectives of the organization. They are the things that businesses do, the paths they follow, and the decisions they take, in order to reach certain points and levels of success. (Thompson,2001).

Welch (2005) describes strategy as making clear cut choices about how to compete. He adds that an organization cannot be everything to everybody, no matter the size of the business or the depth of its financial resources. Strategies within an organization are formulated at the corporate, business and functional levels. At the corporate level, a firm may set a strategy of entering a foreign market. This is with an aim of diversifying its activities so as to offer its products and services to other countries.

International business strategy is a critical component of the holistic approach of organizations attempting penetrate international markets successfully. Business organizations have to create approaches which will cater to all organizational facets such as marketing, human resources management, operations management, risk management and other critical aspects of an organization if they have to put together feasible international strategies, which will suffice in overcoming challenges of entering international markets. Although there is ongoing debate on

multinational corporations strategy over the approaches like standardization versus adaptation there is confluence of ideas and the recognition that multinationals have to put together working and feasible business strategies that will suffice for the volatile and distinct environs in which international businesses operate (Ghemawat, 1991).

There are various factors that exert significant pressure on international businesses to formulate working short term and long term strategies germane to the accomplishment of their objectives and goals. Upon the underlying fact that human needs are basically the same across countries and communities, sticking variances obtain in aspects cultural, economic, geographic, political etc. This means that international business management organs must be at the top of the game in ensuring that policy and strategy are appropriately aligned to yield desired results corporate strategy focuses on wide and far reaching goals and purposes of an organization.

The strategy focuses on the accomplishments of set goals in line with expectations of the stakeholders. Other international business organizations leverage on Business Unit strategy which is a concept that boils down to the aspects of products and services or products being rendered. The other critical strategy component is the aspect of operational strategy which can also be used in international business strategy to yield desired results in as far meeting organization goals in concerned.

2.3 Mobile money transfer strategy

The rapid rise in the growth of mobile technology throughout the world is a phenomenon that has been particularly remarkable among poor people, largely because of the prepaid model. As a

result, all classes of society now have access to financial services as people become increasingly familiar with a mobile-money system. In fact, mobile technology, viewed as a payment or banking channel, has the potential to allow two important questions to be addressed at the same time: on the demand side, it represents an opportunity for financial inclusion among a population that is underserved by traditional banking services. On the supply side, it opens up possibilities for financial institutions to deliver a great diversity of services at low cost to a large clientele of the poorest sections of society and people living in remote areas.

Although there are more than 120 mobile money projects being undertaken in about 70 emerging markets Bowen (2010), mobile payment has only become a normal practice in a few countries, despite its huge potential. The lack of worldwide dissemination of a service with such a huge potential shows that successful cases are not clearly understood, and as a consequence, are not being easily replicated. This suggests that lessons are not being learnt from the places where the system has been successfully adopted. Furthermore, we suspect that the obstacles to its adoption in most countries are not being investigated deeply enough to allow implementation strategies to be employed on the basis of reliable business models. If these issues can be clarified, the potential social and economic impacts of mobile money can be more effectively measured and this can persuade policy-makers to create favorable regulatory environments for fostering the practice of digital payments.

In view of the importance of mobile money and payment initiatives, and the gaps in the current state of knowledge in the field, the objective of this paper is to provide a knowledge base on mobile money, based on a comprehensive literature review, and can be employed to identify

significant experiences, together with the models being deployed around the world, especially in developing countries. Although there are literature reviews currently available both in the general context of mobile payment Bowen (2010) and in the field of mobile financing in developing countries, the present work focuses on mobile payment/mobile money (as opposed to mobile financing in general) with a special stress on local. Financial services provided through digital mobility technologies have multiple configurations, goals, and characteristics. Depending on the combination of agents, technologies and objectives, they may have banking features, which are known as mobile banking. They may also have transaction payment features, which are recognized as mobile payments. Finally, they may also replicate the concept of money with digital features, which is then called mobile money.

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

For example, the term “balkanization” has been used as a synonym for financial inclusion or even economic inclusion, although these concepts are quite distinct. At the same time, the literature review revealed the most important issues currently being investigated by specialists in the field with regard to mobile money and payment, and thus allowed us to understand the main

contribution they can make to this area of study. This information can act as a starting- point for drawing up a research agenda that can be adopted by academics, policy makers and practitioners concerned with the subject of mobile payments (Bowen, 2010).

