

Study on phone usage for financial services



**ASSIGN
BUSTER**

A STUDY ON USAGE OF MOBILE PHONE IN THE ACCESS OF FINANCIAL SERVICES AMONG RESIDENTS OF KANGUNDO CONSTITUENCY

Background to the study

The use of mobile has been taunted as the next big thing in the empowering of communities. ICT plays a big role in literally all spheres of life, and this explains why the government has supported laying of ICT infrastructure across the country. It is reported that Central Bank of Kenya's enabling regulatory approach allows 23 million people (74% of adult population) to use mobile financial services via 90, 000 agents (Alliance for Financial Inclusion, 2012, P. 20).

Expansion of the ICT sector has a direct contribution to a society's access to information and subsequently empowerment. The use of mobile phone has revolutionized banking in the recent past, by netting the initially unbanked. Inventions in mobile phone have made tremendous contributions to financial services advancement. Banks have jostled to outsmart each other by launching varied mobile banking services, so are the mobile network operators. Such services by the banks are dependent on the platforms of existing mobile phone network operators. These services are accessed through USSD, WAP applications and internet banking. We have seen the emergence of mobile bank accounts such as *M-benki* (KCB), *M-Shwari* (CBA), *M-Kesho* (Equity Bank) and *Pesa Mob* (Family Bank). There have been partnership deals among these Banks and Mobile phone operators.

Moreover, customers are able to access credit facilities through these mobile bank accounts as well as make loan payments. Other services include funds transfer, airtime top up, credit card payment, accessing mini-statements,

<https://assignbuster.com/study-on-phone-usage-for-financial-services/>

balance enquiries and even stoppage of cheques. Agency Banking, which was meant to bring banking services closer to the customers equally relies heavily on the use of mobile phones. They include *KCB Mtaani* and *Co-op Jirani*. However, it is notable that there is a variation in usage of the mobile phone platform between urban and rural areas. We shall seek to know the trends in the usage of mobile phones to access financial services by residents of Kangundo Constituency.

Statement of the problem

This is a study to gauge whether residents of Kangundo constituency have embraced mobile phone technology to access financial services.

Significance of study

This study seeks to appreciate the use to technology to ease financial services accessibility. Traditional methods of visiting banks have long been overtaken by inventions in technology. Therefore this study will seek to explore whether the residents of this constituency have taken advantage of the more convenient financial services provision methods, as is now commonly known- paperless and Branchless banking. Access to banking services includes access to credit facilities which are a key catalyst for economic empowerment. The findings of this survey will prove useful to the constituents of Kangundo, financial services providers as well as mobile network operators.

Purpose of the study

This study seeks to:

1. To establish the number of residents who own mobile phones
2. To establish the number of residents who have registered for mobile phone services such as Mpesa, Airtel Money, Yu Cash and Orange Cash
3. To establish the number of residents who have opened mobile bank accounts
4. To establish applications used to access mobile banking services: USSD, WAP, Internet banking
5. To establish the usage of bank agents in access of financial services
6. To establish demographic trends in access of Banking services (Age, sex, education, employment status)

Definition of concepts

USSD-Unstructured Supplementary Service Data

WAP- Wireless Application Protocol

Unbanked- By definition, unbanked customers have no checking, savings, credit, or insurance account with a traditional, regulated depository institution (Delloitte, 2012, p. 2)

Literature Review

The government recognizes ICT as a foundation for economic development, and as such, Kenya's vision of knowledge based economy aims at shifting the current industrial development path towards innovation where creation, adoption, adaptation and use of knowledge remain the key source of economic growth as this is a critical tool for expanding human skills and rests largely on a system of producing, distributing and utilizing information

and knowledge that in turn plays a great role in driving productivity and economic prosperity (Government of Kenya, 2013, p. 21). One of such ICT tools is the mobile phones which continue to offer a myriad of opportunities, specifically on the financial sphere. To leverage on the above, the Government bets on the increase in communication to spur economic growth in tandem with the vision 2030 blueprint.

