

**A REVIEW OF STRATEGIES BANKS HAVE ADOPTED TO GAIN MARKET
SHARE OF THE UNBANKED COMMUNITY DOMINATED BY MOBILE
NETWORK OPERATORS: A CASE OF ZANACO BANK**

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DECLARATION

I Eleanor Malambo Nanchengwa do hereby declare that this dissertation submitted for the award of Master's Degree in Business Administration at the University of Zambia is my original work and that it has not been submitted to this University or indeed any other University or college for similar purposes. I further declare that all works borrowed in this research have been duly acknowledged. Am fully aware that if there is any plagiarism detected later on, I will be held liable and accountable.

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APPROVAL

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ABSTRACT.

The study sought to review strategies banks have adopted to gain market share of the unbanked community dominated by mobile network operators: a case of Zanaco bank. The theoretical framework was based on the Ansoff Matrix. The study was based on Zanaco marketing managers and top management. 103 questionnaires were distributed however only 52 questionnaires were retrieved. Thus the response rate for the study was 50.50%. Qualitative data was collected from respondents using a structured questionnaire; the questionnaire was generated based on Ansoff Matrix's theoretical framework. The study identified a number of strategies that Zanaco has implemented in order to counteract the effects of mobile money services operated by mobile network operators. These include increasing mobile banking transaction services; strategic alliances with mobile network operators; downsizing; Zanaco mobile agents and Zee wallet. The study revealed that strategic alliances with mobile network operators and increase of mobile banking transactions as the most effective strategies to counteract any effects that mobile money transfers have brought about. The study recommended that Zanaco must build stronger partnerships with mobile network operators as the two cannot exist without the other. The study further recommended that Zanaco must increase its transactions of direct transfer from bank account to mobile network account and vice versa; considering the increase in sellers who are now able to receive payments via mobile money transfer services and also to retain their existing clients.

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DEDICATION.

I dedicate this work to my husband Norbert Mooya, thank you for believing in me, thank you also for your support and guidance. To our children Mulima and Chipego Mooya the sky is just the beginning for you. To my late father Christopher Nanchengwa and my mother “Iron Lady” Namalambo Ng’andu Nanchengwa thank you for instilling the importance of education and hard work in me. To my brothers and sister; Christopher, Jacqueline and Bruce thank you for your support.

TABLE OF CONTENTS

DECLARATION.....	i
COPYRIGHT.....	ii
APPROVAL.....	iii
ABSTRACT.....	iv
ACKNOWLEDGEMENTS.....	v
DEDICATION.....	vi
LIST OF TABLES.....	x
LIST OF FIGURES.....	xi
LIST OF ACRONYMS AND ABBREVIATIONS.....	xii
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.00. Overview.....	1
1.10. Background of the Study.....	1
1.11. Financial Institutions.....	2
1.20. Problem Statement.....	3
1.30. Aim of the Study.....	3
1.40. Research Objectives.....	4
1.50. Research Questions.....	4
1.60. Justification of Study.....	4
1.70. Scope and Location of the Study.....	4
1.80. Theoretical Framework: Ansoff Matrix.....	4
1.90. Chapter Summary.....	8
CHAPTER TWO.....	9
LITERATURE REVIEW.....	9
2.00. Introduction.....	9
2.10. History of Mobile Money Services.....	9
2.20. Critique of various scholars.....	10
2.30. Gap in the Existing knowledge on mobile money payments.....	14
2.40. Existing Knowledge on Mobile Payments.....	15
2.41. Mobile Money Payments in Korea.....	15
2.42. Mobile Money Payments in China.....	15
2.43. Mobile Money Payments in the United States of America.....	16
2.44. Mobile money payments in Africa.....	17
2.45. Mobile Money Payments in Uganda.....	18
2.46. Mobile Money Payment South Africa.....	18

2.47. Mobile money Payments in Ghana	19
2.48. Mobile Money Payments in Zambia.....	20
2.50. Mobile Money Transactions and COVID 19	20
2.60. Chapter Summary	20
CHAPTER THREE	21
RESEARCH METHODOLOGY	21
3.00. Introduction.....	21
3.10. Research Design.....	21
3.20. Target Population	21
3.30. Sample size sampling technique.....	21
3.40. Data Collection Procedures.....	22
3.50. Data Processing	22
3.60. Data Analysis.....	22
3.70. Ethical Consideration	23
3.80. Chapter Summary	24
CHAPTER FOUR.....	25
DATA PRESENTATION AND ANALYSIS	25
4.00. Introduction.....	25
4.10. Response Rate.....	25
4.20. Socio-demographic Characteristics of Respondents.....	25
Table 4.21: Gender Distribution of Respondents.....	25
Table 4.22: Age Distribution of Respondents.....	26
Table 4.23: Education Background of Respondents.....	27
4.24. Interpretation of Findings	27
4.30. Introduction and Effects of Mobile Money Transfers Provided By MNOs.....	28
4.34. Interpretation of Findings	30
4.40. Complaints or Suggestions of How to Make Zanaco Bank Products More Accessible... 31	
4.44. Interpretation of Findings	33
4.50. Mobile Money Transfer Services A Better Way Of Doing Business.....	34
4.53. Interpretation of Findings	35
4.60. Emerging Issues Arising From the Introduction of Mobile Money Services.	35
4.63. Interpretation of Findings	37
4.70. Strategies Crafted to Counteract Effects of Mobile Money Transfer Services.	37
4.73. Interpretation of Findings	39
4.80. Most Effective Strategies Identified.	40
4.83. Interpretation of findings.	41

4.90. Chapter Summary	42
CHAPTER FIVE	43
CONCLUSION AND RECOMMENDATIONS.	43
5.0. Introduction.	43
5.10. Analytical Perspective of Theoretical Framework	43
5.20. Discussion of Findings.	43
5.21. Challenges Zanaco Bank is facing in increasing their customer base of the unbanked community	44
5.22. How are the strategies Zanaco bank is using to widen their unbanked clientele base working?	44
5.30. Research Findings in Relation to Similar Studies	45
5.40. Conclusion	45
5.50. Recommendations	46
5.60. Limitations and Further research	46
REFERENCES	47
APPENDIX 1	52
APPENDIX 2	58

LIST OF TABLES

Table 3.61: Reserch Design Matrix.....	25
Table 4.21: Gender Distribution of Respondents.....	27
Table 4.22: Age Distribution of Respondents.....	28
Table 4.23: Education Background of Respondents.....	29
Table 4.31: The Emergence of mobile money transfer services has changed the way your customers bank.....	30
Table 4.32: The introduction of mobile money services have led to an increase in your clientele base.....	31
Table 4.33: Effects of mobile money on traditional banking services.....	31
Table 4.41: Have you ever received complaints or suggestions on how to make Zanaco products and services more accessible?	33
Table 4.42: Provision of financial products and services conveniently to those not within the proximity of a Zanaco bank.....	34
Table 4.43: How are clients responding to financial products and services mentioned in question 5?	35
Table 4.51: Do you think mobile money transfer services are a better way compared to traditional banking services?	36
Table 4.52: Opportunities benefited from the advent of mobile money transfer services.....	36
Table 4.61: Has the emergence of mobile money transfer services affected your profits in any way?	38
Table 4.62: Challenges Zanaco is facing as a result of mobile money transfers.....	38
Table 4.71: Strategies implemented to counteract the impact of mobile money transfers.....	39
Table 4.72: Strategies to counteract effects of mobile money transfers.....	40
Table 4.81: Most effective strategies.....	42
Table 4.82: Beyond the already implemented strategies; should other strategies be implemented or should existing strategies be refocused?	43

LIST OF FIGURES

Figure 2.10: Ansoff Matrix.....	5
Figure 4.21: Gender Distribution of respondents.....	27
Figure 4.22: Respondents Age Distribution.....	28
Figure 4.23: Respondents education background.....	29
Figure 4.31: Has mobile money transfers changed the banking system.....	30
Figure 4.32: Has the introduction of mobile money transfers led to an increase in clientele base?	31
Figure 4.33: Effects of mobile money on traditional banking services.....	32
Figure 4.41: Have you ever received complaints or suggestions on how to make products and services more_accessible?	33
Figure 4.42: Provision of financial products and services to those not within proximity of a bank.....	34
Figure 4.43: How are clients responding to financial products and services mentioned in question 5.....	35
Figure 4.51: Opportunities benefited from the advent of mobile money transfer services.....	36
Figure 4.52: Opportunities benefited from the advent of mobile money transfer services.....	37
Figure 4.61: Has the emergence of mobile money transfer services affected your profits in any way?	38
Figure 4.62: Challenges Zanaco is facing as a result of mobile money transfers.....	39
Figure4.71: Strategies implemented to counteract the impact of mobile money transfers.....	40
Figure 4.72: Strategies to counteract effects of mobile money transfers.....	41
Figure 4.81: Most effective strategies.....	42
Figure 4.82: Should other strategies be implemented to counteract the effect of mobile money transfers?	43

LIST OF ACRONYMS AND ABBREVIATIONS

ATM	Automated Teller Machine
GSMA	Groupe Speciale Mobile Association
MMT	Mobile Money Transfer
MNO	Mobile Network Operator
MVNO	Mobile Virtual Network Operators
POS	Point of Sale
P2P	Person to Person
SIM	Subscriber Identity Module
UNCDF	United Nations Capital Development Fund
WCDMA	Wideband Code Division Multiple Access
ZICTA	Zambia Information and Communications Technology Authority

CHAPTER ONE

INTRODUCTION

1.00. Overview

The business environment is ever evolving with greater competition forcing service providers to provide quality services at minimal cost and within the quickest possible time. The Mobile money and transfers business has blossomed into a multi-million kwacha industry with agents reaching all corners of Zambia. While this business blossoms a number of banks have had to close down branches in order to restructure and remobilise resources. There has been an increase in the unbanked community now affiliating to financial institutions through mobile money transfer services which is a milestone for a developing country like Zambia as this has facilitated financial inclusion. This has however had an impact on banking institutions and has made it more challenging for banks to grow their clientele of the unbanked community.

1.10. Background of the Study

The definition of “mobile money” varies across the communication industry as it covers a wide scope of overlapping applications (GSMA; 2013). In general, mobile money is a term describing electronic financial services performed via a mobile phone. There are three major mobile money services: “mobile banking”, “mobile payments” and “mobile transfers”. It is worth noting that the term “mobile banking” is often confused and used interchangeably with the overall category of “mobile money” in research and literature. However, mobile banking is only one type of mobile money service: it allows customers of a financial institution to access their accounts and to perform transfers and payments. This service is therefore only available to people who possess a formal bank account. In developing countries, other mobile money services are mostly used by people who do not have personal bank accounts. Indeed, customers often rather use “mobile payment” and “mobile transfer” services, which are available from their mobile phones without the need for a bank account. In practical terms, these two services are accessible from an electronic account, linked to the SIM card in the mobile phone. This electronic account is known as “mobile wallet” and is protected by a personal identification number (PIN), with accounts debited or credited as soon as the transaction takes place. To transact, mobile phone users need to deposit cash into their mobile wallet at the outlet of an agent of a local mobile telecommunications company. The agent will get the money from the customer and transmit it to the company through his/her own mobile phone. If mobile phone users wish to withdraw cash from their mobile wallet, they also need to go to a mobile money agent outlet. In the framework of these mobile money services, the sender’s and receiver’s

mobile wallets are not linked to their individual bank accounts but to their SIM cards. The balances of all their mobile wallets are maintained by the mobile network operator. Mobile payment (also known as “m-commerce”) is a service allowing unbanked people to purchase or sell goods and services at a merchant shop/store (or remotely) using their mobile wallet through their mobile phone, instead of cash. Unbanked mobile phone users can also pay utility bills via their mobile wallet.

Fundamental to the concept of mobile money is bringing financial services to the unbanked. The phrase “banking the unbanked” is what differentiates mobile money from its traditional concepts of mobile payment and mobile banking (Tobbin; 2011).

1.11. Financial Institutions

In financial economics, a financial institution is an institution that provides financial services for its clients or members. Probably the most important financial service provided by financial institutions is acting as financial intermediaries (Purna; 2015). Most financial institutions are regulated by the government usually through a central bank. For instance financial institutions in Zambia are regulated by the Bank of Zambia.

Three Major Types

There are three major types of financial institutions. Namely;

1. Depository Institutions : Deposit-taking institutions that accept and manage deposits and make loans, including banks, building societies, credit unions, trust companies, and mortgage loan companies
2. Contractual Institutions : Insurance companies and pension funds; and
3. Investment Institutions: Investment Banks, underwriters, brokerage firms

Developing countries are severely constrained by limited infrastructure and the difficulties of accessing financial institutions. Consequently, more than 2.5 billion adults; about half of the world’s adult population are unbanked (World Bank, 2014). The reasons behind the exclusion of such a large number of people are related to barriers such as cost, travel distances and documentation requirements for opening a bank account in developing countries. However, of the world’s 7 billion people, there are now 6 billion phone subscribers: over one billion of the unbanked people in the world have access to a mobile phone (GSMA; 2013).