2.4 Critical success factor of mobile money transfer

Mobile remittance services have the potential to extend services to those with limited access to traditional bank accounts and services, while also reducing transaction costs. Global mobile connections, have crossed the five billion mark, with the majority of growth (47 percent) coming from the Asia-Pacific region by the end of June 2010 (GSM Association, 2009). In contrast, 3.5 billion of the world's population did not have access to formal banking services in 2009 Bowen (2010). These benefits are evidenced by large-scale studies such as that conducted by Intermedia in Kenya in 2009, which found that over 40 percent of respondents without access to banking services had used a mobile phone for conducting financial-related transactions; 99 percent of these users had engaged mobile money transfer transactions.

Evidence suggests that m-remittance services have the potential to offer speedier and more cost-effective service delivery, than their traditional counterparts Bowen (2010). Commission fees of traditional modes of money transfer among developing countries are often relatively high due to, among other reasons, underdeveloped financial infrastructure, a lack of transparency in the market and limited competition. Furthermore, commission fees are often regressive, such that those transferring a smaller amount of money at a time are often charged higher commission rates than those remitting larger amounts Bowen (2010). Independent studies conducted by GCAP and GSMA among M-PESA users in Kenya revealed that the service was found to be

more convenient and cheaper than other modes of remitting money such as through the post office or informally through bus drivers.

Similarly, in the Philippines, both Smart Communications and Globe Telecom charge a 1 percent commission fee for sending/encashing money, compared with traditional industry revenues estimated to be over 25 percent for remittances below US\$100 (GSM Association, 2008[7, 8]). World Bank estimates suggest that a 5 percent reduction in a 20 percent transaction fee, can lead to US\$3.5 billion savings in money sent home Bowen (2010), Similarly, studies such as those conducted by CGAP conducted in 2008 and 2009 found that majority of respondents in Kenya reported that their income had increased by as much as 30 percent since adopting M-PESA, due to an increase in the amount of money being sent and through savings in travel costs.

Mobile remittance services offer mobile and financial service providers the opportunity of tapping into market segments previously unreachable. Providers can benefit from increases in subscriber bases, a reduction in churn, and additional sources of revenue. Such benefits are of particular importance, given today's context of declining average revenue per user (ARPU) levels from traditional voice services (Bowen, 2010). Such services also create a window of opportunity for financial service providers to introduce other products such as mortgages, loans and insurance to the BOP as well.

It should be noted, however that, at the time of writing, research shows that not all service providers and partner agents are prospering, with many yet to recognize real profits for such ventures. For instance, a CGAP study of M-PESA agents in Kenya found that some agents could only maintain a relatively small cash float (often running out of cash) which meant more trips to

the bank, and hence additional transport costs (Bowen, 2010). Similarly, research on the Philippines' GCash service revealed that commission fees from money transfer services was often considerably lower than that charged for airtime sales, which lowered agents' motivation to push GCash services over airtime sales. However, given the significant initial investment (which can exceed US\$2 million to buy and build), and the relative newness of the product in the mainstream market, more time may be needed to effectively assess the true profitability and viability of such ventures Bowen (2010).

2.5 Impact of mobile money transfer on settlement of international business transactions

M-money services have advantages of ubiquity, convenience and cost-effectiveness over other money transfer or payment intermediaries such as banks and other financial institutions. A 2010 CGAP study which compared pricing of 16 leading "branchless" banking services against ten formal banks found that branchless banking was 19 percent cheaper than its formal counterparts. Furthermore, the lower the transaction value, the cheaper branchless banking was (McKay and Pickens, 2010). This is of particular advantage to the bottom of the pyramid given that it is likely a considerable proportion make payments in small increments due to liquidity constraints. This was confirmed by a GSM.

A study among unbanked mobile money users in the Philippines which found that such users purchased airtime and SMS services in small increments (McKay and Pickens, 2010) as well a 2008 study in Kenya which found that mobile money users began remitting smaller amounts of money with greater frequency due to lower costs and the fact that such services "never closed"

(McKay and Pickens, 2010). While mobile payment services using near-field communication or radio-frequency identification technologies have been most noted in developed markets, peer-to-peer m-money transfers via short message system (SMS) technology, are becoming increasingly associated with lower-income population groups in developing countries (GSM Association,2007).

One such user group that can arguably serve to benefit much from m-money transfer services are migrant workers and their remittance beneficiaries. The market for migrant remittances is large and growing. According to World Bank estimates, global migrant remittance outflows grew at a compound average rate of 10 percent year-on-year between 1999 and 2009 (World Bank, 2010). Furthermore, close to 74 percent of the total \$416 billion remittances received in 2008 went to developing countries, with the Asia-Pacific accounting for the bulk of total receipts (World Bank, 2010). Furthermore, estimates suggest that total remittance flows could be as much as 50 percent higher than the recorded figure, if “informal flows” such as Hundi and Hawala were accounted for (World Bank, 2010).

