FOREIGN MARKET ENTRY STRATEGIES AND COMPETITIVE ADVANTAGE OF FINTECH COMPANIES IN KENYA

JACQUELINE MUTERO

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DECLARATION

This research project is my original work and it has not been presented to the University of Nairobi or any another university.

Signature ______________________________ Date 10 November 2021

Jacqueline Mutero

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

Signature: Date: 29/10/2021

Dr. Victor Ndambuki

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

This research project is dedicated to my family members, particularly my parents, for their patience, encouragement and facilitation during the academic endeavors I have chosen to pursue.

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I am grateful to God Almighty for granting me health, a clear mind, resources and the determination to continue my studies. I greatly appreciate my parents and siblings for their encouragement and support in all aspects. I thank Dr. Victor Ndambuki for supervising my research, as well as giving his recommendations. I also appreciate the survey participants from various fintech companies who took time to complete the study's online questionnaire despite their busy schedules. I acknowledge the lecturers teaching the MBA program and fellow MBA students for their invaluable support during my studies at the University of Nairobi.

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ABBREVIATIONS AND ACRONYMS

Fintech	Financial Technology
FDI	Foreign Direct Investment
M-POS	Mobile Point of Sale terminal
OLI	Ownership, Location and Internalization advantages
POS	Point of Sale terminal
R&D	Research and Development
ROA	Return on Assets
ROE	Return on Equity
ROS	Return on Sales
SACCO	Savings and Credit Co-operative
SME	Small and Medium Enterprises
Telco	Telecommunication
VC-backed	Venture Capital-backed

ABSTRACT

The purpose of this study was to establish whether foreign market entry has an influence on competitive advantage of fintech companies in Kenya. The study was anchored by two theories: the Eclectic Paradigm Theory by John H. Dunning, and the Imitation Gap (Technology Gap) Theory by Michael V. Posner. The literature review identified the ownership, location and internalization advantages that impact competitiveness. It also identified new technology as a factor that creates first mover advantages that bring about competitive advantage. The study embraced a cross-sectional design and employed use of primary data collected from the research population of 25 fintech companies in Kenya that have ventured into other countries. The study targeted senior management-level employees of the fintech companies under study, with each company making one submission to the online questionnaire. The results of the data collection were analyzed using descriptive analysis and correlation analysis. The results of the study showed that majority of the fintech companies prefer to open offices countries as an entry strategy. The findings also showed that ownership of financial resources played a huge role for fintechs undertaking internationalization. Technology, R&D and innovation capacity was highly rated as a critical driver of fintech companies' competitive advantage, as well as customer satisfaction. The study found that there was a statistically significant positive relationship between competitive advantage and foreign market entry. The study concludes that ownership of resources, selection of a conducive foreign market location and the technological capacity to offer superior fintech services were key when venturing into foreign markets. Opening of country offices or subsidiaries is an important driver of competitive advantage for foreign market operations, as the investment spurs high levels of customer satisfaction and confidence in the fintech products or services. The study recommends that fintech companies in Kenya should seek to scale their operations and internationalize into other countries in Africa, as there exists demand for their financial solutions. The study was limited in terms of the fintech population size and suggests that future studies utilize a larger population size in future, as well as utilize financial performance metrics rather than qualitative metrics that were used to measure competitive advantage in this study.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The growth of international business has offered new business opportunities with companies now being able to operate without geographical limitations of previous years. By entering foreign markets, organizations enjoy higher volumes of business flowing across countries, hence improved performance. A company's rate of profit growth can be increased by selling products or services on a global scale (Hill & Jones, 2012). There are several motives that drive foreign market entry including tougher competition in the domestic market, higher profitability in foreign markets, stagnant or declining markets, reducing risk by over-reliance on a single market and the need to follow and serve their transient customers who increasingly travel and live away from their home countries (Morschett et al., 2010).

Organizations have experienced immense growth with the explosion of new technologies which has seen them seek business opportunities in markets outside their home countries. The selection of the method of entry is influenced by the amount of capital to be used in foreign operations, the potential financial returns, the risks of international operations and how to best utilize the available market-related information in choosing the best entry strategy (Kisengo and Kombo, 2016). With increased competition from pioneering companies as well as new entrants into the market, foreign markets are increasingly offering new opportunities for growth and survival for firms. Consumer demands for faster, cheaper, accessible and convenient services are pushing local companies into entering new markets due to new opportunities arising from these demands. As a result of this push, major firms in Kenya have extended their presence into the rest of Africa. Globally, as financial services face rapid digitization especially in the last decade, Kenya also has experienced the same digital shift. Globalization, urbanization, and digitization have all had an impact on how money flows in economic systems (Dodgson, et. al. 2015). Digitization has also seen the inception and growth of financial technology companies that offer digital payments, loans, e-commerce and money transfer services, which has led to the growth of financial technology companies (fintechs).

This research study on foreign market entry and competitive advantage of fintechs in Kenya is anchored by the eclectic paradigm theory, as well as the imitation gap theory. According to the eclectic paradigm theory, entering foreign markets is driven by ownership, location and internalization advantages (Griffin & Pustay, 2014). According to the imitation gap theory of international trade (also known as the technology gap theory) holds that there is a first-mover advantage achieved when a country launches novelty goods or services into a market owing to its technological lead. Unless other countries develop the ability to imitate the first-mover, the country will have a comparative advantage and a temporary monopoly in the market (Brodzicki & Kwiatkowski, 2018).

1.1.1 Foreign Market Entry Strategies

Foreign market entry strategies are concerned with the various options for entering international markets and countries (Cullen & Parboteeah, 2010). Internationalization is the process of firms gradually expanding into foreign markets, often influenced by the level of risk faced by entering the foreign market. For example, a standard process could be:

license, export, sales office and finally FDI (Wild & Wild, 2016). An entry mode is the strategy used by a company to undertake business in a foreign market.

Firms utilize a variety of methods to enter international markets. Contractual entry includes exporting, contract manufacturing, licensing, franchising, and management contracts, among others (Datta et al., 2009). Firms may select collaborative modes of entry, for example strategic alliances or joint ventures. They may also select incremental entry methods such as foreign direct investment through the establishment of a wholly-owned subsidiary, acquisitions and mergers, each with diverse levels of management control, resources, possible future profits and risk (Glowik, 2020).

Companies make significant investments to develop their own proprietary technologies or access technological solutions from vendors that enable them innovate and serve customers at reduced costs, in comparison to previous years (Hill & Jones, 2012). It takes a substantial strategic and financial commitment by any company making the decision to enter a foreign market on a large scale. International expansion involves making strategic decisions that deal with the key questions of which foreign markets to enter, mode of entry, when and how to enter them. The decision on which markets to pursue should be based on a comparison of long-term growth and profit potential (Hill, 2008). In order to select the best internationalization strategy, companies must consider various factors. These include the size of their workforce, assets, international expertise and the appropriateness of their products and services in those markets (Yabs & Cheptegei, 2016).

1.1.2 Competitive Advantage

The competitive advantage of a company refers to its capability to achieve higher levels of profits and performance than its competition (Ball et.al, 2013). It could also refer to anything that a company does exceptionally well in comparison to its competitors. When a firm adopts a strategy that gives greater value to customers and that competitors are unable to duplicate or find too costly to imitate, it gains a competitive advantage. When a firm can undertakes certain activities that competitors are unable to perform or owns something that competitors want but do not yet have, it has a competitive advantage over them, thus is likely to perform better than its competitors (Hitt, Ireland & Hoskisson, 2016).