As of 31 March 2016, Zambia had 5.92 million registered digital transaction accounts, compared with 2.90 million registered bank accounts. Indeed, Zambia is now one of 19 economies with more digital transaction accounts than bank accounts, according to data from the Group Special Mobile Association (GSMA), yet more than 3.5 million Zambian adults do

not own a transaction account. Approximately 31 percent of unbanked adults cite “lack of enough money to use one” as the main reason for not owning an account, while 17 percent cite cost, 15 percent cite distance, 15 percent cite a lack of trust, and 14 percent report that they do not need an account, according to the 2016 World Bank Financial Capability Survey. (National Financial Inclusion Strategy; 2017)

Nevertheless, Zambia has very low bank penetration, with less than 15% of the population having bank accounts, according to the 2005 Fin Scope Survey. Other formal and informal financial services do push out the landscape of access, but their impact on access is very limited. The net result of this is that two thirds of the adult population of Zambia are completely unserved by the financial sector, a much higher proportion than in any other country in the region covered by Fin Scope. Financial exclusion is particularly severe in the rural areas (Stone et al; 2009).

1.20. Problem Statement

Statistics have shown that there are more mobile money account holders than those with formal bank accounts in Zambia. According to Zambia Information and Communication Technology Authority (2019) there are 16, 298, 288 active mobile users in Zambia. The Central Statistics Office’s projected population for 2017 was 16, 405, 225, implying that the majority of the Zambian population has a mobile phone and can thereby access mobile money services. Furthermore, in the National Financial Inclusion Strategy (2017 - 2022), it was stated that only 36% of adults in Zambia have a formal transaction account. The Zambia Information and Communications Technology Authority (ZICTA) again indicated that Zambia, with an estimated 16 million population; there were 13,438,539 mobile money account subscribers in 2018.

Based on these statistics there are more mobile money account holders than bank account holders. In fact a majority of bank account holders also hold mobile money accounts.

Therefore, with the above threats to the Banks’ success highlighted, Zanaco Bank has implemented a number of strategies in order to lure more of the unbanked clientele to open up bank accounts with them which are currently being dominated by mobile money service providers; there is therefore a need to assess these strategies.

1.30. Aim of the Study

The aim of this study was to assess the strategies that Zanaco bank has adopted in order to gain more market share of the unbanked community which currently has a large percentage using mobile money transfer services.

1.40. Research Objectives

1. To identify the challenges Zanaco is facing in increasing their customer base of the unbanked community.
2. To assess the strategies that Zanaco bank has adopted to widen their unbanked clientele base.

1.50. Research Questions

1. What are the challenges Zanaco bank is facing in increasing their customer base of the unbanked community?
2. How are the strategies Zanaco bank is using to widen their unbanked clientele base working?

1.60. Justification of Study

Only 36% of the Zambian population have active transaction bank accounts against the 13million mobile money account subscribers. Most banks have felt this effect and it is evident in banks such as Standard Chartered closing a number of its branches. There is hence need to review strategies currently being used to enable Zanaco bank retain its current account holders as well as gain a share into the unbanked community.

1.70. Scope and Location of the Study

This research took an exploratory study on strategy assessment for Zanaco bank to increase the unbanked clientele base. The population sampled were top management and marketing departments. The location included various Zanaco branches across the country. Expert sampling was adopted on the target population in order to help answer the research questions.

1.80. Theoretical Framework: Ansoff Matrix

Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson et al; 2008).

Strategy is “The means by which an individual or an organization accomplishes its objectives” (Joffre; 2011). The fundamental objective of every profit seeking organisation is to maximise its profits; this can be achieved by adopting various strategies. As the research seeks to predict strategies that ZANACO bank can adopt in order for them to gain a share of the unbaked community; Ansoff Matrix was the adopted theoretical framework.

The Ansoff Matrix, also known as the Product/Market Grid is a tool used by firms to analyse and plan their strategies for growth. The matrix shows four strategies that can be used to help a firm grow as well as analyses the risk associated with each strategy.

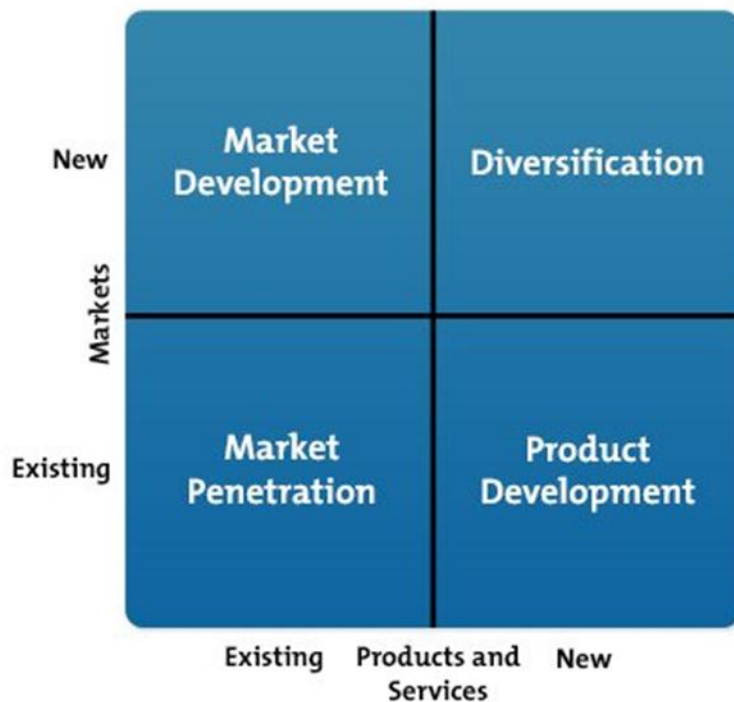


Figure 2.10: Ansoff Matrix Source: Adapted from H. Ansoff, Corporate Strategy, Penguin 1988, Chapter 6

Market penetration

This is a strategy where the organisation takes increased share of its existing markets with its existing product range. It builds on existing strategic capabilities and does not require the organisation to venture into uncharted territory (Johnson et al; 2008).

Market penetration is an effort to increase company sales without departing from an original product-market strategy. The company seeks to improve business performance either by increasing the volume of sales to its present customers or by finding new customers for present products (Ansoff; 1957).

The market penetration strategy can be done in a number of ways:

1. Reducing prices to attract existing or new clients
2. Increasing promotion and distribution efforts
3. Acquiring or merging with a competitor in the same market

However, organisations seeking greater market penetration may face two constraints:

Retaliation from competitors – increasing market penetration is likely to worsen industry rivalry as other competitors in the market defend their share. Increased rivalry might involve price wars or expensive marketing battles, which may cost more than any market share gains are actually worth (Johnson et al; 2008)

Legal constraints - Greater market penetration can raise concerns from official competition regulators concerning excessive market power. Most countries have regulators with the powers to restrain powerful companies or prevent mergers and acquisitions that would create such excessive power.

Consolidation - this is where organisations focus defensively on their current markets with current products. Formally, this strategy occupies the same box in the Ansoff matrix as market penetration, but is not orientated to growth. Consolidation can take two forms;

Defending market share - When facing aggressive competitors bent on increasing their market share, organisations have to work hard and often creatively to protect what they already have.

Downsizing or divestment. Especially when the size of the market as a whole is declining, reducing the size of the business through closing capacity is often unavoidable. An alternative is divesting (selling) some activities to other businesses. Sometimes downsizing can be dictated by the needs of shareholders. Divesting or closing peripheral businesses can also make it easier to sell the core business to a potential purchaser.

Market Development

Market development is a strategy in which the company attempts to adapt its present product line (generally with some modification in the product characteristics) to new markets (Ansoff; 1957).

When firms get maturity in current markets they find new markets for their ongoing products. Therefore, this is a marketing strategy to enhance firm's current level of income by increasing sales in new explored products. Marketing your existing product range in a new market is a technique used for growth by the owners (Ansoff, 1957). This means that the product remains identical, but it is marketed to newly targeted customers. Ideas include exporting the product, or marketing it in new regions. Porac, Pollock and Mishina (2004) argued that product extension and market development notably and significantly affects firm's growth, and more assets are required for above purposes.

Johnson et al (2008) highlights that Market development might take three forms:

- New segments. For example Zanaco bank is now targeting the village banks as their new clientele
- New users. Here an example would be a bank targeting the unbanked community
- New geographies. This may entail the spread of a small retailer into new towns such as the express agents that Zanaco has rolled out throughout the country.

Product Development

A product development strategy, on the other hand, retains the present mission and develops products that have new and different characteristics such as will improve the performance of the mission (Ansoff; 1957). This is a limited extension of Organisational scope. In practice, even market penetration will probably require some product development, but here product development implies greater degrees of innovation (Johnson et al; 2008). We can develop new products or offerings to replace existing ones to boost market share in comparison to rival firms (Ansoff, 1957). However, product development can be an expensive and high-risk activity for at least two reasons:

- New strategic capabilities; Product development typically involves mastering new technologies that may be unfamiliar to the organisation. For example, many banks entered online banking at the beginning of this century, but suffered many setbacks with technologies so radically different to their traditional high street branch means of delivering banking services (Johnson et al; 2008).

Project management risk. Even within fairly familiar domains, product development projects are typically subject to the risk of delays and increased costs due to project complexity and changing project specifications over time (Johnson et al; 2008).

Diversification

This is the final alternative. It calls for a simultaneous departure from the present product line and the present market structure (Ansoff; 1957). The product diversification strategy involves creating a new customer base product which expands the market potential of the original product, and that is why it is quite different from, product development (Hussain et al; 2013). Diversification includes brand extensions or new brands and, in sometimes product

modification can create a new market by introducing new uses for the product. However, it is the final option to pursue, if following the preceding strategies of market penetration, product development and market development does not produce good results, and original objectives do not meet (Ansoff, 1957).

A few potentially value-creating reasons for diversification are as follows.

- Efficiency gains for instance most banks have partnered with schools and various government ministries to receive any form of payments
- Stretching corporate parenting capabilities into new markets and products or services can be another source of gain. In a sense, this extends the point above about applying existing competences in new areas.
- Increasing market power can result from having a diverse range of businesses. With many businesses, an organisation can afford to cross-subsidise one business from the surpluses earned by another, in a way that competitors may not be able to.
- Spreading risk across a range of businesses is another common justification for diversification.

1.90. Chapter Summary

This chapter outlined the background of the study with the purpose of gaining an insight of the subject matter. The chapter further outlined the problem statement, aim of the study and research objectives. Research questions and the significance of the study were also included. Finally, scope and location of the study were highlighted as well as the theoretical framework on which the study was based.

CHAPTER TWO

LITERATURE REVIEW

2.00. Introduction

This chapter reviews literature relating to mobile money payments. It will give a historical overview of the area of study, provide critique of the validity of literature; identify the gaps within existing knowledge on mobile money payments and highlight how the proposed study will contribute to the knowledge base. Finally the chapter will review various articles on mobile money payments around the world.

2.10. History of Mobile Money Services

“Mobile money” services started in Kenya in 2007 through M-PESA (“M” for “mobile”, “pesa” for “money” in Swahili), a popular mobile money service offered by a local mobile network operator, Safaricom . Since then, the mobile money industry has rapidly expanded, particularly in developing economies in Africa and South Asia such as India, Bangladesh, and Pakistan. It has been optimistically described by policymakers, the media and above all mobile phone companies as a prospective means to economic development and poverty reduction, even without the support of an adequate evidence-base.

According to data from Global Findex, most mobile money users in the world have a bank account, reflecting the dominance of the additive mode (World Bank; 2019). Nevertheless, in some developing countries with large segments of unbanked population such as Kenya and Zambia, the transformative model has developed successfully. Mobile money has the potential to offer the poor and unbanked population the means to manage their limited cash resources in safer and more efficient ways. It has also emerged as a way to enable people in the most remote areas to transfer money using their mobile phone.

The Philippines was one of the earliest adopters of mobile money services when SMART Communications launched SMART Money in 2001. The service, which uses SIM Tool-Kits, enables customers to buy airtime, send and receive money domestically and internationally via mobile, and pay for goods using a card. In 2004, Globe Telecom launched GCASH. This service provides a cashless method for facilitating money remittances, settle loans, disburse salaries or commissions and pay bills, products and services via text message. In South Africa, MTN Mobile Money was launched in 2005 as a joint venture between the country’s second largest network operator MTN and a large commercial bank, Standard Bank. In Uganda, MTN

was the first operator to launch mobile money services in 2009 and remains, by far, the market leader (Intermedia; 2012). By law, each mobile money provider has to partner with a bank. However, users do not need a bank account to use mobile money services. In Tanzania, Airtel was the first mobile network operator to introduce a phone-to-phone airtime credit transfer service, “Me2U,” in 2005 (Intermedia, 2013). Airtel partners with Citigroup and Standard Chartered Bank to provide m-money services, including bill payments, payments for goods and services, phone-to-phone and phone-to-bank money transfers, and mobile wallets. In 2008, Vodacom Tanzania launched the second East African implementation of the Vodafone m-money transfer platform, M-Pesa. Finally, in Côte d’Ivoire two mobile operators, Orange and MTN, are competing head to head in the mobile money market (CGAP, 2012). Orange Money was launched in 2008 by Orange in partnership with BICICI (BNP Paribas), and MTN Mobile Money was launched in 2009 by MTN in partnership with SGBCI (Société Générale) (GSMA, 2014). (Subia et al; 2014)

In 2002 Celpay, a subsidiary of Celtel, was incorporated and began offering mobile banking services. The company was later acquired by Zain and became its subsidiary. In 2010 Zain was subsequently bought by Bharti Airtel which finally rebranded to “Airtel” as we know it today. In December 2013, then Airtel Money director Brenda Thole disclosed that the mobile money service had 1.2 million subscribers. MTN Zambia also launched mobile money services, with Zamtel only joining the bandwagon in 2017, launching a service dubbed “Zamtel Kwacha.”