Formal channels for sending remittances include banks or money transfer operators (MTOs) (Ratha, 2007) such as Western Union and MoneyGram. However, commission fees charged by MTOs are often high and regressive, particularly with respect to “South to South” remittance transfers (Ratha, 2007). Furthermore, bank transfers require prior ownership of bank accounts, a barrier for those without access to such facilities (GSM Association, 2008). Mobile remittance services, in contrast, have the potential to extend remittance services to millions of those with

limited access to traditional bank services, while also reducing transaction costs in terms of commission fees and transport.

Mobile payments are conducive for micro transactions. In Africa, Kenya's M-PESA service has proved to be the most widely-used mobile remittance service to date. Commercially launched in March 2007 (The Economist, 2007[3]), the service is reportedly used by over 50 percent of the country's adult population (Graham, 2010). Similar initiatives have been introduced in other African countries, including, Tanzania, Uganda, Ghana, Zambia, Congo and South Africa (Laurent, 2006; Mas and Morawczynski, 2009[4]).

Mobile money transfer has advantages compared to other modes of money transfer. Based on convenience, safety cost and speeds. In Asia, the Philippines is perhaps the leading country in providing mobile money services, with the country's two leading mobile service providers, SMART Communications and Globe Telecom, both offering peer-to-peer mobile money transfer services, in addition to bill and retail payments. Thailand's mobile service provider, True Move, although mainly focusing on bill and retail payments, also offers peer-to-peer money transfer services, reporting six million registered mobile money customers in 2009 since its launch in 2005 (Leishman, 2010). Pakistan's mobile service providers, Telenor and Mobilink, as well as India's Obopay-Yes Bank initiatives also offer local money transfer services. Sri Lanka's Sampath Bank also offers mobile money transfer facilities while Bangladeshi mobile service provider, Bangalink, recently announced the launch of a local and international mobile money transfer service. More mobile service providers and banks are expected to launch services in the near future (Leishman, 2010).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter details how the proposed study was carried out. It covers the design to be adopted to conduct the study, how data was collected and eventual analysis of the data in order to generate research findings for reporting.

3.2 Research Design

The study was carried out through a case study design where the unit of study sought to establish the adoption and effectiveness of mobile money transfer on settlement of international business transactions in the Cooperative bank of Kenya. The design is most appropriate when detailed, in-depth analysis for a single unit of study is desired. According to Yin (1984), A Case study research design provides very focused and valuable insights to phenomena that may otherwise be vaguely known or understood. The design enables the researcher not only to establish factors explaining phenomena but also unearth underlying issues.

3.4 Data Collection Method

The study made use of both primary and secondary data. Primary data was obtained from managers at the Cooperative bank of Kenya using an interview guide. The interview guide (AppendixI) was used to solicit data on the effectiveness of mobile money transfer and the responses thereto. The respondents of the study were ten (10) managers drawn from various

departments. They included the finance Manager, ICT Manager, Legal Officer, head of international operations, head of SMEs and Revenue collection Managers. These respondents were better placed in providing required data because they play a leading role in ensuring that they position the bank is favorably within the changing environment through instituting appropriate timely responses. The interview guide was administered through personal interviews to allow for further probing. The secondary data was obtained from the bank's documented strategies and any other relevant information about the bank. The data was obtained through review of relevant documents, key among them the bank's strategic plan and other relevant documentations.

3.5 Data Analysis

Both the primary and secondary data were qualitative in nature. Given this fact, content analysis was used to analyze the data. According to Nachmias and Nachmias (1996), content analysis is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. The data obtained was compared with existing literature in order to establish areas of agreement and disagreement.

CHAPTER FOUR

DATA ANALYSIS, RESULT AND DISCUSSION

4.1: Introduction

This chapter covers analysis of data and the findings of the study. The objective of the study was to establish the adoption and effectiveness of mobile money transfer on settlement of international business transactions in the Cooperative bank of Kenya. The study focused on Cooperative bank of Kenya.