Porter (1990) suggests that innovation can offer companies a strategic advantage and that these firms innovate broadly, develop emerging technology and new ways of doing things. Firms all over the world that exhibit innovativeness have caused a positive disruption, leading to consumer benefits. Other sources of competitive advantage such as financial resources, technological assets, people resources, knowledge assets, for example, may give companies a significant competitive advantage over their rivals (David & David, 2014). Furthermore, a firm may achieve competitive advantage by offering cheaper products or services; or by giving better value to consumers, for which the firm may charge a higher cost leading to better performance than competitors (Cullen & Parboteeah, 2010). Companies need to understand how to capitalize any competitive advantage that they may have if they are looking to achieve better performance than their rivals.

When starting operations in a foreign market to offer a new service or product before other firms, a company can realize the first-mover advantage. First movers usually experience customer loyalty, are able to take advantage of new distribution channels and are unlikely to experience imitation in the early stages of market entry. Due to rival businesses copying and diminishing the edge that the initial first mover has, firms can only maintain it for a short period (David & David, 2014). As a result, a company must work to retain good performance by responding to new developments in its external environment, as well as enhancing its internal abilities and resources by creating, implementing and reviewing its strategic plans in response to the external changes.

1.1.3 Fintech Companies in Kenya

Fintech, or financial technology, is the application of technology for the provision of financial services. It is the utilization of mobile or internet-based emerging technologies in the financial services industry, resulting in alternative business strategies, use-cases, processes or goods and services (Kim et.al, 2015). The growth of fintech companies has gathered momentum in Africa owing to two factors: low availability of banks and financial services providers; and the rapid proliferation of mobile phones (Arner et.al, 2016). Fintechs offer different types of services including e-payments, e-wallets, cryptocurrencies, POS and m-POS acquiring, mobile wallets (mobile payments), insurance and consumer lending services (Ekaterina & Ryabova, 2016). However the two most visible and salient digital financial services are concerned with payments and financing/lending (Tapanainen, 2020).

In Kenya, some of the fintechs that offer digital payment services include Direct Pay Online, Cellulant, PesaPal, Jambo Pay and Popote Pay. Likewise, large mobile network providers now have fintech divisions in their companies offering digital financial services.

These include Safaricom Plc (M-Pesa), Airtel (Airtel Money), Equitel (EazzyPay) and Telkom Kenya (T-Kash) that offer mobile payment, loans and money transfer services. Other fintechs offering digital lending services include Tala, Branch, M-Kopa, Pezesha among others. Fintechs enable access to financial services and facilitate financial inclusion by offering under-served communities a means for savings, remittances, bill payments and receiving government payments. Fintechs also foster innovation and investments into the economy. Young, high-income consumers in urban areas are the most likely early adopters of financial technologies, with convenience being the most important determinant of early adoption (Tapanainen, 2020). Furthermore, fintech companies offer alternatives to traditional financial services that are accessible, easy to use and lower-priced than the services offered in banks and other financial institutions such as SACCO's.

However as usage of fintech services has grown, fraud is gradually gaining a strong foothold in Kenya with regulators being unable to stem it due to lack of capacity and adequate legal framework for addressing cybercrime (Ndungu, 2019). Furthermore, in several countries, there is still a lot of ambiguity around the regulatory framework that should be applied to new fintech companies. Digital technologies have enabled the collection and analysis of data from various transaction points to generate consumer profiles in seconds. The storage and sharing of customer data by firms affects consumer privacy (Bourgeois et.al. (2019). In addition, the Kenya government's ability to oversee, tax and regulate the activities of local and multinational fintechs and ensure compliance has been a challenge, due to the nature of their digital operations. In Kenya, the digital economy is largely unregulated. (Gatuyu, 2019). According to the Central Bank of Kenya, fintech growth can improve financial sector efficiency and performance (CBK, 2019).

1.2 Research Problem

Competitive advantage may be enhanced by undertaking a foreign market entry strategy to access new markets for financial motives including tax breaks, subsidies or other financial incentives (Glowik, 2020). Furthermore, foreign market entry can extend a firm’s reach and potential, therefore bringing the firm new business opportunities that improve its performance (Hitt, Ireland & Hoskisson, 2016). Firms may also choose undergo internationalization because of lower production costs in a foreign country. By reducing production costs, firms can achieve a competitive advantage over their rivals (Morschett et al, 2010).

Coeurderoy and Murray (2008) conducted research in the United Kingdom and Germany on technology-based companies' international market entry decisions. They established that that the overall pace at which young technology-based companies internationalize is determined more by the firms’ business and company characteristics and less by the foreign market's regulatory framework. Studies by Humby (2020) on internationalization within the fintech industry in Africa propose that the market entry modes that are most commonly used are low-commitment, low-risk exports of technology and licensing. Ochinanwata (2019) in his study on internationalization of digital firms in Nigeria indicates that fintech firms offering mobile-based technology have experienced success in Africa. Fintech companies that excel in their core businesses in their home countries may benefit from strategic collaboration across international borders to address expansion and distribution challenges (Mention, 2020). Nyamwango (2018) investigated the link between strategic alliances of fintech partners and the competitive advantage gained by the Commercial Bank of Africa in Kenya and determined that partnerships provide improved market share and consumer satisfaction.

However, studies on competitive advantage of fintech firms in Kenya in response to their environment found that strategic alliances as a strategy had no considerable impact on fintech companies' competitive advantage (Nzioka, 2017). The general agreement is that studies on internationalization of technology firms in sub-Saharan Africa are limited (Boojihawon & Acholonu, 2013). There are some gaps that have been established in literature regarding the association between the internationalization of fintech firms and their business performance. Studies done on internationalization of African firms' are unable to determine why some firms who over-internationalize by entering very many African markets at a fast speed experience very good performance, while others face failure even after scaling into fewer markets at a slower pace (Boso, et al., 2018). Few scholars have looked into the internationalization process of technology-based companies (Strandberg, 2018).

Studies on the fintech industry in Africa indicate that firms may be hesitant to enter new markets because of the upfront costs and greater transaction costs, which could negatively affect performance (Humby, 2020). High foreign entry costs may force fintechs to adopt an unsuitable entry mode based on monetary considerations that may affect their overall performance negatively (Humby, 2020). Furthermore, empirical research centered on the dynamics internationalization firms in the African continent is limited, and research that examines the driving forces and effects of internationalization in Africa is lacking (Boso, et al., 2018). The objective of this research therefore is to find out whether foreign market entrance has an impact on Kenya-based fintech firms' competitive advantage.

1.3 Research Objective

The aim of this research is to establish if there is a relationship between international market entry and competitive advantage for Kenyan fintech businesses as they expand into other countries.

1.4 Value of the Study

The research will add to the present knowledge on entering international markets and its relationship with business competitiveness. The basis of the study is built on the eclectic paradigm theory and the imitation/technology gap theory. The body of knowledge on international business has analyzed and debated these theories, hence they will be further discussed in this paper.

The study will be especially important not only to companies in Kenya planning to expand into new markets, but also companies that provide digital financial services that wish to operate in Africa. Furthermore, academic researchers and various stakeholders involved in the ongoing rapid regional expansion and digitization wave in the financial services industry may find valuable insights in this study. The findings will also contribute to the available literature on internationalization of fintech firms by showing its link to organizational competitiveness.