2.20. Critique of various scholars

A study by Kubuga and Konjaang (2016) highlighted that Less than 1 in 3 Ghanaians operates a bank account. About 30% of residents in Ghana are banked. Although still bigger than the 17% mobile money penetration, traditional bank accounts are not increasing in number as much as mobile money wallets. As forecasted by the Business and Financial Times, by close of 2016, mobile money transactions would have overtaken the total bank deposits in Ghana. A critical point to note is that mobile money is largely remittance driven. Their research concluded that users will prefer to save relatively smaller amounts of monies for shorter periods in their mobile wallets. Larger amounts over longer periods are more likely to be deposited in bank accounts. However according to Paelo (2014) in Kenya, only about 23% of the population had bank accounts in 2009. However, in March 2012, a reported 93% of Kenyans had mobile phones of which 73% made use of mobile money services, 23% of them at least once a day. In Uganda, between 2011 and 2012, mobile money subscribers tripled from 2.9 million to 8.9 million, far surpassing the number of bank account holders at 4.9 million. In fact, according to the 2013 GSMA report nine countries including Kenya, Uganda, Tanzania, Cameroon, Madagascar,

Gabon, the Democratic Republic of Congo, Zambia and Zimbabwe had more mobile money subscribers than bank account holders by the end of 2013. This makes mobile money services and the telecommunications industry one of the biggest rivals to commercial banks and the financial sector. Moreover, mobile companies can now offer loans and insurance services. Kenya's Safaricom has also introduced M-Shwari and Linda Jamii that provide loans and health insurance, respectively.

The introduction of mobile money has been beneficial for competition. It has provided banks and other financial institutions with viable competition and presents customers with a cheaper alternative to banks. It is also accessible to a wider network than banks. All these benefits serve the public in terms of accessibility, price and choice. However, most of these telecoms companies have established positions of significant market power which raises a concern in terms of potential abuse of dominance. This suggests that competition authorities and regulators should monitor the sector (Paelo; 2014).

Comninou et al (2008) highlighted that the telecommunication and financial sectors are similar. Both are crucial for economic and social development, and both have only a few players (oligopolies) and need to be regulated in the public interest. In future not only will banks and mobile operators be required to cooperate more closely, but the different sector regulators will have to do that as well. Who dominates this relationship between banks and mobile operators will probably be determined by the kind of business model that emerges (Lyman et al, 2006; Porteous, 2006; Porteous & Wishart, 2006; Wishart, 2006 Mbuga, 2008). In the case of Zambia MNOs have really dominated as they make more money from the transactional costs as opposed to banks that will only hold an account or two for the MNO.

Comninou et al (2008) When the unbanked were asked why they didn't have a bank account, between 41.2% and 69.8% of the respondents gave lack of regular income as a reason, perceived as a far more significant obstacle for respondents than the cost (0.2% – 20.7%) or not qualifying for a bank account (0.2% – 21.8%). Many felt that they did not need a bank account (12.8% – 44%). This may be a reflection of lack of education as to the benefits of having a bank account; it may also be a sober self-reflection on the poverty of the respondents – who may receive and handle and possess such small amounts of money at one time that they are considered insignificant in comparison to the amounts that are involved in formal banking deposits, transfers and payments. In Africa, people usually only get a bank account once an employer requires it. Another main obstacle is the distance to banking facilities or ATMs. Particularly in rural areas, it is not only transaction costs and service fees, but also the cost of

transport to reach banking facilities that made people not want a bank account. Conversely, in Africa banks charge high transaction fees. High deposit and transaction fees ensure that banking remains the preserve of the relatively wealthy (i.e. the existing customer base) and high profit margins for banks. This is mainly possible because the banking sector is not as competitive as in the developed world.

In Kenya, which has one of the most successful m-banking applications in Africa, banks are complaining to the financial services regulator that mobile operators are unfairly competing against them. John Wanyela, an executive director of the Kenya Bankers Association argued in *The Sunday Nation* that “you do not allow innovation to outsmart regulation” (Munene, 2008). This is precisely the point: innovation often outsmarts regulation. It is up to policy-makers to create an environment that supports innovative applications and to adjust regulation to evolving innovations.

Mobile banking is forcing the convergence of the financial and telecommunications sectors. Unfortunately, the convergence of two such heavily regulated industries means that this potential is unlikely to be met unless policy-makers lay the ground rules for innovation. Recommendations could include encouraging the development of industry standards for mobile banking security based upon open access principles and changing regulatory systems to allow mobile operators to become banks, or banks to operate Mobile Virtual Network Operators (MVNOs). Banks need to get back to basics and focus on making money through financial intermediation rather than through transaction fees. Policy-makers and regulators need to ensure that evolving systems serve the broader objectives of economic growth and development as well as protect consumer interests, while creating an environment that encourages and rewards innovation. Comminos work provides an ideal scenario in that regulators are possibly the best to balance out the competition between MNOs and banks. However Mobile money transactions have presented regulatory challenges that could potentially hinder maximum development benefits. This is because firstly, mobile money blurs the traditionally distinct and independent sectors of regulation (most notably, the telecommunications and financial banking sectors). It often involves an overlap between multiple ministries and Government agencies, thus adding to the complexity of oversight needed (Andiva; 2019). There is limited legislative and regulatory experience in other countries and regions to draw lessons from when drafting relevant legislation and regulations. As is the case in most other developing regions, national regulations have not kept pace with developments in the field (Andiva; 2019)

In agreement with Andiva the study by Paelo and Robb (2020), revealed very little evidence of harmonization of policy and regulatory approaches.

Alleman et al (2010), the threat to the banking system could be either a positive or negative. If the banking system has enough political power, it could delay or take over the mobile money system, resulting in slower service, restriction on the functions, etc. even though the banks would be headquarters in the urban areas. On the other hand, if the mobile players are strong enough or the banks do not have political clout, mobile money could provide much needed competition to this sector. It could reduce the inappropriate charges for remittances; reduce debit and credit card fees to POS retailers, etc. The introduction of this competition would be a powerful force for growth. Thus, for growth and development, regulations should be light-handed; certainly no more odious than what is applied to the banking system in the country. Regulation should address security issues, usury, etc. in addition the regulation should impose capital requirements to the extent cellular carriers perform a credit function.

Opare (2018) Possible threats of mobile money on the profitability of the banking industry in Ghana Pseudo banking Kunateh (2015) reported that, some stakeholders of the banking industry are of the view that, that the growth of mobile money services threatens microfinance firms and the banks as well. Ablordeppey, (2016) reported that, the fast penetration of mobile money service is threatening the use of banks as the choice for transferring small amounts of money within the country. This is due to fact that, according to the Bank of Ghana, the total value and volume of mobile money transactions surpassed all other non-cash transactions in the year 2016, except cheques; with total float balances as at June, 2016 reaching GH¢680 million (\$172 million), compared to about GH¢341 around that same time in 2015. The convenience, ease of setting up mobile money agents and the ability of the mobile phone to adapt to various systems (device agnostic) is fuelling the threat they pose to the banks. Blay (2015) also reported that the value of mobile money transactions at the end of year 2015 was more than a third of the total deposit liabilities of the 28 banks in Ghana at the said time. About 56 percent of banks are of the view that mobile money presents threats to the traditional ways in which the industry operates, even if these threats do not measure up to the opportunity. Interference of the payment system Ghana News Agency (2016) reported that, mobile money was significantly threatening the payment solutions offered by banks, particularly the bill payment and point of sale (POS) payment services. Mobile money is now used to pay for utility bills, used in store purchases and even in historically cash based transactions such as payments for goods in local markets. Bank executives have expressed concern that if current mobile money trends continue, banks will soon command a smaller portion of the payments system in

the country compared to mobile money operators. Deposit mobilization Ablordeppey (2016) reported that, the ability to deposit funds into one's mobile money wallet, make withdrawals and transfers, undoubtedly turned mobile money wallets into current accounts resulting in raising the issue that mobile money is a threat; their various current account products as it has diverted deposits from the traditional banking system to the various mobile money operators. Blay (2015) discussed that another threat envisaged by bankers is the competition created by mobile money through offering relatively cheaper or no charges on services such as payment of bills or services offered in restaurants and items purchased in shops compared with the usage of credit or debit cards for the same services for which the customer incur substantive costs. As a result, bankers are predicting that telecommunication companies will at that point become direct competitors to banking industry instead of serving as partners and service providers to the industry.

Allotey (2016) revealed that, currently, banks in Ghana have in their circulation, over six hundred million Ghana Cedis worth mobile money deposits; representing about 30% of total banks deposits. This will not have been possible, but for mobile money transactions and the activities of mobile money providers or operators. A relevant question, thus, arises: Is Mobile money trying to access or win deposits that the banks are fighting for or does mobile money add to the banking industry's deposit mobilisation efforts? Mobile money does not have the capacity to take over deposits from banks, but it has the ability to mop up funds sitting with the reported 70% of Ghana's population which is unbanked and make them available to the Banks. Mobile money inevitably provides a reliable, secure, convenient and cost efficient means for banks to reach millions of Ghanaians who do not own traditional bank accounts (Allotey, 2016). The only downside would be if the majority of these deposits stay in circulation without reaching the banks.

2.30. Gap in the Existing knowledge on mobile money payments

The current body of knowledge has emphasised mostly on the negative or positive effects of mobile payments on banks. However much has not been done on the extent of these effects in terms of increases or reduction in profits due to the effects of mobile banking. A case by case study should be done to examine how mobile money services have impacted traditional income streams in as far as fees and commissions of each institution within the banking industry and the financial sector at large. There is also a need to make an inquiry on the impact of mobile money on the bank assets, especially, non-performing loans.

2.40. Existing Knowledge on Mobile Payments

2.41. Mobile Money Payments in Korea

SIM (Subscriber Identity Module) card based mobile service became possible with the implementation of 3rd generation WCDMA network service in 2007 in Korea (Korea had previously used non-SIM based 2nd generation CDMA service). USIM (Universal Subscriber Identity Module) contains subscribers' identification information and a universal IC Card which enables additional value-added services such as transportation pass and credit card function capabilities(Gutierrez; 2014).

The easy accessibility to bank accounts through internet banking, direct debit and the use of electronic payment systems reduce in principle the demand for mobile money. However, mobile money services have developed in niche segments such as P2P (person to person) transfers, pre-paid mobile money and mobile micro payment thanks to its convenience and easy usage. Thus, despite the wide availability of alternative channels for payments, according to a TNS report issued in May 2012, Korea topped the global mobile banking usage rates among 58 countries. Commercial banks have provided the P2P transfer-centred mobile banking service since early 2000. Bank-led models evolved following the technological advancement of mobile phones and wireless technologies from the IC Chip model (banking information is placed on microchip inserted in a phone) to the current smartphone applications. MNO-led mobile banking models such as WAP and USIM (money account held on a SIM card of an individual) models were not successful because banks were not willing to collaborate as they saw those models as competition. Banks rather chose to promote their own models instead of depending on MNOs' initiative (Gutierrez; 2014).