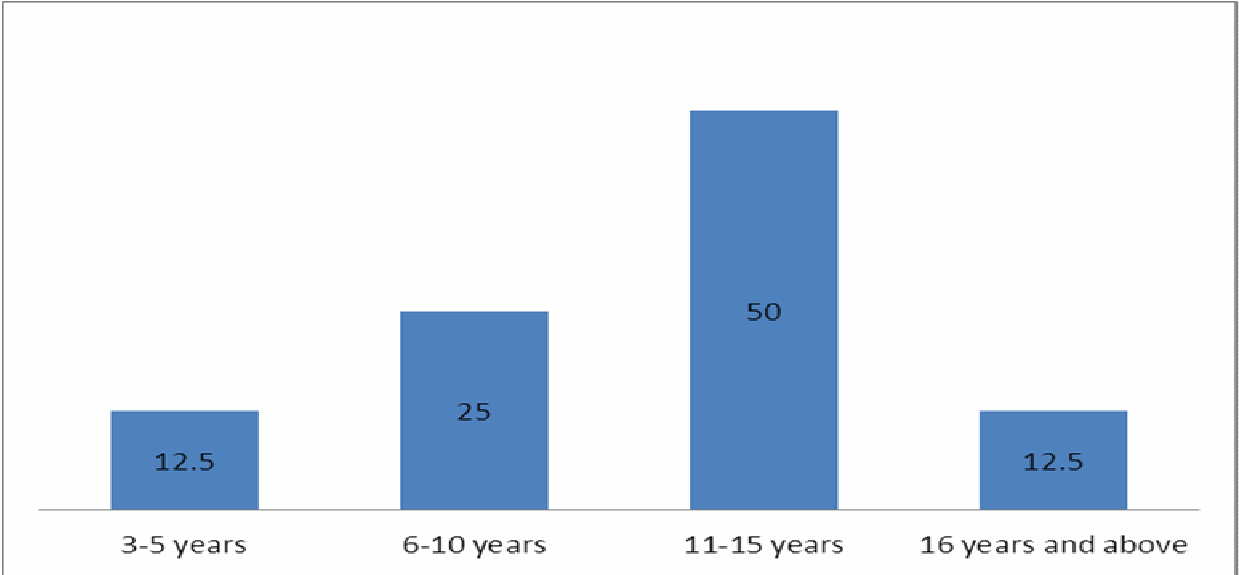
4.1.2 Response rate

The sample respondents comprised ten (10) managers drawn from various departments at Cooperative bank of Kenya. They included the finance Manager, ICT Manager, Legal Officer, head of international operations, head of SMEs and Revenue collection Managers. Out of 10 targeted managers, 8 respondents participated in the interview making a response rate of 80%. A response rate of 60% and above is a good response rate for statistical reporting (Mugenda and Mugenda, 2003).

4.2: Background Information

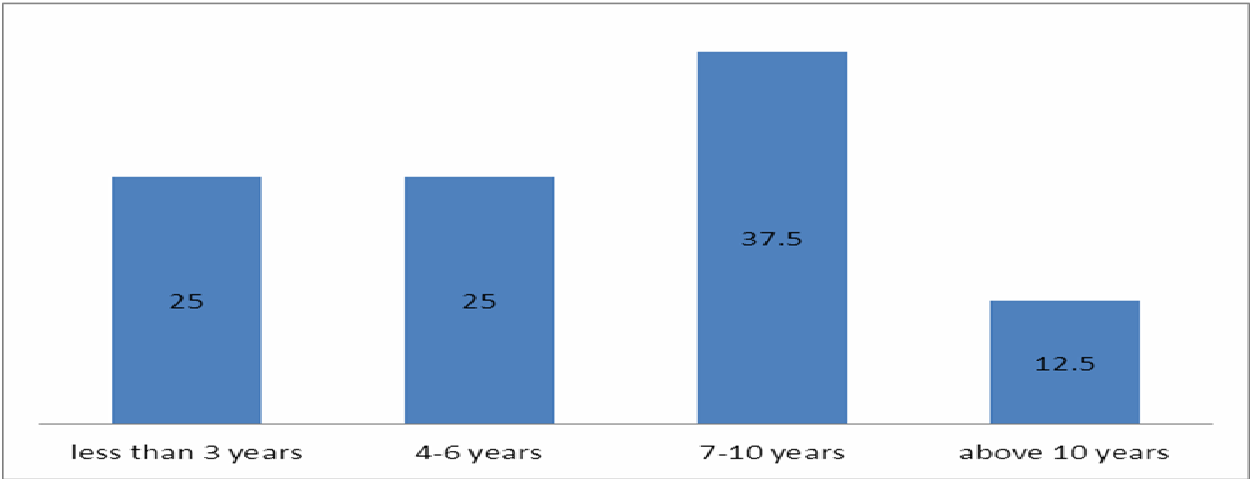
The study sought to find out interviewee's managerial position. According to the findings, the managers interviewed were the finance Manager, ICT Manager, Legal Officer, head of international operations, head of SMEs, the credit manager, local operations manager and Revenue collection Managers.

Figure 4.1: Years the interviewees had been in the bank



The interviewee’s had been in the company for some time. According to the findings 50% had been in the company for 11-15 years, 25% had been in the company for 6-10 years, 12.5% had been in the company for 3-5 years and 16 years and above.