The study may aid in understanding the changes, benefits and challenges being experienced by financial technology firms that want to start operations in foreign markets, as well as those that have already entered foreign markets. The research may also form grounds for additional empirical research for academic researchers about the subject of internationalization. In addition, it may provide beneficial insights to policy makers in the Kenyan government as well as other regional organizations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the literature review that is relevant to the study's objective. It contains perspectives on the association between entry into foreign countries and business performance from a global, regional, and local perspective. The theories used in the study are highlighted in this section. The chapter also analyzes empirical research on foreign market entrance strategy and its relationship to company performance, before concluding with the study's conceptual framework.

2.2 Theoretical Foundations

Theoretical underpinnings that support studies on foreign market entry and competitive advantage of an organization are discussed in this section. This research study is centered on two theories of internationalization: the eclectic paradigm theory, often termed as the OLI framework (ownership, location and internalization advantage) and the imitation gap theory, also referred to as the technology gap theory.

2.2.1 Eclectic Paradigm Theory

The eclectic paradigm theory of internationalization proposed by John H. Dunning in 1980 is a three-basis framework that companies pursue when deciding whether or not to pursue foreign direct investment (Glowik, 2020). Dunning's theory also known as the OLI framework explains that when a firm capitalizes on their ownership, location and internalization advantages holistically, FDI will take place. According to Dunning (1980), the availability and combination of these three advantages influence an organization's choice of foreign market entry strategy.

Ownership advantages refer to distinct assets which are owned by the firm that are transferrable to foreign markets. To overcome the drawbacks of competing against companies in their domestic markets, a firm must have a unique competitive advantage (Griffin & Pustay, 2014). This advantage may be in the form of proprietary technology, company assets, legally reserved rights, patents, brand names, trademarks, economies of scale or any other unique advantage the firm has over other firms in foreign markets. Location-specific advantages are characteristics that are unique to the foreign market location in which a firm wants to undertake FDI (Hill, 2013). Inexpensive labor costs, skilled employees, lower tariffs, affordable cost of transport and communication, as well as availability of natural resources are examples of location-specific advantages (Morschett et al., 2010). Location advantages are also attributed to why firms choose to perform value-adding operations in one country over another. For FDI to take place, a firm must determine that it is more profitable to undertake some activities in a foreign location rather than the home country (Wild & Wild, 2016). Internalization advantages are the gains a company makes by opting for its own high-risk entry strategy rather than involving partnerships in foreign markets (Laufs & Schwens, 2014). Controlling commercial activity overseas must benefit the company more than hiring a separate local company to supply the service. Dunning's theory emphasizes that controlling and monitoring business operations directly within the organization eliminates risks and exploits vulnerabilities caused by market imperfections. Internalizing operations allows firms to keep their core competence within the organization rather than licensing or selling it abroad (Daniels et al., 2016).

Agarwal and Ramaswami (1992) found that ownership advantages in larger multinational firms were more likely to lead them to venture into foreign markets using non-equity means of operation such as exporting and contractual arrangements. They also observed that in terms of location advantages, companies were more likely to pursue solo initiatives in external markets with strong potential of higher returns, while avoiding markets associated with substantial investment risks. Nakos and Brouthers (2002) indicate that internalization advantage was a crucial factor in predicting the mode of entry into a foreign market, with firms with high internalization advantages preferring equity entry strategies such as fully owned subsidiaries and joint ventures. According to Omokaro-Romanus et al. (2018), the rationale for internationalization and firm location tendencies are tied to three aspects: characteristics in the company's country of origin, internal ownership factors and regional location considerations; findings that are in partial agreement with the OLI model. The use of the eclectic paradigm theory in the current study is applied because ownership, location and internalization advantages are expected to have an effect on the decision of which mode to use during entry, thus have an impact the firm’s competitive advantage.

2.2.2 Imitation/Technology Gap Theory

The imitation gap theory also known as the technology gap theory was put forward by Michael V. Posner in 1961 in his paper titled ‘International Trade and Technical Change’. It highlights the relevance of technological progress in evaluating a country's global competitiveness (Posner, 1961). According to Posner's assumptions, disparities in the pace of innovation and technology influence trade patterns between countries. Posner's model characterized the advantage enjoyed by introducing a new product or service into a foreign market as being the first-mover advantage, due to the technology gap. Technology gap is defined as the time required to replicate the innovations of the first-mover.

After acquiring the requisite expertise, the initial importers of the products or services could theoretically become exporters but owing to the incomplete nature of information diffusion, there is a level of lag before they can fully replicate the initial country's products or services (Brodzicki & Kwiatkowski, 2018). According to Posner, when a company launches a new product or service in a foreign country, it may enjoy an export monopoly up until imitators follow. Posner suggests that competitiveness arises by maintaining the imitation gap as long as possible by undertaking continuous research and development, bundling of technical innovations and maintaining economies of scale through dynamism and adaptability.

Freeman (2010) also suggests that due to the time taken by firms in the foreign market to develop or copy the technological expertise, the incoming firm should strive to ensure that the imitation gap period exceeds the time which is the time consumers take to adopt the new products, also termed as the demand lag. Research by Fagerberg (1996) supports the view that R&D and innovation are critical to the performance of firms, not only those in high-technology sectors.

Posner's imitation or technology gap theory has been utilized in this study because innovation, R&D and technology factors have enabled firms to venture into foreign markets to capture potential opportunities that have contributed to their competitive advantage and business performance. Technology factors enable first-mover advantages when companies introduce new technologies, hence they are able to achieve competitive advantage in new foreign markets.

2.3 Choice of Foreign Market Entry Strategy and Competitive Advantage

Internationalization requires commitment of organizational resources to varying extents, based on the firm's intended level of commitment and operational presence in the intended market. The foreign market mode of entrance that involves the least resource-commitment is exporting, followed incrementally by contract-based entry modes such as licensing and franchising. Increased resource investments are required for equity methods of foreign market entry, such as joint ventures and wholly owned subsidiaries through acquisitions or greenfield activities (Johnson et al., 2011).

Previous studies about the relationship between internationalization and competitive performance consider various metrics: exports sales percentage against total sales, foreign export profits against total profits and foreign exports growth rates. This is because when assessing internationalization, growth rates are a key measure of a company's performance in markets abroad (Choo & Mazzarol, 2001). Their research in Australia and Singapore looked at the influence of foreign market entrance decisions on SME competitiveness and performance, and concluded that companies that used franchising, licensing, manufacturing and acquisition as the main market entry strategy performed far better than firms that used direct exports, strategic alliances, distributorships, foreign agents and joint ventures.

Competitive advantage may be derived from companies' ownership advantages, which include capabilities and resources, as well as internal and external knowledge assets.

Location advantages such as resource ownership and access, as well as a promising business environment will drive an organisation’s improved performance in markets away from the home country (Omokaro-Romanus et al., 2018). They also report that the innovative capabilities of Nigerian companies influenced their performance and competitive advantage during internationalization.

2.4 Empirical Studies and Knowledge Gaps

Several studies have been conducted on internationalization and its relationship with competitiveness have been undertaken by different authors. The link between internationalization and SME success in Japan was investigated by Lu & Beamish (2001) between 1986 and 1997. They determined that higher FDI levels were related to better performance in the long run. Their study also indicates that low levels of FDI were associated with less successful business performance. However, their study found that exporting had a linear but negative and relationship with performance of the firms under study, suggesting that exports had an adverse effect on performance due to currency fluctuations. Their study covered public listed firms in Japan but did not include private firms. According to Agarwal and Ramaswami (1992), considerable investments in managerial and fiscal resources have a significant impact on businesses' competitive edge in international markets. Their research on the influence of ownership, location, and internalization advantages on selection of method of entry into foreign market in the United States indicates that even in low-risk markets, long-term business performance is influenced by significant investments in management and financial resources owned by the company. According to their findings, there is a favorable link between technical innovation and export success, suggesting that to encourage exports, countries must not only undertake knowledge and technology acquisition but also develop knowledge transformation and innovation to give the firm a competitive advantage. However they suggest that the study may not be generalized since it covered only one industry.