2.42. Mobile Money Payments in China

Paulsen(2018) in China, mobile transactions and cashless payments are already widely accepted across all population groups, which can be explained by the lack of a history of credit card use and the nature of governmental e-commerce market policies (To & Lai, 2014). As a consequence, third-party mobile payment services have recorded substantial growth since 2011, with a peak growth rate of 70.7% in 2013 (China Internet Watch, 2017). To and Lai (2014) posit that the quick expansion of mobile payment services is partly explained by a mandate in the 12th Five-Year Plan for National Economic and Social Development of China that promotes the development of e-commerce in conjunction with credit services and logistics for the benefit of the public as well as small and medium enterprises. Success and popularity of the two largest Chinese mobile money service providers, Ant Financial Services Group's

Alipay and Tencent Holdings' WeChat Pay (China Internet Watch, 2018), proves that mobile money may not only remove infrastructural inadequacies, such as the urban-rural gap, but also reduce the digital divide and educational barriers that have limited the use of financial services by the unbanked and under banked (Aveni & Roest, 2017). Alipay and WeChat Pay give compelling reasons for using digital accounts by offering convenient and low-cost access to financial services among rural China where smartphone ownership has increased as well (Aveni & Roest, 2017; Duflos & Klapper, 2015). With high penetration rates in the countryside, mobile banking and payment systems can compensate for the closure of more than 30,000 bank branches in rural areas (To & Lai, 2014). It can thus be reasonably assumed that for the under banked, unbanked and for marginalized groups—often including women, the poor and the rural population mobile payments hold great promise and empowering potential: digitized payments can generate transparency and not only undermine fraud, but also help people to become an integrated part of the value chain, especially outside the highly populated areas with urban elites Paulsen (2018). For example, mobile access to information in conjunction with digitized payments could reduce asymmetric information and generate transparency on agricultural markets in rural areas, driving inclusive economic development and spur growth. Also, small enterprises could benefit from mobile money in form of loans and micro credits that require less collateral. Moreover, tax payments could be implemented more efficiently and increase welfare on the whole Paulsen (2018).

2.43. Mobile Money Payments in the United States of America

A recent FDIC report found that in the United States an estimated 7.7 percent of U.S. households are unbanked, while an additional 18 percent are under banked. As more citizens of developed countries become unbanked as a consequence of widespread economic crises, financial services companies are beginning to explore the potential for importing these newer payment systems that are emerging from the third world to meet consumer payment needs (Maurer; 2009). While the money transfer market is well established by organizations such as Western Union and Moneygram, developments in mobile services are expected to increase competition and lower prices, thereby discouraging the flow of money through informal channels. Mobile Money Transfer (MMT) services are expected to account for the majority of mobile financial transactions in the near term because of the functional appeal to the under banked in developing countries around the world and potentially in the United States (Merritt; 2010).

MMT has the potential to catalyse the entire mobile financial services market—including mobile payments, banking, and transfers—because it enables the infrastructure for remote mobile transactions and the concept of the mobile wallet (GSMA; 2008). Mobile payment adoption is currently lower in more developed countries like the United States, where most people have banks accounts and the mobile phone is evolving as merely another payments delivery channel augmenting existing financial products and services. U.S. financial institutions have approached mobile financial services, including both banking and payment services, with caution due to concerns about limited opportunities for revenue, the complexity of revenue-sharing agreements with telecom firms, and the belief that mobile payments could cannibalize existing electronic payment services, providing limited return on investment (EDC 2009).

2.44. Mobile money payments in Africa

Mobile money services market has flourished on the African continent in recent years in comparison to other parts of the world (taking under consideration among others number of: total mobile money services, mobile money accounts, agents offering mobile money service and mobile payment users(Gutierrez; 2014)). Africa is at the forefront of the mobile banking revolution, spearheaded by the mobile phone technological platform for financial services. Furthermore, the number of mobile Internet subscribers is rising in Africa. Africa seems to become the worldwide leader in mobile money services. The Africans have willingness and ability to absorb innovations in the area of mobile money services.

African mobile money services are based rather on non-bank-led model which is typical for lower-income developing countries (Gutierrez; 2014). It can't be forgotten that properly functioning mobile money services require a supportive ecosystem, with a number of players and infrastructure. Among them are mobile network operators, which provide the technological infrastructure and offer 'mobile products' which are tailor-made for customers' needs in Africa. Additionally, MNOs ensure security of transactions and distribution. They are especially important in low-income countries, where the banking sector is not sufficiently developed.

Young societies of growing African economies are marked by high demand for financial services. There are many factors, however, which cause the high number of unbanked people reluctant to use traditional financial services delivered by banking institutions. Mobile money services development (such as for example mobile payments), can create opportunity to “switch over” to new and innovative financial services excluding “traditional” path of its evolution.

Against this background, the question arises whether or how this will influence the activities of banking sector in Africa. Or it will contribute to further vast development of the mobile money industry on African the continent (Gutierrez; 2014).

2.45. Mobile Money Payments in Uganda

Currently, all Ugandan MNOs offer mobile money services. The mobile phone density has also contributed to growth of mobile money. The number of registered customers of mobile money services increased from 1,683,713 in 2010 to 2,879,968 during 2011, while the amount transferred by customers rose from Ushs.962.7 billion to Ushs.3.7 trillion over the same period. In terms of volume, the service registered a 204 percent increase in number of transactions from 28.8 million transactions in the year to December 2010 to 87.5 million transactions in December 2011(Gutierrez; 2014). According to Global Findex Data, Uganda is one of the countries with a largest share of the population using mobile phones to pay bills and send or receive money (about 27 percent of total adult population). About half of the users of mobile money services are unbanked (Gutierrez; 2014).

Ugandan MNOs partner with banks to provide money services. The mobile phone operator plays the dominant role in the partnership, contracting a network of agents to interface with customers and operating the telecommunications infrastructure for effecting transactions and storing virtual money. The role of the bank in the partnership is primarily to hold an account (termed variously as a settlement account or escrow account) in which all of the agents of the network hold balances and which are debited/credited when an agent sells/buys mobile money for cash(Gutierrez; 2014).

2.46. Mobile Money Payment South Africa

Safaricom had the monopoly on mobile money during its launch, South Africa now exhibits a well-developed mobile banking system. More precisely, banks in South Africa provide reliable and easy access to banking services for all bank customers. This includes the lower-income customers, reducing the number of unbanked to a minimum (Abbott 2015). In order to compete, almost every South African bank provides online banking and mobile banking applications. Besides this well-developed banking system, South Africa's financial system provides similar money transfer systems to M-Pesa for the unbanked. For example, Shoprite, Africa's largest food retailer, provides money transfers countrywide for R15 per transaction (Shoprite 2016). Different preconditions, poor distribution and poor marketing resulted in only 1 million users of M-Pesa in South Africa by the end of March 2015, which was labelled as a failure by the two main investors, Vodacom and Nedbank (Bengelstorff 2015). Consequently, Vodacom

South Africa made the decision to discontinue the M-Pesa product with effect from 30 June 2016. Potential new customers were not able to register, and the facility of person-to-person payments to unregistered customers was terminated on 9 May 2016 (Tshabalala 2015). It can be concluded that technical preconditions alone, in this case, a high mobile phone density, are not a guarantor for a successful launch and that environmental conditions should not be disregarded (Chigada;2014).

2.47. Mobile money Payments in Ghana

Enhancement of the multiplier effect Konutsey (2015) explains that, with so much hard currency in circulation, Ghana is at a low advantage of benefiting from the multiplier effect of money. The multiplier effect of money and its benefits to an economy simply refers to the phenomenon that money is better traded when it is held as deposits in bank accounts rather than as currency bills in the hands of citizens. It is the money used to create more money and is calculated by dividing total bank deposits by the reserve requirement of the bank. Konutsey (2015) further explains that, money is traded as loans and overdrafts to businesses and individuals. Upon the disbursement of a loan; money changes hands from person to person. The gains of the money (loan) to the economy are more enhanced in an economy where the money circulates within the banking system than where in an economy it is used to transact business as physical currency bills. In simple terms, where the money (loan) is credited to a third party's account in another bank, it becomes 'new money', that is a fresh deposit in the banking system. If transactions circulate within the banking system, the money goes through multipliers of new money creation and the cycle continues. By this process, some nations are able to increase the money supply of their economies alongside reducing lending rates. In an opposite scenario of the multiplier effect, the public hoards more money in currency bills thereby reducing bank reserves and the supply of money. One key feature of the multiplier effect is that, it manifests better within an economy where the banks are willing to lend the deposits they have mobilized than to trade in exorbitant government bonds and treasury bills.

Unfortunately, this is not the case in Ghana as banks in the country invest in government shares and bonds and are willing to take very little risk with regards to lending. Hence, there is low supply of money in the economy and lending rates are considerably high. It is thus obvious that, Ghana's ability to ignite the multiplier effect in the nation's economy is poor. This throws light on the fact that, with the increasing magnitude of the total individual monthly transactions performed annually in the mobile money industry, the industry has the potential to grow Ghana's economy by improving the multiplier effect of Ghana.

2.48. Mobile Money Payments in Zambia

Mobile money is a young industry that was introduced to the Zambian people through the launch of Celpay in 2002. Celpay was largely a defunct payment service provider. In 2009, Zoono launched its money transfer service on a smaller scale. This was followed by mobile network operators, Airtel and MTN launching their provision of mobile money services in 2011 and 2012 respectively (UNCDF, 2014). However, Celpay faced operational challenges coupled with allegations of fraudulent transactions from the service provider's end. This caused the authorities in Zambia to deactivate the operational licence for Celpay. In 2013, Celpay ceased to operate at all levels of digital finance service in Zambia. It is notable that despite an early introduction on the market, the promise of mobile financial services remains largely unrealized in Zambia. According to the Finscope study of 2015, only 14% of the adult population use mobile money services which is no longer the case as the population of mobile money service users has increased. Airtel, Zamtel and MTN are the mobile network operators currently providing mobile money services in Zambia (Kabala & Seshamani; 2016).

2.50. Mobile Money Transactions and COVID 19

Mobile money has laid a firm footprint in many low- and middle-income countries. Africa is often considered the epicentre of mobile money, but the usage of mobile money has also grown significantly in many other parts of the world. Among low-income economies which report mobile money data to the FAS, the number of mobile money accounts is more than twice the number of commercial bank accounts per 1,000 adults on average. Similarly, in many lower middle-income economies, mobile money penetration is on par with that of commercial banks or even greater. These high levels of mobile money penetration suggest that it is a readily available payment option in many of these economies. During the current pandemic, there is an opportunity which can support greater usage to substitute away from in-person cash transactions. In fact, many governments are leveraging mobile money to provide social assistance to their citizens at this time of great need (Davidovic et al. 2020).

During the pandemic more Zambians have used mobile money transfer services. This is because there are seldom any queues on the agent booths thus creating a preventive environment against COVID 19.

2.60. Chapter Summary

This chapter delved into the history of mobile money transfers. It critiqued the work of various scholars and finally looked at mobile money transfers from a global, regional and finally at national level. Lastly it looked at how COVID 19 affected its operation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.00. Introduction

This chapter seeks to describe how the research was conducted. The aim is to outline and discuss the research design of the study, the population and the sampling techniques and procedures that will be implored so as to achieve the objectives of the study. The chapter also incorporates the research instruments which will be employed to gather the data as well as procedures to be used in obtaining and analysing the data collected. Lastly, the chapter explains the manner in which data will be obtained, analysed, compiled, tabulated and finally presented in order to draw conclusions based on the interpretations of the findings and the results.

3.10. Research Design.

A research design is a collection and analysis of data in a manner that aims to combine Relevance to the research purpose with economy and procedure (Ram; 2010). For purposes of this study the design that was adopted by the researcher was a case study. The researcher made use of various research designs and these included the exploratory as well as the descriptive research designs.

3.20. Target Population

The target population for this study was marketing department and top management.

3.30. Sample size sampling technique

The study conveniently sampled marketing department and top management. From here; survey respondents were randomly selected from the various departments (top management and marketing department).

The sample size was determined using **Taro Yamane** formula (Yamene; 1973). According to the rule of thumb, Yamane formula is used if the population is finite and known and whose sample is more than 5% of the population itself in terms of size. The formula is as follows;

$$n = \frac{N}{1 + N(e^2)}$$

Where; n; is the sample size

N: is the Population of the target group – 140 (ZANACO HR Records)

e² : Margin of error – 5%

$$\begin{aligned} \text{Therefore } n &= \frac{140}{1 + 140(0.05^2)} \\ &= 103 \end{aligned}$$

3.40. Data Collection Procedures

The collection of data was done through primary sources. Primary data was obtained from respondents by the administration of questionnaires.

3.50. Data Processing

Data collected was carefully compiled, sorted, edited, classified, coded and checked for accuracy and relevancy. Data from questionnaires was read carefully, edited for completeness and accuracy with the help of Excel and tabulation tables.

3.60. Data Analysis

Tables, graphs, figures, percentages, were used to analyze and present the findings of the study. Cross tabulation tables was used to analyse both qualitative and quantitative data. Descriptive and consultative analysis was implored to analyse qualitative data.