Figure 4.2: Years the interviewees had been in the current position



The study sought to find out years the interviewees had been in the current position. According to the findings illustrated in the figure above, 37.5% of the managers had been in their current position for 7-10 years, 25% of the managers had been in their current position for 4-6 years and less than 3 years and 12.5% had been in their current position for above 10 years. This implies that the managers had enough experience thus had knowledge on money transfer on settlement of international business transactions in the Cooperative bank of Kenya. The global formal remittance market is estimated by the World Bank to be valued at \$375 billion US, of which over 75% flows into developing countries. Mechanisms for moving cash across borders are well established, including international bank transfers and services offered by such organisations as Western Union and Moneygram.

4.3: The Power of Mobile in Remittances

The 'formal' global remittance market could be over \$1 trillion in five years, across 2 billion consumers, with the help of mobile services. Operators meanwhile would also benefit from increased customer loyalty and network traffic, reduced churn rates, and a share of fees.

Mobile can achieve this through two distinct advantages over traditional money transfer businesses; access and cost.

Access

A 2006 World Bank report approximated there were only 0.5 million bank branches globally and only 1.4 million ATMs, compared to more than 1.7 billion subscriptions worldwide at the same time. Since then the number of mobile subscriptions has risen to 3.5 billion in 2008 and is forecast to rise to 6 billion by 2015. Unsurprisingly, geographic branch and ATM penetration is

lowest in developing markets while mobile subscription growth rates are at the highest level in these markets.

Bank account penetration refers to the number of households with access to a bank account. Geographic branch (ATM) penetration refers to the number of branches (ATMs) per 1,000 square kilometres. Bank penetration refers to households with access to banks accounts where mobile penetration refers to individuals with access to mobiles. Specialist remittance service providers such as Western Union, with over 350,000 points of presence, targeted to the relevant segmentation, address this issue to a degree. However, the high costs associated with maintaining this type of distribution network create another significant entry barrier for consumers.

Cost

Industry estimates place the average cost per transaction at 15% of the remitted value, increasing to over 25% for remittances below \$100. This cost is driven primarily by the overheads associated with the maintenance and agent incentives of a distribution network. Mobile technology can lower the cost of remittances as it removes the need for physical points of presence and ensures a timely and secure method of transaction. While cash out is still important in an e-cash model, the addition of bill payment and mobile top-up as product offerings within them Wallet allows consumers to access a greater services without the need to cash-out. The long-term benefits of a unified approach involving mobile are tremendous. The World Bank estimates that reducing remittance commission charges by 2-5% could increase the flow of formal remittances by 50-70%, boosting local economies.

4.4 Role of the managers in the Bank's international business strategic position

Mobile banking systems partners with a Financial Institution. Financial Institution is a potential requirement in many markets around the globe. Each party brings different skills, which together are required to offer Mobile Money products. Specifically, an Operator's major assets include brand and distribution while Financial Institutions bring compliance and product knowledge. Co-operative bank brings banking infrastructure (card management etc), retail outlets, regulatory compliance, regulator comfort, regulator reporting, bank accounts for consumer and ensure KYC for bank accounts, connection to MCW, facilitates Forex, clearing and settlement and provides cash-in/out facility.

Bank managers are members of the Global Business Strategy team. Their role is shaping the future direction of mobile banking by working directly with executives and key senior leaders on critical business projects to improve international money transfer using mobiles. They work directly with energetic team members who directly support the Chief Business Officer, work on top priority strategic projects, research the latest Industry and Competitor trends, and solve critical problems in SWAT teams. They are principals for the newly formed portfolio strategy team thus they define products and regional strategies and work directly with executives to shape the annual business priorities. They are experts on the bank's entire product portfolio and understand the key drivers and complexities of growing the business in an extremely competitive market. They demonstrate and constantly develop superior skills in communicating with senior

stakeholders, defining complex strategies, and managing teams and analytical projects. They work on highly confidential and time-critical strategic projects for senior leadership including product and regional go-to-market strategies and M&A scans of potential acquisition targets. Cooperative bank has very high performance standards and the managers work aggressively to achieve challenging goals. They demonstrate top quartile performance in blue-chip consulting environment and have graduated with outstanding academic performance. They are able to work in a rapidly changing industry; tolerate ambiguity and demonstrate problem-solving leadership with limited oversight.

4.5 Factors that the bank considers in its adoption of mobile money transfer in settlement of international business.

Perceived risk of mobile banking

The perceived risk was divided into five facets (performance risk, social risk, financial risk, time risk and security risk), which provided a more in-depth understanding of the characteristics of risks regarding Internet banking. Mobile banking may be considered an extension of Internet banking, but with its own unique characteristics given that a cell. The results of the Customer's trust construct were subdivided into various facets, which included Ability, Integrity and Benevolence. The results are outlined in the subsections below.