Juniatti et al. (2019) investigated the influence of foreign market entrance on Malaysian businesses' competitive advantage and performance. They found that internationalization, firm performance and eco-innovation influenced a 63.38% positive change in competitive advantage. However, the concept of eco-innovation that was applied in their study appears to focus on clean production by multinationals in the manufacturing industry, thus may not be applicable to service-oriented firms. Pangarkar (2008) discovered a positive association between the extent of foreign operations and the business success of SME's in Singapore, agreeing with previous study findings which indicate that improved company performance of firms has a relationship with higher degrees of internationalization.

Regionally, Haddoud et al. (2019) conducted research on the internal and external drivers of Algerian export performance and found that marketing expertise, managerial resources and collaborative networks during exports are among the most important resource ownership factors that influence competitive advantage in the export business. However, unlike other studies, they determined that technology and innovation had an insignificant influence on the performance of exports in Algeria. This was attributed to the nature of Algerian exports which are mainly agricultural in nature. This finding was in contrast to studies from developed countries which emphasize the importance of continuous technological innovation on competitiveness of firms (Haddoud et al., 2019). Cultural differences have a substantial link with the success of corporate subsidiaries in three African nations, according to studies by Ovadje (2016). He studied the effect of cultural aspects on the performance of subsidiaries of internationalized businesses and established that cultural similarity is over-stated during internationalization in Africa. However, the study only focused on the masculinity index in Nigeria, Ghana and Uganda, but did not assess how Geert Hofstede's other three cultural aspects fared (power distance, uncertainty avoidance and individualism) influenced the performance of the company's subsidiary in Uganda. In Kenya, research by Thiong'o et al. (2020) on market entry strategies' influence on multinationals' performance indicates that foreign market entry resulted into a moderately positive influence on the performance of the firm. However, Thiongo's study focused only on multinationals listed by the Kenya Association of Manufacturers but did not include SME's.

Different findings from various studies constitute the research gap for this study. Previous studies on internationalization and competitiveness have used a various performance metrics. Financial performance metrics that have been used include return on assets (ROA), return on sales (ROS), return on equity (ROE), foreign growth rates in sales, foreign percentage of sales and company profitability. Non-financial metrics in various studies include growth in market share, customer loyalty, level of innovation and customer satisfaction. Understanding the performance results of businesses' internationalization has been highlighted as a key subject in international business research and it has been referred to as the 'one big question', because different studies have resulted in varying and conflicting results (Karabag & Berggren, 2014). This suggests that there is generally no uniformity by researchers on which performance metrics of internationalizing firms should be used for research studies. Using one or two measures may lead to findings that may not be fully representative of the firm's overall performance (Pangarkar, 2008).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter offers an overview of the study's research methods. This section describes the research design, population, and procedures for data collection, measurement and analysis.

3.2 Research Design

A research design is a structure that details the techniques and procedures for gathering and evaluating the information gathered. It gives the research a structure, or action plan. The study used a cross-sectional design. A cross sectional design collects data using various variables at a precise point in time to establish the presence of substantial relationships between the parameters under study (Khan et al., 2007). A cross-sectional survey gathers data from a population sample in order to draw conclusions about the population of interest, providing a snapshot representative of the population at a single point in time (Bajpai, 2011). A cross-sectional sample design was selected for this analysis because it allowed for the collection of data on multiple parameters simultaneously from a sample of the population.

3.3 Population of the Study

A population is defined as the overall number of people, activities or target items that the researcher will investigate. This is the entire group of people, events or objects the researcher wishes to draw inferences about (Sekaran & Bougie, 2010). The population for this study consisted of 25 fintech companies in Kenya that had undertaken internationalization and had a presence in other countries in Africa at the time of the study. The fintech companies were compiled from Financial Sector Deepening (FSD) – Kenya (2018), Daily Finance (2021) and Medici Global Fintech Insights (2017).

3.4 Data Collection

A questionnaire is a collection of well-structured questions designed to elicit reliable information from a specific group (Collis & Hussey, 2013). The data was gathered from primary sources through questionnaires. A structured questionnaire survey was used for data gathering, whereby participants of the study were asked the same questions in the same order using a standardized questionnaire. The study targeted the founders, chief executive officers, chief operations officers and managing directors of the fintech firms under study to collect primary data.

3.5 Data Analysis and Presentation

Descriptive statistics analyze the population or sample characteristics (Zikmund et al., 2010). The descriptive statistical methods that were used to interpret the collected data included frequencies, percentages, mean scores and standard deviation. Frequency distribution tables, pie and bar charts were used to display the results. The design for this study was descriptive, as the fintech companies under study are privately owned and do not publish or share their financial information. The study utilized non-financial qualitative metrics to operationalize competitive advantage. A five-category Likert scale was utilized to score responses from the participants. The inferential statistic method that was used to analyze the relationships among the variables was Pearson's correlation, to determine the existence of relationships and strength of the association between the dependent and independent variables.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter summarizes the findings of the study based on the data analysis and interpretation. The chapter also gives the result of the correlation analysis to determine whether relationships will exist among the variables.

4.2 Response Rate

Sekaran & Bougie (2016) suggest that a response rate of 30% for online questionnaires is quite satisfactory in many circumstances. This is because emails containing links to external websites are mostly marked as "junk" and deleted. Furthermore, clicking on unknown external links is usually prohibited by organizational internet policies to prevent phishing attempts, thus resulting in low response rates. The study targeted management-level employees of 25 fintech firms in Kenya that have a foreign market presence in other African countries. Out of 25 fintechs contacted to participate in the study, 19 responded by completing the online questionnaire. This corresponds to a response rate of 76% as indicated in Table 4.1, which was determined adequate for the research (Mugenda & Mugenda, 2003).

Table 4.1 Response Rate

Respondents	**Frequency**	**Percentage**
Responded	19	76%
Not Responded	6	24%
Total	**25**	**100%**

Source: Primary Data, 2021

4.3 Background Information

This section contains information on the study respondents and the fintech companies' background. It covers their title, gender, education level, years the company has been in operation, area of fintech specialization, number of countries present and the number **of** employees across all the countries of operation. This descriptive data was selected because it gives a background of the fintech firms' operations.

4.3.1 Demographic Representation

Figure 4.1 depicts the respondents' gender distribution with 12 male participants (63%) and 7 female respondents (37%), indicating that men hold more managerial positions than women in fintech companies in Kenya.