RESEARCH DESIGN MATRIX

RESEARCH QUESTION	OBJECTIVE	POPULATION AND PROPOSED METHODS OF DATA COLLECTION & TOOLS	DATA ANALYSIS TECHNIQUE
What are the challenges Zanaco bank is facing in increasing their customer base?	To identify the challenges Zanaco is facing in increasing their customer base.	<ul style="list-style-type: none"> - Purposive Sampling of Marketing managers and top management - Survey Questionnaires. 	<ul style="list-style-type: none"> - Cross tabulations - Descriptive Analysis
How are the strategies Zanaco bank is using to widen their unbanked clientele base working?	To assess the strategies that Zanaco bank has adopted to widen their unbanked clientele base.	<ul style="list-style-type: none"> - Analysis of data collected from Marketing managers and top management - Available literature. 	<ul style="list-style-type: none"> - Consultative Analysis

Table 3.61: Research Design Matrix

3.70. Ethical Consideration

‘Ethics’ refers to the norms and ‘rules of conduct’ in the research process that guide moral choices (Nahrin; 2015). The objective of ethics in research is to ensure that no one suffers adverse consequences from the research activities (UCLA Centre for Policy research, 2015). The researcher’s aim was to ensure that the rights of the respondents are not violated. This was done with the following in mind;

- No provision for respondents’ actual names on Key informant Guide
- Respondents should consent to being included in the study
- Providing adequate reasons as to why the study is being carried out

3.80. Chapter Summary

The chapter outlined the methods used to gather data, the sampling method used and also highlighted the target population and the sample size adopted in the study. An outline of the research design matrix is also indicated.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.00. Introduction

This chapter presents the results of the various data collected and analysis in the context of the existing knowledge reviewed under literature review. Frequency tables and graphs are presented on the data that was collected. In an attempt to make the analysis of results easier to comprehend, each research objective is presented with an accompany analysis of data presented to show to what extent it addresses the research question/objective.

4.10. Response Rate

103 questionnaires were distributed however only 52 questionnaires were retrieved. 46 of the questionnaires were never returned that is 45%. 5 that is 5% were spoiled. Thus the response rate for the study was 50%.

4.20. Socio-demographic Characteristics of Respondents

Table 4.21: Gender Distribution of Respondents

Variable	Category	Frequency	Percent
Gender	Male	25	48%
	Female	27	52%
Totals		52	100%

Source: Survey results

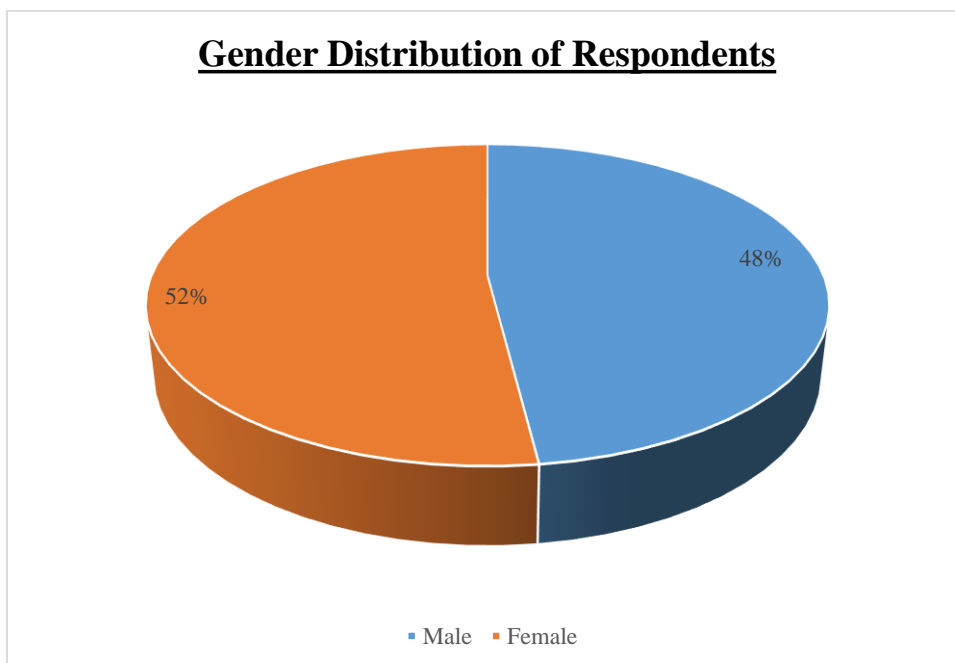


Figure 4.21: Gender Distribution of respondents

The table 4.21 and figure 4.21 above give the percentages and frequencies of the gender variable. The gender composition of the sample was 25 males (representing 48% of the sample respondents) 27 females (52% of the sample respondents).

Table 4.22: Age Distribution of Respondents

Age group	Frequency	Percentage
26 - 35 years	14	27%
36 - 45 years	29	56%
Above 46 years	9	17%
Totals	52	100%

Source: Survey results

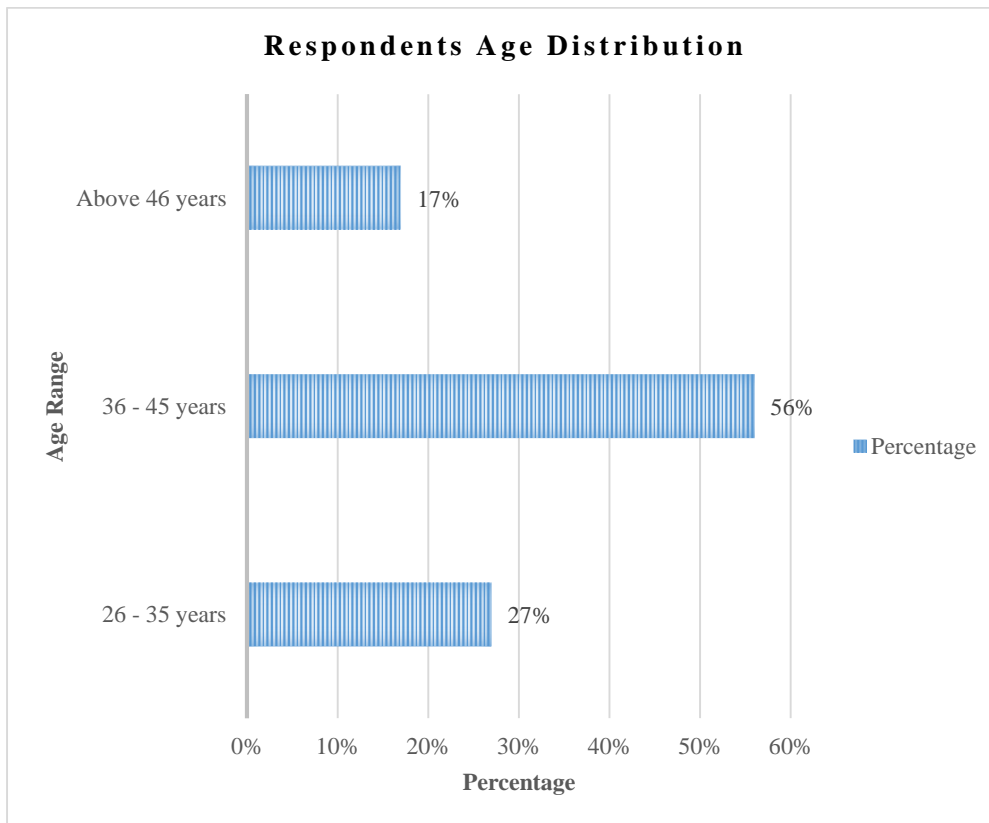


Figure 4.22: Respondents Age Distribution

Table 4.22 shows that the majority of respondents were aged 36-45 year (56% of sample), the age groups 26-45 and above 46years accounted for 27% and 17% respectively. This is also depicted in the bar chart above (figure 4.22).

Table 4.23: Education Background of Respondents

Level of Education	Frequency	Percentage
GCE Certificate and Below	4	8%
Diploma	7	13%
Degree	10	19%
Masters	31	60%
Totals	52	100%

Source: Survey results

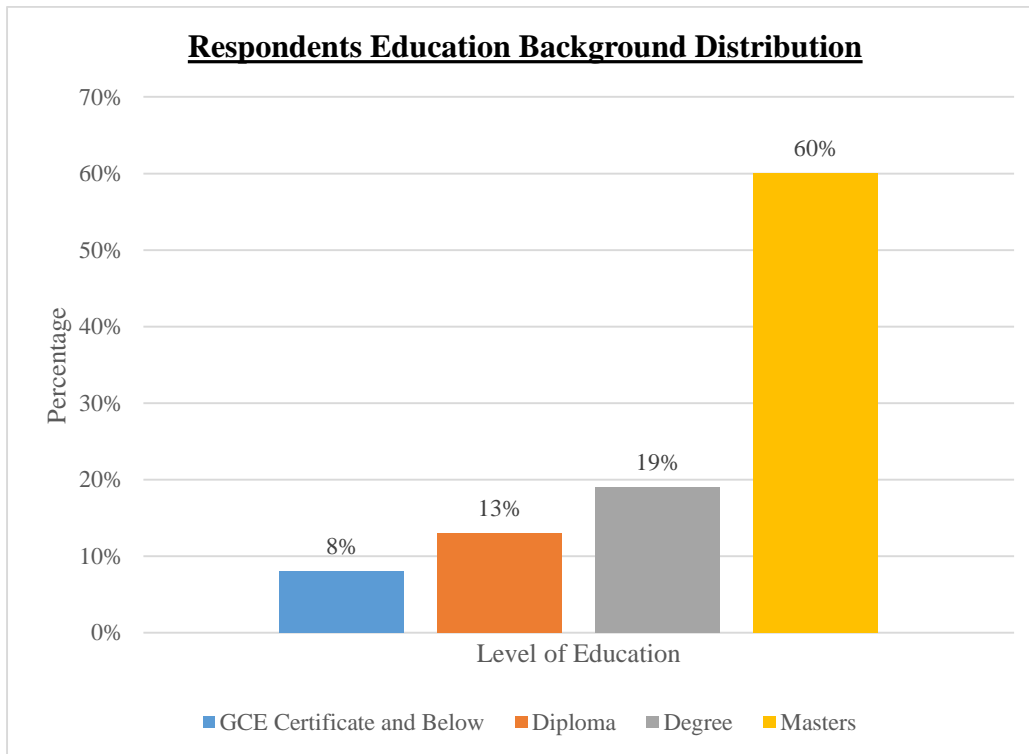


Figure 4.23: Respondents education background

Table 4.23 and figure 4.23 summarized education background frequencies and percentages of sample respondents. Survey results indicated that 8% of the respondents were educated up to General Certificate of Education (GCE) level, while (13%) were educated up to diploma level. The remaining 19 and 60 percent were educated up to Degree and Masters Level respectively. Thus the majority of respondents are educated up to Masters Level.

4.24. Interpretation of Findings

To begin with, this was a female dominated research, most of the respondents interviewed were females representing 52 percent while the male populace represented the remaining 48 percent. Additionally, the level of education of respondents is worth mentioning as well. Most of the participants in this research had Masters degrees, representing 60 percent while those with Bachelor's degrees, Diplomas and GCE certificates represented 19, 13 and 8 percentages

respectively. Based on the level on education it can be concluded that ZANACO has employed competent workforce capable of implementing strategies.

4.30. Introduction and Effects of Mobile Money Transfers Provided By MNOs

Table 4.31: The Emergence of mobile money transfer services has changed the way your customers bank.

Response	Frequency	Percentage
Strongly Agree	37	71%
Agree	15	29%
Agree nor disagree	0	0%
Disagree	0	0%
Strongly Disagree	0	0%
Totals	52	100%

Source: Survey results

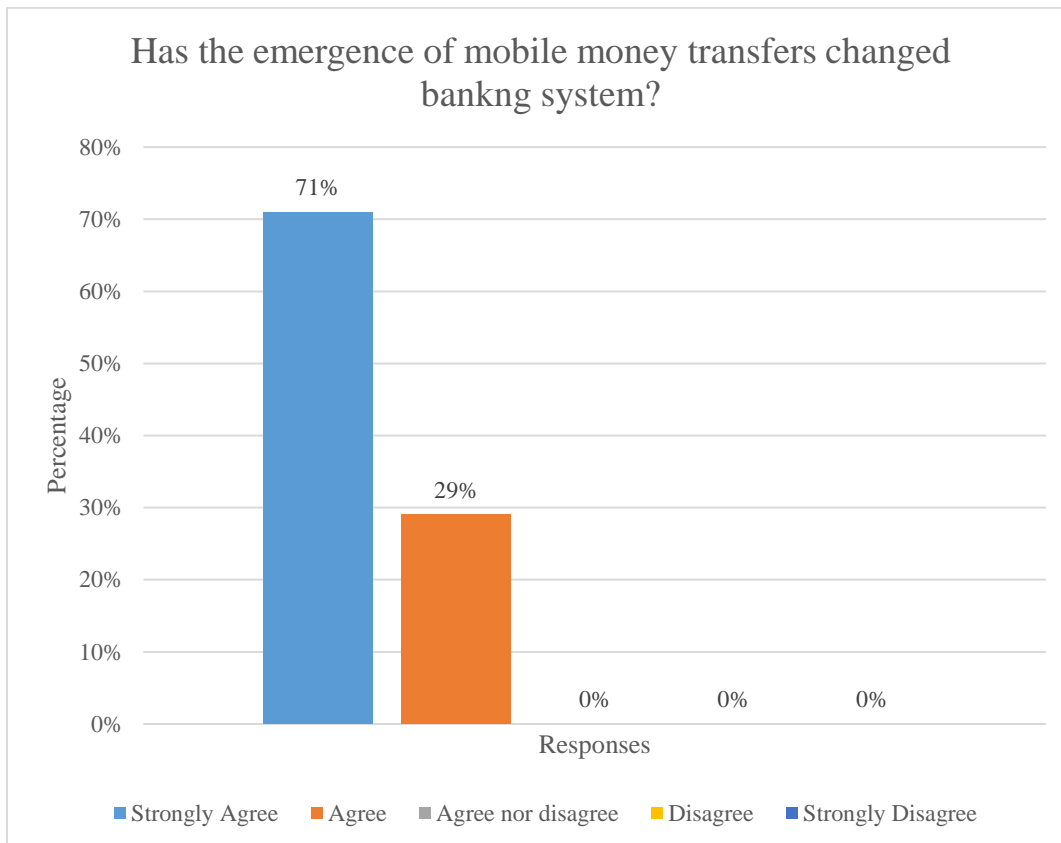


Figure 4.31: Has mobile money transfers changed the banking system

Table 4.31 and figure 4.31 summarized survey sample responses as to whether mobile money transfers have changed the banking system. Survey results indicated that 71% of the respondents strongly agreed while 29% agreed that mobile money transfers have changed the banking system.