As Watts, 2001 observes, “some clients may prefer to access services at a distance. Increasingly, in all fields, consumers want a service to be available when they identify a need for it, with minimum delay and minimum effort: they want it here, and they want it now” (p6). The urge to access services with urgency and at a minimum cost is making more people gravitate towards technologically based products that are available through the mobile phone. The use of this gadget has simplified life and as such transactions can comfortably be initiated and terminated at one’s convenience. Further, it is notable that the settlement of these transactions is instant.

ICT increase efficiency, productivity, and access to goods, services, information, and markets. Demand for these benefits is high. If the right compliments- such as power, connectivity, content, skills and support systems, functional markets and supportive policy frameworks- can be put in place, demand for ICT will be correspondingly high (William J. Kramer, Beth Jenkins, Robert s. Katz, 2007, p. 9). With Kangundo being a rural area, we shall then be interested in knowing how the use of mobile phone has impacted on its residents, and whether they have taken full advantage of this revolutionary tool that continue to transform lives across the globe.

<https://assignbuster.com/study-on-phone-usage-for-financial-services/>

Mobile phones have characterized the everyday life of Kenyans. Cheap Chinese phones have found their way in the market and this has eased the affordability of this ICT tool. Mobile ownership at the household level is almost as high as access. Approximately 75% of the households have at least a member who owns a mobile phone. In rural areas, ownership is 67% while in urban areas ownership reaches 90% (CCK, 2011, p. 13).

It is essential for banks to sensitize on mobile banking and ensure that customers maximize its use bearing in mind the capital invested (Korir, 2012, p. 43). Information is power and banks have a role to play if they are to penetrate and crack open the mobile banking market. Banks will rely much on studies to inform their decisions on the best way to tap in to this market. The government has indeed been on the forefront by championing for ease of access of banking services to all citizens.

Branchless banking through retail agents is made possible through the information and communication technologies that customers, retail agents and mobile network operators use to record and communicate transaction details quickly, reliably and cheaply over great distances. Among the first mobile network operators in the world to offer branchless banking were Globe Telecom and SMART in the Philippines. They launched their SmartMoney service in 2000 (in conjunction with Banco de Oro) followed by the G-Cash1 service in 2000. Customers can store cash, send funds from person to person, pay bills, make loan repayments and purchase goods at shops. They primarily use G-cash to buy airtime and to send money to friends and family (Financial Sector Deepening, 2009a, p1)

Mobile banking represents a more cost efficient channel for the banks, allowing them to charge

less for transactions, and permitting the consumer to have immediate access to information

related to their bank accounts. P. 3.

Worldwide, more people now own a mobile phone than a bank account. A revolution in mobile phone payments is taking place. The way mobile devices are evolving makes it difficult for banks to find the right solution to manage complex technologies and provide a consistent service to customers. [http://www. cr2. com/solutions/mobile-banking/mobile-banking-solution. html](http://www.cr2.com/solutions/mobile-banking/mobile-banking-solution.html)

Alliance for financial inclusion.

A High Level Conference on Kenya's Economic Successes, Prospects and Challenges -

Making Inclusive Growth a Reality September 2013

Central Bank of Kenya's enabling regulatory approach allows 23 million people (74% of adult population) to use mobile financial services via 90, 000 agents. Pg 20

References

Alliance for Financial Inclusion. 2013. *A High Level Conference on Kenya's Economic Successes, Prospects and*

<https://assignbuster.com/study-on-phone-usage-for-financial-services/>

Challenges – Making Inclusive Growth a Reality . Retrieved on February 22, 2014 from

Delloitte. (2012). *Banking the Unbanked: Prepaid Cards, Mobile payments, and Global opportunities in Mobile*

Banking. Retrieved February 22, 2014, from https://www.deloitte.com/assets/DcomunitedStates/Local%20Assets/Documents/FSI/US_FSI_Bankingtheunbanked_043012.pdf