Figure 4.1 Gender Distribution

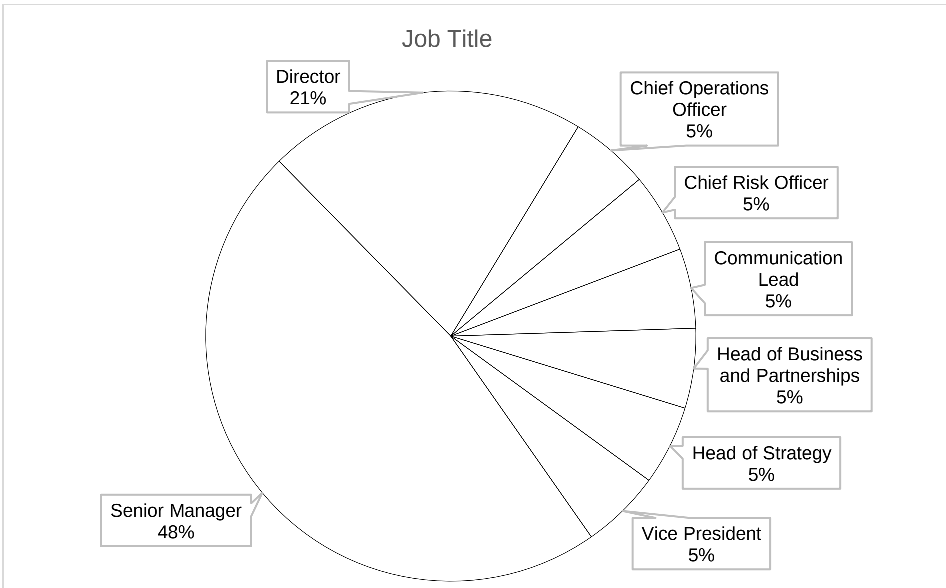
Source: Primary Data, 2021

4.3.2 Management Level

The study targeted senior management employees of the fintech companies, as this level of staff was considered as best placed to provide accurate are reliable information about the fintech organizations' global market expansion strategies and international operations.

All respondents fell into this category, apart from one who was in middle management level.

Figure 4.2 Respondent's Job Title

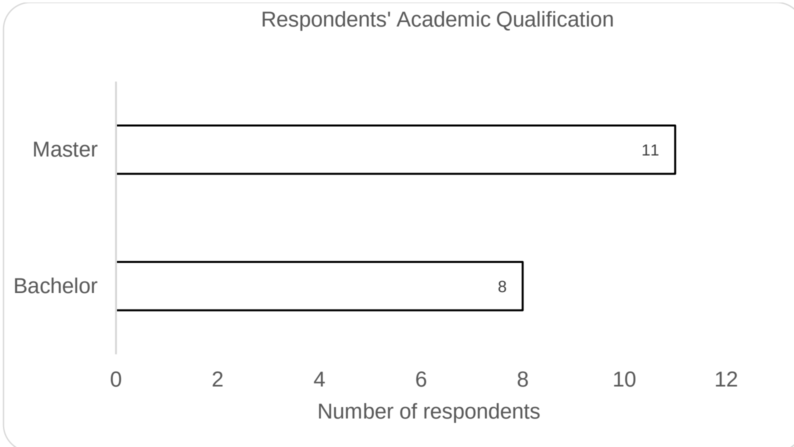


Source: Primary Data, 2021

4.3.3 Academic Level

Majority of the respondents had postgraduate qualifications, with master's level at 11 (57.89%); while those with undergraduate qualifications were 8 in number (42.11%). The level of education was deemed relevant as it may influence the ability to understand the fintech company's strategic direction with regard to foreign market entry and competitive advantage as key variables of the study.

Figure 4.3 Academic Qualification



Source: Primary Data, 2021

4.3.4 Fintech Specialization

The financial services that the fintech firm focuses on was deemed to be important as it would indicate the areas of customer demand for fintech services. Lending was the leading fintech area of specialization with 52.63% of the fintechs surveyed, followed by payments with 26.32%, insurance at 15.79% and fundraising at 5.26% respectively. This may indicate areas of potential

Table 4.2 Area of fintech specialization

Fintech Specialization	Frequency	Percentage
Lending	10	52.63%
Payments	5	26.32%
Insurance	3	15.79%
Other: Fundraising	1	5.26%
	19	**100.00%**

Source: Primary Data, 2021

4.3.5 Countries of Operation

The study targeted fintechs in Kenya that have internationalized by entering other foreign markets. 73.7% of fintech firms were present in between two and four countries, 15.8% were present in between five to ten countries, while 10.5% were present in over ten countries. The number of countries in which fintechs operate outside of Kenya was considered to be important since it demonstrates the extent of foreign market operations.

Table 4.3 Countries of Operation

Number of countries present	Frequency	Percentage
2 - 4	14	73.7 %
5 - 10	3	15.8 %
Over 10	2	10.5%
	19	**100.0%**

Source: Primary Data, 2021

4.3.6 Period of Fintech Firm Operation

The period that the fintech firm has been in operation was useful for the study because it pointed out the capacity, need and drive to expand into other markets for new opportunities, as well as the ability to identify opportunities arising from internationalization.

Table 4.4 Years of Operation

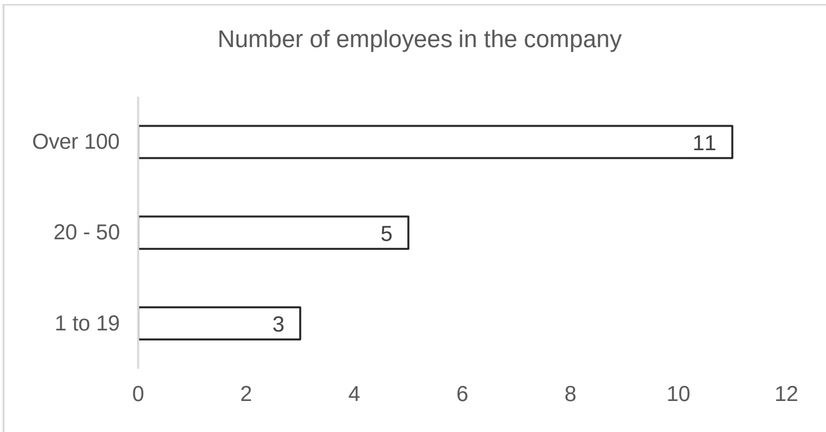
Years	Frequency	Percentage
Under 5 years	5	26.3%
5 to 10 years	11	57.9%
11 to 20 years	3	15.8%
	19	**100.0%**

Source: Primary Data, 2021

4.3.7 Number of Staff

The number of employees that the fintech companies have was considered important for the study as it could point out the extent of their operations.

Figure 4.4 Number of Employees



Source: Primary Data, 2021

4.4 Descriptive Analysis of the Variables under Study

On a 5-point Likert scale, respondents were asked to score how much they agreed with five descriptive statements that represented the fintech firm's approach for entering international markets, with a score of 1 representing "strongly disagree" and 5 representing "strongly agree." The Likert scale scores were analyzed using composite scores which were generated by calculating the weighted mean response scores on SPSS statistics software. Mean composite scores have the advantage of being used as interval data. Furthermore, they return the true respondents' scores of the items being measured (Starkweather, 2012). To interpret the mean Likert scale results, a composite range scale was adopted. Its range was derived by calculating the difference between the lowest (1) and highest score (5) which is 4; and then divided by the five items to give an interval of 0.8. The scores were then tabulated as follows:

Table 4.5 Composite Range Tabulation

Mean Score	1-1.8	1.81-2.6	2.61-3.4	3.41-4.2	4.21-5
Level of Agreement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Source: Author 2021

Table 4.6 Descriptive Interpretation for Foreign Market Entry Strategies

Foreign Market Entry Strategy	N	Mean	Std. Deviation
1. To enter a foreign market, our company prefers to establish a wholly-owned subsidiary or country office.	19	4.26	1.018
2. Exporting allows our organization to penetrate overseas markets through resellers, distributors, and agents.	19	1.47	.939
3. To enter overseas markets, we use licensing or franchising.	19	1.53	1.272
4. We gain entry into foreign markets by acquisition of strategic enterprises.	19	1.68	1.029
5. We undertake mergers with companies to enter foreign markets.	19	1.74	.909
6. The availability of financial resources has a significant impact on our decision to enter overseas markets.	19	4.26	.849
7. The availability of managerial and staff resources influences our mode of market entry abroad.	19	2.53	1.272
8. The availability of organizational resources has an impact on the speed/pace of our overseas market entry.	19	3.79	1.104
9. Because of our company's success, we extended our operations into additional African markets.	19	4.74	.440