Table 4.32: The introduction of mobile money services has led to an increase in your clientele base

Responses	Frequency	Percentage
Yes	21	40%
No	31	60%
Totals	52	100%

Source: Survey results

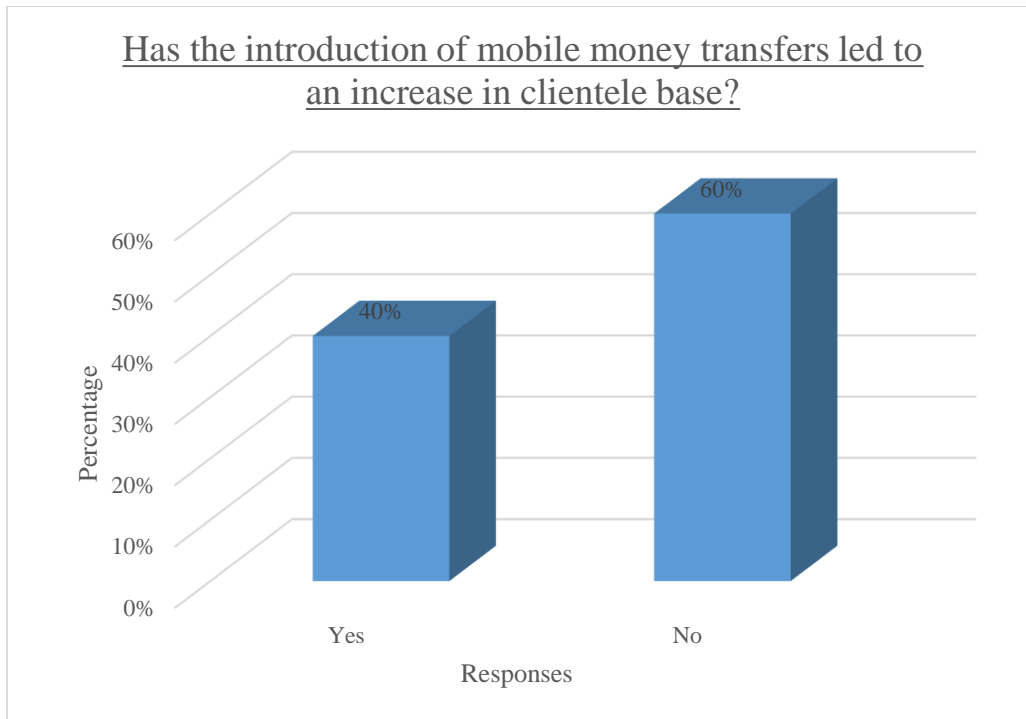


Figure 4.32: Has the introduction of mobile money transfers led to an increase in clientele base?

The summary of whether the introduction of mobile money transfers has led to an increase in clientele base for Zanaco bank is represented in Table 4.32 and figure 4.32. Survey results indicated that 60% of the respondents said no that mobile money transfers have led to an increase in clientele base while 40% said yes.

Table 4.33: Effects of mobile money on traditional banking services

Responses	Frequency	Percentage
Positive	19	37%
Negative	33	63%
Totals	52	100%

Source: Survey results

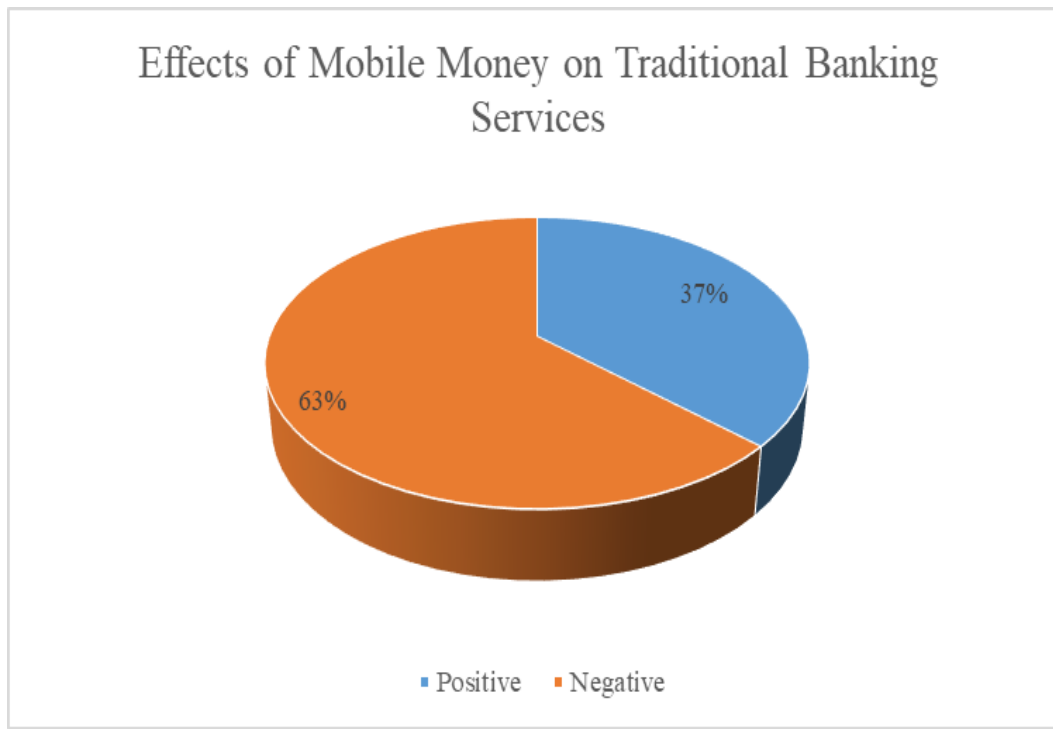


Fig 4.33: Effects of mobile money on traditional banking services

According to Table 4.33 and Figure 4.33 63% of the respondents which is the majority of respondents indicated that mobile money transfers have a positive effect on traditional banking services. 37% of respondents indicated that mobile money transfers have a negative effect on traditional banking services.

4.34. Interpretation of Findings

Mobile money transfers have had an influence on the banking system to an extent that it has brought about change. The change has been both incremental and detrimental. Thus mobile money has had both positive and negative influence on traditional banking services offered by Zanaco Bank. The responses by the Zananco employees interviewed in table and graph 4.31 of 71 percent to the affirmative and 29 percent otherwise, is enough evidence to suggest that indeed the emergence of mobile money transfer services has changed the way customers' bank. In the same vain, the majority of respondents who participated in the research indicated that the introduction of mobile money services has really reduced the clientele base for Zanaco. This is seen by the percentages response of 60 percent to the affirmative and 40 percent to otherwise. Again regarding the question whether mobile money services has had a positive influence on traditional banking services, most of the respondents stated the negative influence than the positive one with percentage representation of 63 percent to the former and only 37 percent to the latter.

4.40. Complaints or Suggestions of How to Make Zanaco Bank Products More Accessible.

Table 4.41: Have you ever received complaints or suggestions on how to make Zanaco products and services more accessible?

Responses	Frequency	Percentage
Yes	46	88%
No	6	12%
Totals	52	100%

Sources: Survey results

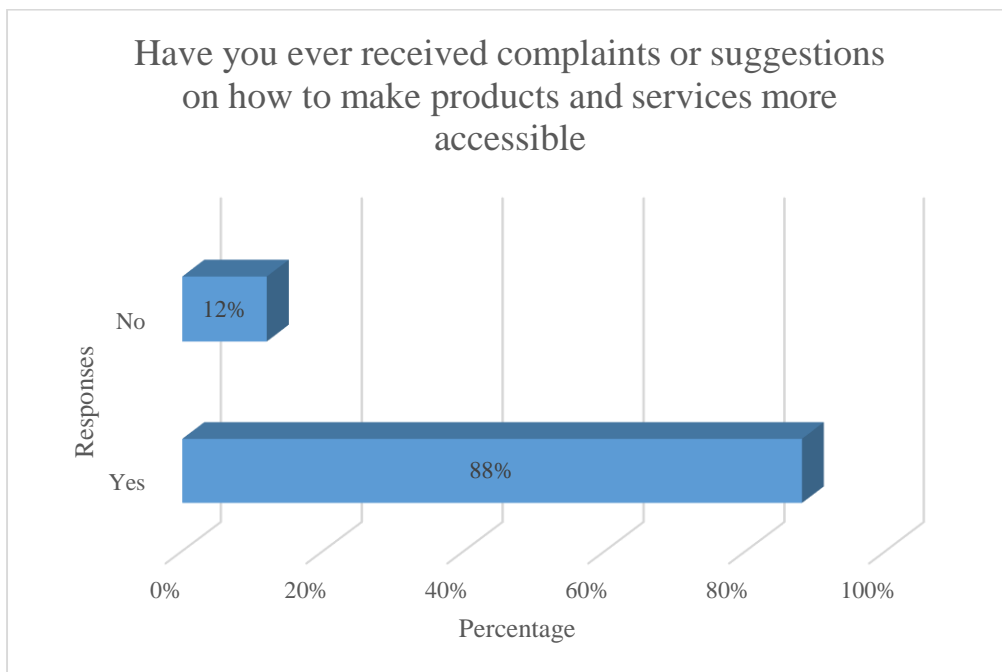


Figure 4.41: Have you ever received complaints or suggestions on how to make products and services more accessible?

Table 4.41 and figure 4.41 summarized survey sample responses as to whether respondents had ever received complaints or suggestions on how to make products and services more accessible. Survey results indicated that 88% of the respondents agreed while 12% disagreed.

Table 4.42: Provision of financial products and services conveniently to those not within the proximity of a Zanaco bank.

Responses	Frequency	Percentage
Express Agents	41	56%
ATMs	6	8%
Internet Banking	9	12%
Mobile banking	12	16%
Zee Wallet	3	4%
Xapit	3	4%
Totals	74	100%

Source: Survey results

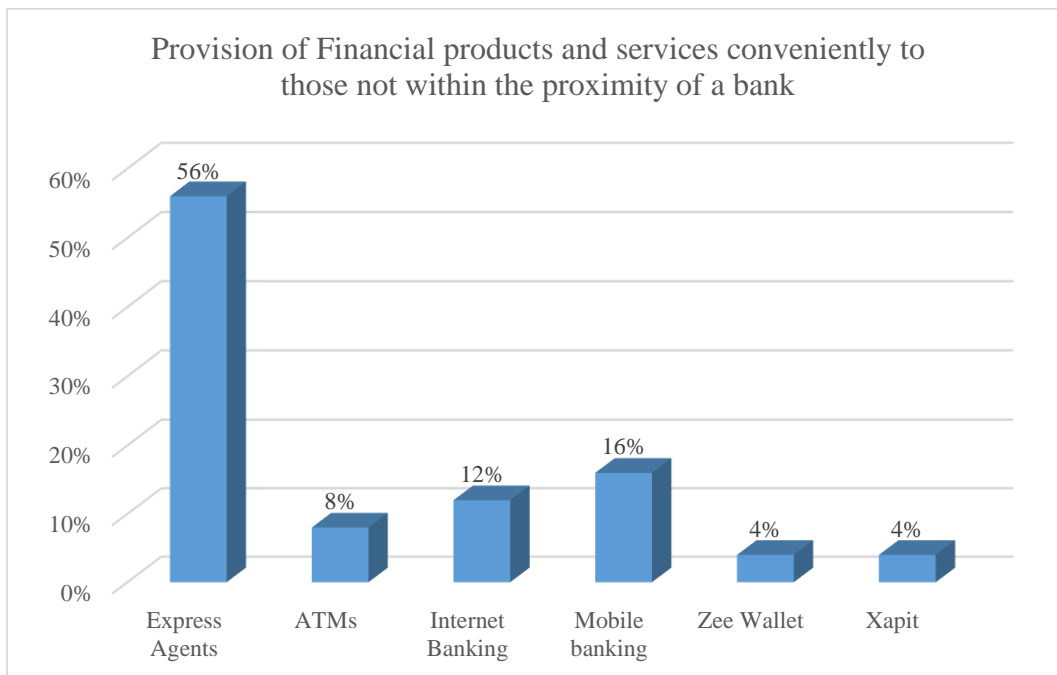


Figure 4.42: Provision of financial products and services to those not within proximity of a bank

According to table 4.42 and Figure 4.42, 56% of respondents indicated that provision of financial products and services conveniently to those not within the proximity of a bank is through express agents. 8% indicated that it is through automated teller machines (ATMs) while 12% indicated that it is through internet banking. 16% of respondents indicated that it is through mobile banking while 4% indicated that it is through Zee wallet and another 4% indicated that it is through Xapit.