Ability

The managers felt that mobile banking service providers (both Banks and Mobile Network Providers) have the necessary ability to render the mobile banking service. Group A had the

highest Mean (3.8) on Ability (as facets of customer's trust construct), which means the response was almost 'agreed' that mobile banking service providers have the ability (competence, knowledge and necessary information) to render the service. Group B had a Mean of 3.5, which means the response was between 'neutral' and 'agree' that mobile banking service providers have the ability to render the service. Group C showed a Mean of 3.1, which means the response was 'neutral' on the ability of the mobile banking service providers. The results of the Duncan's Multiple Range test showed that there is a significant difference between the Means of the three groups (Group A, Group B, Group C). The term M-Banking is used to denote the access to banking services and facilities offered by financial institutions such as account-based savings, payment transactions and other products by use of an electronic mobile device.

Mobile banking has yielded a multiple effect on the number of solutions available to clients. This is in addition to more efficient transactional environment and the high substitution of banking points. Two aspects of mobile banking are additive and transformational characteristics. Additive aspects are those in which the mobile phone is merely another channel to an existing bank account. Mobile banking is additive when it merely adds to the range of choices or enhances the convenience of existing customers of mainstream financial institutions. Transformational characteristics arise when the financial product linked to the use of the phone is targeted at persons who do not hold formal bank accounts with the conventional banking institutions.

Positioning

The development of a good value proposition to ensure customer adoption is critical. The major factors, which will affect the perceived value of the money transfer services, are: Trustworthy brand, When people entrust their money to someone else trust is of critical importance. Competitive price, Quick transfer times, traditionally money transfers have been a slow operation. The most competitive MTOs changed that and currently achieve transaction times of less than 10 minutes; Ease of use. MTOs offer the best ease of use – cash in, cash out and a simple collection code. In the case of mobile operators, very often there is a special “e-money” account, a conversion process and several-step communication. These iterations must be kept to a minimum or the service must be introduced in a simplified version in order to be understandable and easy to use; Quality of service, the client facing personnel at the authorized agent locations must provide the service with high quality and understanding. It is important to create a minimum set of staffing requirements for its agents in order to ensure this level of service.

4.6: Factor Influence the Adoption of Mobile Money Transfer in Settlement of International Business

Competition in the industry

According to the study the researcher established that competition in the industry influence the adoption of mobile money transfer in settlement of international business. The respondents indicated that competition in the industry has encouraging efficiency in mobile money transfer in settlement of international business. The respondents indicated that competition causes firms to

develop new products, services and technologies, which would give consumers greater selection and better products. The greater selection typically causes lower prices for the products, compared to what the price would be if there was no competition or little competition. However, the respondents indicated that competition may also lead to wasted (duplicated) effort and to increased costs (and prices) in some circumstances.

Technology

According to the respondents technology influence the adoption of mobile money transfer in settlement of international business to very great extent. There are two primary technical protocols for conducting mobile money transfers, including short messaging service (SMS) and wireless application protocol (WAP), a basic form of Internet web-browsing similar to PC-based online banking. Recently, new downloadable applications for smart phones have been introduced for mobile P2P transfers, which may leverage SMS or WAP technologies, to facilitate consumer payments? While both protocols have been used in various pilots, SMS is emerging as the most common method for small-value P2P transfers because of its simplicity and compatibility for usage in a variety of mobile phones, including low-end handsets. Since almost all handsets manufactured today support SMS as a utility, there is an established user habit that supports expanded use. As figure 3 shows, SMS text messaging is so prevalent today that the typical U.S. mobile subscriber sends and receives more messages than telephone calls (Covey 2008).

Leadership

According to the study the researcher established that leadership influences the adoption of mobile money transfer in settlement of international business to very great extent. According to the respondents leadership is an important function of management which helps to maximize efficiency and to achieve organizational goals. The respondents justified the importance of leadership in a concern: - initiates action, motivation, providing guidance, creating confidence, building morale, builds work environment and co-ordination

Change management

According to the respondents they indicated that change management influence the adoption of mobile money transfer in settlement of international business to great extent. According to the respondents organisations operate in a turbulent business environment in which nothing is constant or predictable. It is imperative therefore those organisations develop strategies that will position them to succeed regardless of the environmental changes. A critical success factor is how well a company manages its strategic change programmes to achieve its goals. Strategic change management needs to take account of both internal and external factors that affect the implementation of the change programme. It should also make use of appropriate change management models. In addition, it is important that resistance to change be anticipated and suitable methods be designed to control the resistance

Customer needs and preferences

According to the study the researcher established that Customer needs and preferences influence the adoption of mobile money transfer in settlement of international business to very great extent. Personal experiences for a lot of people indicate that the current mobile money transfer in settlement of international business is user friendly and previous studies of the adoption of mobile payments show that it is the usability, usefulness, speed and convenience of the service itself that counts states that although the mobile phone balances may seem low, the fact that there are balances proves that there is storage which can be perceived as acceptance of deposits. This is a significant indication of the high value placed on the convenience associated with the use of the mobile payment services.