10.	Our firm does market research to determine which overseas markets to enter and the best	19	4.16	1.039
11.	Our decision to enter new markets is influenced by new potential for growth and enhanced profitability.	19	4.63	.581
12.	The size of the foreign market(s) has an impact on our decision to enter.	19	4.32	.976
13.	It is important that we have access to a skilled workforce in the African markets we want to explore.	19	3.32	1.259
14.	It is vital to have an enabling regulatory framework in the African markets we want to enter.	19	4.68	.653
15.	It's beneficial to have a positive economic environment in the African market(s) we intend to join.	19	4.21	.832
16.	When selecting whether or not to work/partner with other organizations in other countries, it is important to our company to have control over our systems.	19	4.68	.465
17.	Working with other parties (in African markets) has a higher level of risk, which influences the mode of entry adopted.	19	3.74	.965
18.	We value innovation, research, and development in our organization.	19	4.90	.307
19.	We target African markets where our technology is yet to be introduced.	19	3.26	1.331
20.	Proprietary technology within our company offers us a first-mover advantage in the African market(s) we operate in.	19	3.90	1.209
21.	Competitive pressures in foreign countries has an impact on our decision to expand into new markets.	19	3.16	1.268
22.	Higher customer demand for our services motivates us to expand our operations into new countries.	19	4.53	.499
23.	In the African markets we choose to enter, there is little or no competition from other firms.	19	3.11	1.334

Source: Primary Data, 2021

The findings of the rates of agreement with the statements presented in the questionnaire are shown in Table 4.6. Opening a country office or subsidiary in foreign markets had the highest mean score of 4.26, showing strong agreement by respondents that Kenyan fintechs choose to internationalize by establishing country offices as a means of entering overseas markets. Low mean scores were obtained for statements on exporting (1.47), licensing or franchising (1.53), joint ventures or alliances (1.68), and mergers (1.74). These scores indicate a strong disagreement by fintech firms on using these four entry strategies in foreign markets.

The respondents were asked to rank how much they agreed with five statements that described the fintech firm's ownership factors, as well as five statements describing foreign market location factors and two statements describing internalization using a 5-point category Likert scale, to assess the factors that influence their choice to enter overseas markets. With regard to ownership factors, respondents strongly agreed that owning financial resources was important for foreign market entry decisions (4.26). However, they disagreed that it was important having managerial and employee resources when entering foreign markets (2.53). Respondents agreed that the speed of internationalization was impacted by availability of financial resources (3.79). They strongly agreed that owning some level of success in their home countries encouraged them to venture into other markets (4.74), and moderately agreed that they undertake market research to have the necessary market information when deciding whether to enter foreign markets (4.16).

Location factors were all similarly highly rated with high levels of agreement as follows: availability of business opportunities (4.63), size of foreign market (4.32), an enabling regulatory framework (4.68) and a favorable economic environment (4.21). However, availability of a skilled labor force in the foreign market indicated a neutral position from respondents (3.32). Internalization factors scored strong agreement for internal control of company technology (4.68); while ability to manage risk internally (3.74) suggesting general agreement with the statement. The general agreement levels under OLI factors indicates that majority of respondents agreed that the three OLI factors were all key considerations for fintech companies in Kenya during internationalization.

The respondents highly agreed with the statement that innovation, research, and technology were vital for fintech organizations (4.90), which suggested that that fintechs under study strongly valued their technology. They neither agreed nor disagreed on the statement that non-availability of their technology in potential markets proprietary influenced their entry decision (3.26). The statement that proprietary technology gave the fintechs first-mover advantage received moderate agreement (3.90). Market factors pertaining to customer demand's its link to foreign market entry had strong agreement ratings (4.58), which indicated broad agreement that demand for fintech services influenced the decision to enter a foreign market. On the other hand, factors pertaining to competitor activity showed neutrality, indicating that increased competition (3.16 and 3.11) in foreign markets was not a key consideration in deciding whether to internationalize.

On competitive advantage, the respondents were asked to rate how much they agreed with five statements that represented the fintech businesses' competitive advantage metrics based on their activities in foreign markets, with 1 indicating "strongly disagree" rating and 5 indicating "strongly agree."

Table 4.7 Descriptive Interpretation for Competitive Advantage Factors

Competitive Advantage	N	Mean	Std. Deviation
1. Our firm's competitive advantage in foreign markets is greatly impacted by our technology, R&D and innovation capabilities.	19	4.58	.748
2. Due to growing customer numbers in African countries, our company's costs have decreased due to economies of scale.	19	3.58	1.042
3. After expanding into new African markets, our business has seen an increase in market share.	19	3.68	.921
4. In African countries we operate in, customer satisfaction with our products/services has increased.	19	4.11	.788
5. Our company's profitability has improved as a result of expanding into more African countries.	19	3.16	.933

Source: Primary Data, 2021

Table 4.7 shows strong agreement by the respondents with the statement that they leveraged their technology, R&D and innovation for competitive advantage (4.58). Customer satisfaction as a factor of achieving advantage over competition (4.11) scored moderate agreement among the respondents. Respondents agreed that their costs had reduced due to scale economies after entry into other markets (3.58) and that their market share had grown upon foreign market entry (3.68). However, respondents had a neutral stand on the statement that their profitability had increased after foreign market entry (3.16).

4.5 Reliability Test

The Statistical Package for the Social Sciences (SPSS) tool was used to analyze the instrument's reliability using the Cronbach Alpha test, which measures the instrument reliability and consistency. The questionnaire had a Cronbach's alpha score of 0.719 that scored more than the 0.7 threshold, which indicates an overall acceptable level of reliability according to Mugenda & Mugenda (2003).

Table 4.8 Reliability

Reliability Statistics	
Cronbach's Alpha	N of Items
.719	28

Source: Primary Data, 2021

4.6 Inferential Statistics

The data was analyzed using inferential statistics, which included correlation analysis to determine how changes in one variable influenced changes in another.

4.6.1 Correlation Analysis

Correlation measures the degree or strength of association between variables (Khan et al., 2007). The analysis was done using Pearson's correlation on SPSS statistics software. The closer the coefficient is to either +1 or -1, the stronger the association; with a coefficient closer to 0 indicating a weaker association between the ranks (Bajpai, 2011). The results are shown in table 4.9.

Table 4.9 Pearson's Correlation Analysis

		Foreign Market Entry	Competitive Advantage
Foreign Market Entry	Pearson Correlation	--	
Competitive Advantage	Pearson Correlation	.515*	--
	Sig. (2-tailed)	.024	.
	N	**19**	**19**

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary Data, 2021

Table 4.9 indicates that competitive advantage and foreign market entry strategy have a positive and significant correlation at the 0.05 significance level (r=0.515, p=0.024). This implies that a unit increase in foreign market activity contributes to a 0.515 increase in competitive advantage.

4.7 Discussion of Study Findings

According to the survey, the leading financial service that majority of fintechs in Kenya with foreign market operations offered is lending, followed by digital payments and insurance respectively. Majority of the fintechs under study were present in two to four countries in Africa. The majority of fintech firms have been in existence for 5 to 10 years. Fintechs in Kenya chose to enter foreign markets by establishing country offices or subsidiaries in other African nations, according to the study. This finding was in contrast to Humby (2020), whose study indicated that fintechs in Africa use low-commitment and low-risk exports of technology and licensing. The fintechs under study considered owning financial resources as a key determinant of the ability to internationalize. Studies by Agarwal and Ramaswami (1992) corroborate with this finding that owning considerable fiscal resources has significant impact on businesses' competitive edge, according to their research on the influence of OLI advantages.