Table 4.43: How are clients responding to financial products and services mentioned in question 5?

Responses	Frequency	Percentage
Good	49	94%
Fair	3	6%
Bad	0	0%
Totals	52	100%

Source: Survey results

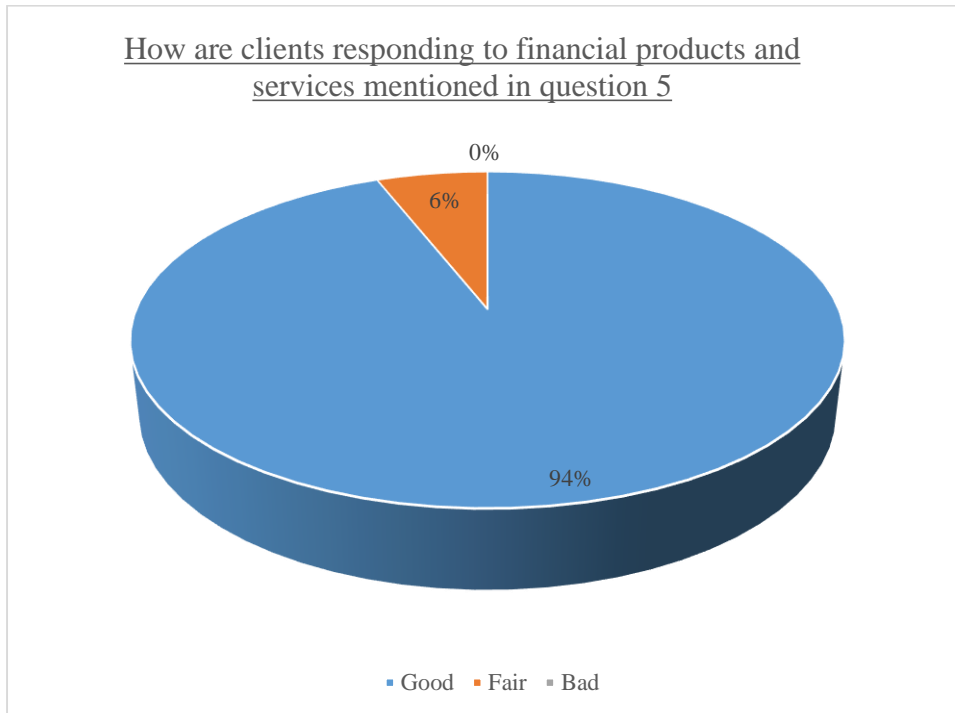


Figure 4.43: How are clients responding to financial products and services mentioned in question 5

Table 4.43 and figure 4.43 summarized survey sample responses as to how are clients responding to financial products and services mentioned in question 5. Survey results indicated that 94% of the respondents indicated the response to financial products and services mentioned in table 9 are good while 6% indicated that they are fair.

4.44. Interpretation of Findings

The findings show that there is a gap in accessibility of Zanaco products and services. In order to resolve this issue, Zanaco has authorised Zanaco express agents to operate on the bank’s behalf in places beyond their reach at a commission. So far this has been well received by Zanaco clients. However, this does not completely solve the problem because there still many more clients who believe that the bank is not doing enough to make their services easily accessible. The majority of respondents to the questionnaire, representing 88 percent indicated that customers kept complaining to them about products and services accessibility, while 12 percent did not receive any complaints at all. The products and services the bank offers to its customers according to respondents and ranked according to the most popular one include,

Express Agency, Mobile banking, Internet banking, Automated Tailor Machines (ATMS), Zee Wallet and Xapit in that order.

4.50. Mobile Money Transfer Services A Better Way Of Doing Business.

Table 4.51: Do you think mobile money transfer services are a better way of Banking compared to traditional banking services?

Responses	Frequency	Percentage
Yes	39	75%
No	13	25%
Totals	52	100%

Source: Survey results

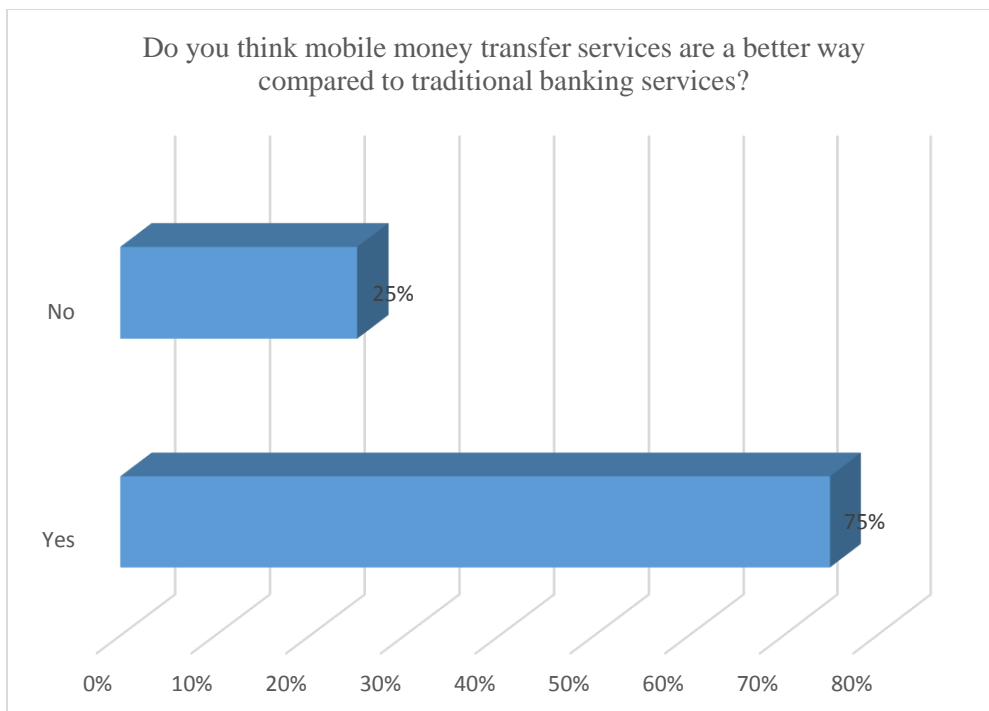


Figure 4.51: Do you think mobile money transfer services are a better way compared to traditional banking services?

According to table 4.51 and figure 4.51; 75% of respondents agreed that mobile money transfer services are a better way compared to traditional banking services while 25% of respondents disagreed.

Table 4.52: Opportunities benefited from the advent of mobile money transfer services

Responses	Frequency	Percentage
Increase in clientele base	30	19%
Less Switching costs	11	7%
Strategic Alliances	37	24%
New product innovations	47	31%
Attracting new and retaining existing clients	30	19%
Totals	155	100%

Source: Survey results

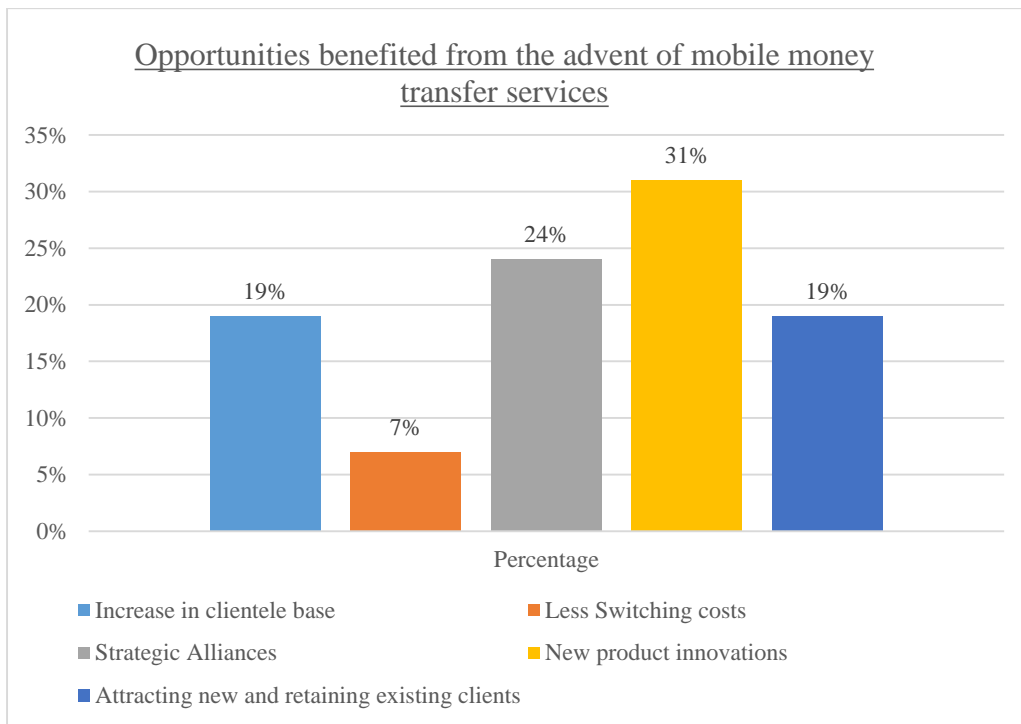


Figure 4.52: Opportunities benefited from the advent of mobile money transfer services

Table 4.52 and figure 4.52 summarised the opportunities benefited from the advent of mobile money transfer services. 19% of respondents indicated that there was an increase in clientele base while 7% indicated less switching costs. 24% indicated the opportunity of strategic alliances while 31% and 19% indicated new product innovations and attracting new and retaining existing clients respectively.

4.53. Interpretation of Findings

From the advent of mobile money transfer services the major benefits to Zanaco Bank have been new product innovation and strategic alliances. The findings also showed that mobile money transfers are now a preferred way of banking. Seventy five percent of respondents interviewed attested that mobile money transfer services are a better way of doing business as compared to traditional banking services while twenty five percent indicated the negative.

According to the table 4.52 the respondents identified the following as the benefits emerging from the introduction of mobile money services, increased clientele based, strategic alliances with the mobile money service providers, less switching costs for clients, product innovations and the opportunity to attract new and existing clients. According to respondents, all this is possible through the formation of strategic alliances with mobile money service providers.

4.60. Emerging Issues Arising From the Introduction of Mobile Money Services.

Table 4.61: Has the emergence of mobile money transfer services affected your profits in any way?

Responses	Frequency	Percentage
Yes	30	58%
Not Sure	10	19%
No	12	23%
Totals	52	100%

Source: Survey results

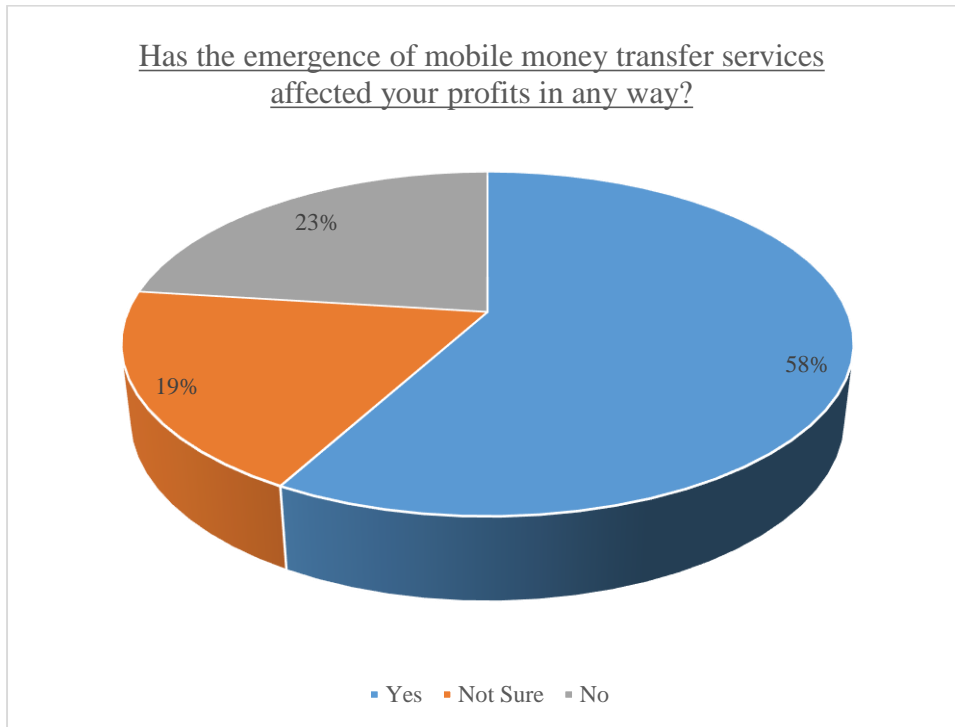


Figure 4.61: Has the emergence of mobile money transfer services affected your profits in any way?