In a mobile environment, it is necessary to have perceived security and trust in the vendors and the payment system. Security and safety of mobile payment transactions is one of the primary concerns for users. They stated that safety represents no delay, no transaction incompleteness and no private information disclosure during payment transactions. The use of the pin and secret code for the mobile money transfer in settlement of international business transactions enhances the security and privacy issues. Key requirements for any financial transaction in an electronic environment should include confidentiality, authentication, data integrity and non-repudiation (Shon & Swatman, 1998).

The respondents stated that accessibility (ability to reach the required services) is one of the main advantages of adoption of mobile money transfer in settlement of international business. Small and micro businesses are among the greatest beneficiaries of using adoption of mobile money

transfer in settlement of international business. The respondents further indicated majority of the micro business operators are familiar with the use of the of mobile money transfer in settlement of international business as they are easy to use and require no formal training before use.

The respondents finally indicated that the transaction costs of mobile money transfer in settlement of international business are lower than those of banks and money transfer companies. The cost of a payment transaction has a direct effect on consumer adoption if the cost is passed on to customers. Transaction costs should be low to make the total cost of the transaction competitive. The cost of the mobile payments should be affordable to most of the business operators and far below what the banks normally charge for their bank transactions. There are many different mobile handsets which are easy to operate and have the functionalities required for the mobile payment technology. For this variable, the following hypothesis was formulated.

Substitute products/services

According to the respondents substitute products/services do not greatly influence the adoption of mobile money transfer in settlement of international business. The respondents noted that substitute products/services the have an unattractive price, of less quality and it might involve high switching costs to consumers. Thus substitute products/services do not greatly influence the adoption of mobile money transfer in settlement of international business.

4.7: Amendment of Bank Strategy of Implementation Process

The study found that cooperative bank has been amending its strategy implementation process of mobile money transfer in settlement of international business designed to achieve a specific goal. It has been amending its strategy so as to gain a position of advantage over adversaries or best exploiting emerging possibilities.

Majority of the respondent indicated that the bank has been able to amend its strategy implementation process. The respondents indicated that, managers have been learning to play by a new set of rules. The cooperative bank has been flexible to respond rapidly to competitive and market changes. They have been benchmark continuously to achieve best practice in money transfer in settlement of international business. The respondents further indicated that they have been outsourcing aggressively to gain efficiencies and have been nurturing a few core competencies in the race to stay ahead of rivals.

The amendment of strategy of implementation process of mobile money transfer in settlement of international business has been done in order to act as an opportunity for financial inclusion among a population that is underserved by traditional banking services. It has also opened up possibilities for financial institutions to deliver a great diversity of services at low cost to a large clientele of the poorest sections of society and people living in remote areas.

4.71: Effectiveness in the Adoption of Mobile Money Transfer in Settlement of International Business

The respondents agreed that the adoption of mobile money transfer in settlement of international business in relative to the banks mission, vision and strategic objective has been of great success at cooperative bank. While the mobile money transfer in settlement of international business sector has many strong attributes including state-of-the-art technology, strong mobile penetration and coverage, and a significant underserved market segment, current mobile money adoption and usage levels are below expectations. Two primary reasons for this were noted to be regulatory policies and mobile money provider commitment. On the regulatory front, the Central Bank of Kenya has been actively reviewing its mobile money policies it has been working with the World Bank and IFC to draft new policies then regulations. Discussions with mobile money stakeholders indicated that the two primary barriers to expansion of service are regulations that identify which entities can become mobile money agents and ambiguity about who can register individuals for formal bank accounts.