The prospect of new growth opportunities and profitability was found to be a strong incentive for foreign market entry, consistent with research by Bhandari (2021), that technology enables organizations to provide innovative solutions which ultimately enables them to become profitable and sustainable in the long run. A favorable regulatory and economic environment in the foreign market of operation was deemed important by most of the respondents. In addition, having control of the fintechs' technology by not sharing system capabilities with other parties or allies, as well as reducing risks of technology exposure to other parties was considered important. This finding is in agreement with Nzioka (2017) who determined that having strategic alliances or partnerships had no effect on fintech companies' competitive advantage.

Technological research, innovation and development was very important to the fintechs under study. These findings corroborated Fagerberg (1996), that research and innovation development were key to company performance. The fintechs under study however did not view competition in foreign markets as having a great impact on their internationalization activities. According to the study's participants, competitive advantage achieved through technological capacity and customer satisfaction was of high importance. These findings are in agreement with Porter (1990) that firms can gain a strategic advantage by innovating broadly and developing emerging technology. Statistically, the association between competitive advantage and foreign market entry and showed a significant positive association. Juniatti et al. (2019) conducted research into the effects of internationalization on firms' competitive edge and found a 63% improvement in competitive advantage.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the descriptive and correlation analysis results from the study. It also draws inferences from the data and gives suggestions for further research in future.

5.2 Summary of Findings

The study's aim was to establish the relationship between competitive advantage and foreign market entry by fintech firms in Kenya. The research purposed to find out the extent to which foreign market entry and factors that drive foreign expansion, including the OLI factors under the eclectic paradigm theory and how technology factors under the imitation/technology gap theory impact competitive advantage of fintech firms.

The study's target population was 25 management-level employees of fintech companies in Kenya that have internationalized. The research design utilized for this study was descriptive. To determine the presence and strength of the association between the dependent and independent variables, the collected data was examined using descriptive statistics and correlation analysis. Cronbach's Alpha was used to assess the survey instrument's reliability. The study discovered that fintech businesses' competitive advantage in Kenya has a positive and statistically significant relationship with international market entry, as well as ownership factors. This conclusion was in agreement with Lu and Beamish's (2001) findings, which found that the method of entry has a considerable impact on the firm's performance. This suggests that deciding on the best foreign entrance strategy can have a big influence on the fintech firm's performance.

Pearson's correlation analysis was utilized to examine the relationship between the dependent and independent variable. Foreign market entry as an independent variable was found to have a positive association with competitive advantage, where correlation analysis showed a statistically positive correlation ($r=0.515$, $p=0.024$), indicating that foreign market entry had a positive association with competitive performance at the 0.05 significance level. This implies that an increase in foreign entry would result in a 0.515 unit increase in competitiveness. As a result of the correlation analysis, foreign market entry was linked to competitive advantage for Kenyan fintech companies.

5.3 Conclusion

This study aimed to establish whether foreign market entry is associated with fintech firms' competitive advantage. The study resulted in the key conclusion that foreign market entry has a positive correlation with competitive advantage. The study's outcome emphasized the use of high-investment modes of entry such as opening a country office for fintechs in Kenya, in order to grow and sustain competitiveness during expansion into other African countries. This agreed with the findings from Kommalur (2018) on fintech investment during internationalization. He suggests that fintechs in India utilized direct investments in the form of private equity and other VC-backed investments rather than joint ventures or acquisitions to fund their broader entry into overseas markets.

The findings from the study's participants also implied that owning financial resources to venture into foreign markets, as well as ownership of market information about the potential foreign market, a conducive market location and the firm's technology was of great importance during foreign market entry. This finding is in agreement with the OLI model that suggests that in order to compete with domestic enterprises, it is critical for new entrants to be able to bear the costs associated with the establishment and future operations in international markets (Dunning, 1988).

5.4 Recommendations

According to the study's findings, fintechs in Kenya should expand their internationalization into other African countries. This finding is consistent with other empirical research, that increased internationalization through entry into more foreign markets could boost the business success of fintech companies (Teltz, 2019). The correlation between foreign market entry and competitive advantage was significant, implying that fintechs in Kenya stand to benefit from expanding into other countries. Increased customer demand for fintech service exists, as indicated by the responses from fintech companies. Furthermore, investing in innovation, research and development should be of great importance to fintech companies, due to the ever-evolving needs of customers for fintech products and services. This is consistent with studies undertaken by Pouresmaeili et al. (2018), who determined that innovation was a critical success factor in attaining fundamental competency and competitive advantage, as well as contributing to businesses' outstanding performance and improved effectiveness in international marketplaces.

Internal controls and risk management practices in fintech firms should not be too restrictive that they hamper innovation within the company and the ability to respond to market changes. High focus on internalization control impacts competitive advantage, as results from the study indicated. A balance between internal controls and responsiveness to customer requirements and partnership should be key considerations by fintech companies, because different countries have their own customer needs and market conditions. This finding is consistent studies by Lu and Beamish (2001) who established that partnerships with collaborators who have local knowledge can be an effective method of overcoming the resource and capability gaps that firms encounter when expanding into foreign markets.

5.5 Limitations of the Study

The study's most significant limitation was the low number of fintechs in Kenya that have a foreign market presence were few. The study’s population included all 25 fintechs in Kenya with foreign operations at the time of the study, which may affect the results due to the low number of internationalized fintechs. In addition, the researcher encountered lack of prior empirical research on the internationalization of African fintechs. The researcher hardly found studies on foreign market entry focusing specifically on fintech companies in Kenya. This view is shared by Boso et al., (2016). With regard to survey distribution by email, the researcher encountered difficulties in reaching the intended respondents for data collection. Some respondents forwarded email that included the link to the online questionnaire to their colleagues to fill out on their behalf, which may have had an impact the scores given to statements on the questionnaire. In addition, some respondents were suspicious of the survey because they did not know the researcher and therefore did not click on the survey link to avoid the possibility of virus attacks or online phishing attempts. It took a number of reminders and several follow-ups for completion of the questionnaire.

5.6 Suggestions for Further Study

Future studies could explore fintechs with a particular focus, for example lending only, rather than combining all the fintech specialties in the research. Additionally future studies could study fintech based on characteristics such as period of operations or size. With a small population of internationalized fintechs in Kenya, future studies could research fintechs in the African continent in order to have a larger sample size. To add to this, studies on the internationalization of fintechs in Africa are few and far between, which presents significant prospects for future research due to the scarcity of existing studies in the subject of fintech internationalization in Africa. Further studies could also be undertaken using financial performance metrics such as ROA, ROE, ROS and Cost-Income Ratios.

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APPENDICES

Appendix I: Questionnaire

Foreign Market Entry and Competitive Advantage of Fintech Companies in Kenya

This questionnaire aims to study the link between entry of financial technology companies into other countries in Africa and achieving competitive advantage. Your responses will be kept confidential and will only be used for academic research and will not be linked to you or your company. The data collected will be only be used for academic purposes with strict confidentiality.

Section A: Demographic Information

1. What is the name of your company? ______________________________
2. Which job in do you hold in the company?
   - Founder [ ]
   - CEO [ ]
   - Vice President [ ]
   - Director [ ]
   - Chief Operations Officer [ ]
   - Senior Manager [ ]
   - Other: ______________________________
3. What is your gender?
   - Male [ ]
   - Female [ ]
4. What level of education you have attained so far?
   - PhD [ ]
   - Master's [ ]
   - Bachelor's [ ]
   - Diploma / Tertiary [ ]
   - High school [ ]
   - Other [ ]
5. Which area of fintech does your company specialize in?
   - Payments [ ]
   - Insurance [ ]
   - Lending [ ]
   - Money Transfer/Remittances [ ]
   - Cryptocurrency [ ]
   - Other: ______________________________

6. How many other countries apart from Kenya does the company operate in?

1	[ ]
2 - 4	[ ]
5 – 10	[ ]
Over 10	[ ]

7. How long has the company been in operation?

Under 5 years	[ ]
5 – 10 years	[ ]
11 – 20 years	[ ]
Over 20 years	[ ]

8. How many staff are employed in the company?

1 – 19	[ ]
20 – 50	[ ]
51 – 100	[ ]
Over 100	[ ]

Section B: Foreign Market Entry

Please provide your level of agreement with the following statements:
Key: 1 – Strongly Disagree, 2 – Disagree, 3 - Neutral, 4 - Agree, 5 – Strongly Agree

Foreign market entry strategy	1 **Strongly Disagree**	2	3	4	5 **Strongly Agree**
1. To enter a foreign market, our company prefers to establish a wholly-owned subsidiary or country office.					
2. Exporting allows our organization to penetrate overseas markets through resellers, distributors, and agents.					
3. To enter overseas markets, we use license or franchising.					
4. We gain entry into foreign markets by acquisition of strategic enterprises.					
5. We undertake mergers with companies to enter foreign markets.					
6. The availability of financial resources has a significant impact on our decision to enter overseas markets.					
7. The availability of managerial and staff resources influences our mode of market entry abroad.					
8. The availability of organizational resources has an impact on the speed/pace of our overseas market entry.					

9. Because of our company's success, we extended our operations into additional African markets.					
10. Our firm does market research to determine which overseas markets to enter and the best strategy for entry.					
11. Our decision to enter new markets is influenced by new potential for growth and enhanced profitability.					
12. The size of the foreign market(s) has an impact on our decision to enter.					
13. It is important that we have access to a skilled workforce in the African markets we want to explore.					
14. It is vital to have an enabling regulatory framework in the African markets we want to join.					
15. It is beneficial to have a positive economic environment in the African market(s) we intend to join.					
16. When selecting whether or not to work/partner with other organizations in other countries, important to our company					
17. Working with other parties (in African markets) has a higher level of risk, which influences the mode of entry adopted.					
18. We value innovation, research, and development in our organization.					
19. We target African markets where our technology is yet to be introduced.					
20. Proprietary technology within our company offers us a first-mover advantage in the African market(s) we operate in.					
21. Competitive pressures in foreign countries has an impact on our decision to expand into new markets.					
22. Higher customer demand for our services motivates us to expand our operations into new countries.					
23. In the African markets we choose to enter, there is little or no competition from other firms.					

Section C: Fintech Company Performance

Please provide your level of agreement with the following statements.

Key: 1 – Strongly Disagree, 2 – Disagree, 3 - Neutral, 4 - Agree, 5 – Strongly Agree

Competitive Advantage Metrics	1 **Strongly Disagree**	2	3	4	5 **Strongly Agree**
24. Our firm's competitive advantage in foreign markets is greatly impacted by our technology, R&D, and innovation capabilities.					
25. Due to growing customer numbers in African countries, our company's costs have decreased due to economies of scale.					
26. After expanding into new African markets, our business has seen an increase in market share.					
27. In African countries we operate in, customer satisfaction with our products/services has increased.					
28. Our company's profitability has improved as a result of expanding into more African countries.					

Thank you for your participation.

Appendix II: Fintechs in Kenya with a Foreign Market Presence

Source: FSD (Kenya), Daily Finance and Medici Global Fintech Insights.

1. 4G Capital	Kenya, Tanzania, Uganda, Mauritius
2. Afrikash	Kenya, Tanzania, Uganda,
3. Asante Financial Group	Kenya, Tanzania, Uganda, Rwanda
4. Aza Finance (BitPesa)	Kenya, Uganda, Nigeria
5. Branch International	Kenya, Nigeria, India
6. Carepay	Kenya, Nigeria
7. Cellulant	Kenya, Uganda, Rwanda, Zimbabwe, Mozambique, Ghana, Nigeria, Botswana, Malawi, Zambia
8. Copia Global	Kenya, Uganda
9. Direct Pay Online Group (DPO Group)	Kenya, Tanzania, Uganda, Rwanda, Mauritius, Zambia, Malawi, Namibia, Botswana, South Africa, Ghana, Nigeria, Senegal, Ivory Coast.
10. Fintech Group Kenya	Kenya, Uganda, Malawi, Mauritius
11. I-pay	Kenya, Uganda, Rwanda, Tanzania, DR Congo, Togo
12. Kopo	Kenya, Tanzania, Rwanda,
13. JamboPay	Kenya, Uganda, Rwanda, Ghana
14. Lipa Later	Kenya, Uganda, Rwanda
15. M-Kopa	Kenya, Uganda, Tanzania
16. Peach Payments	Kenya, South Africa
17. Pesa Base	Kenya, South Sudan, Australia
18. PesaPal	Kenya, Uganda, Tanzania, Malawi, Rwanda, Zambia, Zimbabwe
19. Pezesha	Kenya, Ghana, Nigeria
20. Sokowatch	Kenya, Uganda, Tanzania, Rwanda
21. Tala (formerly Inventure)	Kenya, Philippines, Mexico, India
22. Turaco	Kenya, Uganda
23. Umba	Kenya, Nigeria
24. Virtual Pay	Kenya, Uganda, Tanzania, Rwanda, Zambia, Ghana, Nigeria, Mauritius
25. Zenka	Kenya, Uganda, Tanzania

Appendix III: Email Invite for Study Participation

The email invitation below was sent to the study's participants using the researcher's university email account, as the use of a personal email address did not elicit responses.

To: <Participant's Email Address>

Subject: Request for Fintech Industry Insights

Dear ………………………,

Hi, I am reaching out to you to participate in a short 3-5 minute questionnaire studying the link between expansion of fintech companies into African countries and competitive advantage. This is based on …………………'s presence in Kenya and other African countries. The study is a requirement for my University of Nairobi MBA research project.

I request your assistance by inviting you to kindly complete my E-Questionnaire shared on the JotForm link below:

https://form.jotform.com/211534453254551

Your responses will be kept anonymous, confidential for academic use only and will **not** be linked to you or the company. Attached is an introduction letter from the University for your Reference. Should you need more information, please contact me via the details provided below.

Thanks & regards,

Jacqueline Mutero
MBA, School of Business
University of Nairobi

Appendix IV: Letter of Introduction from the University

The signed and stamped letter below from the university introduced the researcher to the survey participants. This letter was sent as an attachment to all emails sent requesting for participation in the online survey.

TO WHOM IT MAY CONCERN

The bearer of this letter, Mutero Jacqueline, is a University of Nairobi Master of Business Administration (MBA) student with registration number D61/6167/2017.

She is required to present a research project report as part of her coursework evaluation. The student's project topic is Foreign Market Entry Strategies and Competitive Advantage of Fintech Companies in Kenya. We would appreciate it if you could support her by allowing her to collect data for the research within your organization.

The report's findings will be used strictly for academic reasons, with a copy provided to the interviewed organization upon request.

Thank you.

PHILIP NGIGI

For: Executive Dean: Faculty of Business and Management Science