Figure 4.3: Effectiveness in the Adoption of Mobile Money Transfer in Settlement of International Business

	Mean	Std dev
Reduce costs of international business operations	4.540	0.110
Improved customer services	4.160	0.165
Improve distribution channels	4.180	0.208
Reap operational benefits	4.640	0.110
Provide effective support role to international business	3.560	0.152
Support linkages with suppliers	4.400	0.240
Support linkage with other network partners	4.040	0.110
Increase ability to compete	3.720	0.250
Provide managers better access to global value	3.940	0.110

The respondents strongly agreed that adoption of mobile money transfer has helped in reaping of operational benefits and reduction of costs of international business operations. Each of the factors had a mean score of 4.640 and 4.540 respectively. The respondents agreed that adoption of mobile money transfer has helped in Support linkages with suppliers, Improve distribution channels, improved customer services, Support linkage with other network partners, and Provide managers' better access to global value, Increase ability to compete and provide effective support role to international business. Each of the factors had a mean score of 4.400, 4.180, 4.160, 4.040, 3.940, 3.720 and 3.560 respectively.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0: Introduction

This chapter shows the summary of the findings, conclusion and the recommendation, and recommendation for further study of the study.

5.1: Summary of the Findings

The Extent to Which Co-Op Bank has Adopted Mobile Money Transfer for Settlement of International Transactions

The study established Co-Op Bank to a great extent has adopted mobile money transfer for settlement of international transactions. The main driver for adopted mobile money transfer for settlement of international transactions were noted to be competition in the industry, technology leadership, change management, and customer needs and preferences.

Effectiveness of Mobile Money Transfer as a Means of Settlement of International Transactions

The respondents agreed that the adoption of mobile money transfer in settlement of international business has been of effective at cooperative bank. But the respondent indicated that effectiveness is hampered by regulatory policies, mobile money provider commitment, and perceived risk of mobile money transfer. The study further noted that adoption of mobile money

transfer has helped the cooperative bank to reaping of operational benefits and reduction of costs of international business operations, Support linkages with suppliers, Improve distribution channels, improved customer services, Support linkage with other network partners, and Provide managers' better access to global value, Increase ability to compete and provide effective support role to international business.

5.2: Conclusion

The study concludes that the adoption of mobile money transfer in settlement of international business has been of effective at cooperative bank. But the respondent indicated that effectiveness is hampered by regulatory policies, mobile money provider commitment, and perceived risk of mobile money transfer.

The study further concludes that Co-Op Bank to a great extent has adopted mobile money transfer for settlement of international transactions. The main driver for adopted mobile money transfer for settlement of international competition in the industry, technology leadership, change management, and customer needs and preferences

5.3: Recommendation

The study recommends that Co-Op Bank should continue adopting the mobile money transfer in settlement of international business. This is due to the fact that adoption of mobile money transfer has helped the cooperative bank to reaping of operational benefits and reduction of costs of international business operations, Support linkages with suppliers, Improve distribution

channels, improved customer services, Support linkage with other network partners, and Provide managers' better access to global value, Increase ability to compete and provide effective support role to international business.

The study further recommends the effectiveness of mobile money transfer as a means of settlement of international transactions should be improved by making better regulatory policies, mobile money provider been commitment, and lowering the perceived risk of mobile money transfer.

5.31: Recommendation for Further Studies

The researcher recommends that a similar study should be embarked on a different bank to verify the study results. Finally the researcher recommends that future researchers should investigate on the influence of regulatory policies, money provider been commitment, and perceived risk of mobile money transfer on adoption of mobile money transfer by banks in in the settlement of international transactions .

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APPENDICES

APPENDIX 2: INTERVIEW GUIDE

1. Interviewee's managerial position: _____
2. Years with the Company: _____
3. Years in the current position: _____
4. What is your role in the Bank's international business strategic position?
5. What are the Factors does your bank Consider in its adoption of mobile money transfer in settlement of international business? Who is responsible?

Positioning

6. How do the following factors influence the adoption of mobile money transfer in settlement of international business? Explain.
 - a. Competition in the industry
 - b. Technology
 - c. Leadership
 - d. Change management
 - e. Customer needs and preferences
 - f. Substitute products/services

Any other.....?

7. What has been the implication of the adoption of mobile money transfer in settlement of international business on the banks operations?

8. How has the bank been able to amend its strategy implementation process as per the factors explained in (8) above?
9. Overall, how effective is the adoption of mobile money transfer in settlement of international business in relative to the banks mission, vision and objective?
10. The following questions ask you about your perceptions of adoption of mobile money transfer in settlement of international business. Please indicate your agreement with the next set of statements using the following rating scale.

In order to provide strategic value to our bank, adoption of mobile money transfer has help:

		Strongly agree	agree	Neutral	disagree	Strongly disagree
1	Reduce costs of international business operations					
2	Improved customer services					
3	Improve distribution channels					
4	Reap operational benefits					
5	Provide effective support role to international business					

6	Support linkages with suppliers					
7	Support linkage with other network partners					
8	Increase ability to compete					
9	Provide managers better access to global value					