According to table 4.61 and figure 4.61; 58% of respondents agreed that the emergence of mobile money transfer services have affected profits. 19% of respondents indicated that they were not sure while 23% disagreed that the emergence of mobile money transfer services affected profits in any way.

Table 4.62: Challenges Zanaco is facing as a result of mobile money transfers

Responses	Frequency	Percentage
No Challenges	2	3%
Competition	41	59%
Poor Client response	3	4%
Increased costs in technological advancements	22	31%
Stiff Bank of Zambia Regulations	2	3%
Totals	70	100%

Source: Survey results

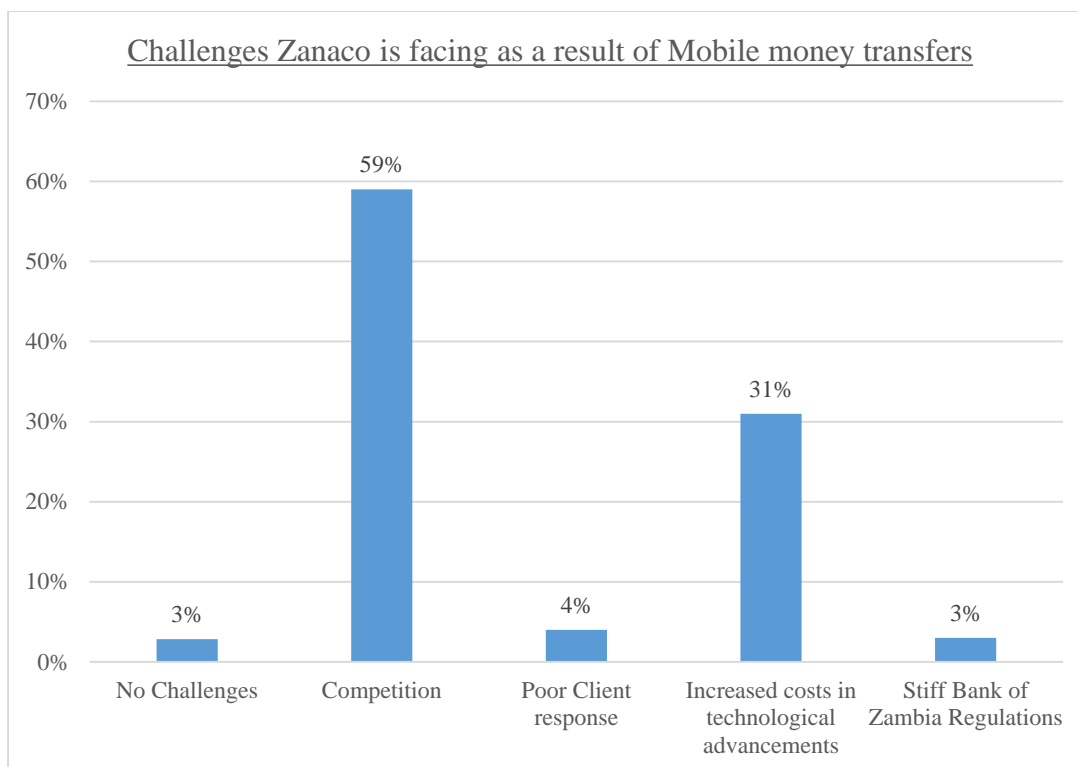


Figure 4.62: Challenges Zanaco is facing as a result of mobile money transfers

Table 4.62 and figure 4.62 summarised the challenges Zanaco is facing as a result of mobile money transfers. 3 % of respondents indicated that there were no challenges. 59% indicated the challenge of competition while 4% indicated poor client response. 31% and 3% indicated increased costs in technology advancements and stiff bank of Zambia regulations respectively.

4.63. Interpretation of Findings

Zanaco bank has been facing some challenges as a result of mobile money transfer services; the major challenges that Zanaco is facing are increased competition as well as increased costs in technological advancement. Furthermore, fifty eight percent of respondents stated that the emergence of mobile money services eroded the bank's profits while twenty three percent believed the profits increased. Nineteen percent of the respondents were not sure about the profit situation as a result of emergence of mobile money services.

4.70. Strategies Crafted to Counteract Effects of Mobile Money Transfer Services.

Table 4.71: Strategies implemented to counteract the impact of mobile money transfers

Responses	Frequency	Percentage
Yes	48	92%
No	4	8%
Totals	52	100%

Source: Survey results

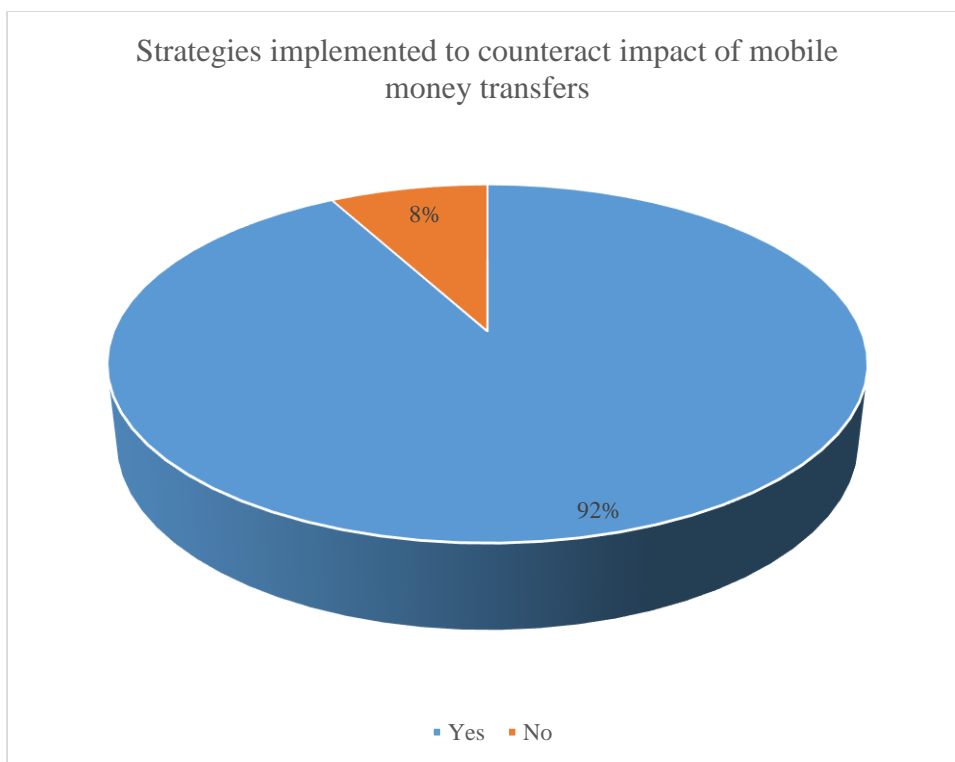


Figure4.71: Strategies implemented to counteract the impact of mobile money transfers

According to Table 4.71 and Figure 4.71; 92% of respondents agreed that strategies had been implemented to counteract the impact of mobile money transfers. 8% indicated that no strategies were implemented to counteract the impact of mobile money transfers.

Table 4.72: Strategies to counteract effects of mobile money transfers

Responses	Frequency	Percentage
Increase of mobile banking transaction services e.g. mobile loans and payments	16	21%
Strategic alliances with mobile network operators	20	25%
Downsizing	8	10%
Direct transfer of funds from Zanaco to mobile network account	11	14%
Zanaco Mobile Agents	13	17%
ZeeWallet	10	13%
Totals	78	100%

Source: Survey results

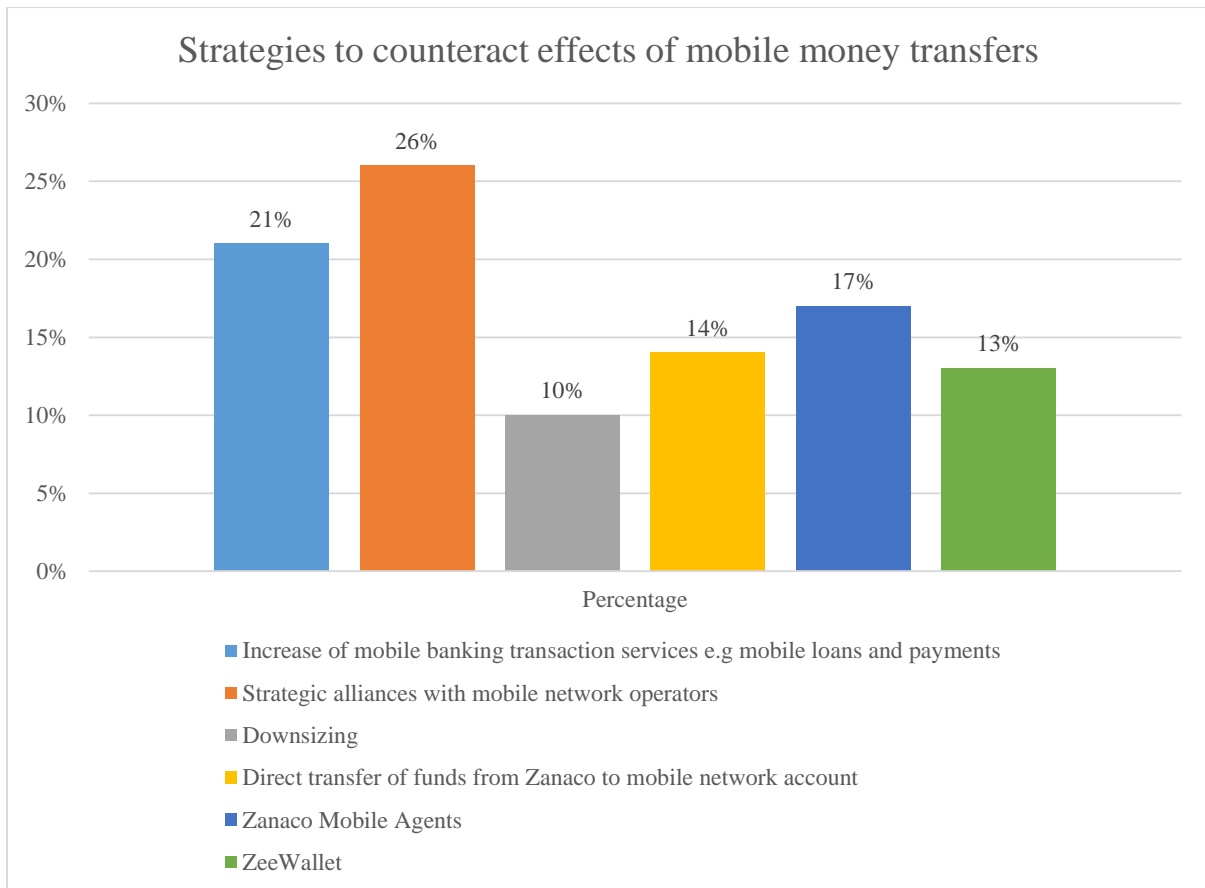


Figure 4.72: Strategies to counteract effects of mobile money transfers

Table 4.72 and figure 4.72 summarised the strategies that Zanaco has implemented to counteract the effects of mobile money transfers. 21% of respondents indicated increasing mobile banking transaction services while 26% indicated strategic alliances with mobile network operators as a strategy to counteract the effects of mobile money transfers. 10% of respondents indicated downsizing while 14% indicated direct transfer of funds from Zanaco bank to mobile network accounts. 17% and 13% indicated Zanaco mobile agents and Zeewallet respectively.

4.73. Interpretation of Findings

According to Zanaco employees who participated in this research, Zanaco has put in place strategies to counteract the effects of the introduction of mobile money services on its business. The first strategy which had the percentage of 21 among respondents was the increasing of mobile banking services which included mobile loans and mobile payments. The strategy with the highest percentage of 26 was strategic alliances with mobile network operators. The other strategy with a score of 17 percent among respondents was the introduction of Zanaco express (mobile) agents that offer similar services as mobile money service providers. The third strategy identified by respondents was direct transfer of funds i.e. from a Zanaco account to the mobile network account holder which had 14 percent. The other strategy with 13 percent is the Zee wallet. Lastly the strategy with the least score among respondents was downsizing which had 10 percent in rating.

4.80. Most Effective Strategies Identified.

Table 4.81: Most effective strategies

Responses	Frequency	Percentage
Increase of mobile banking transactions e.g. mobile loans and payments	14	30%
Strategic alliances with mobile network operators	14	30%
Downsizing	5	11%
Direct transfer of funds from Zanaco to mobile network account	3	7%
Zanaco Mobile Agents	5	11%
ZeeWallet	5	11%
Totals	46	100%

Source: Survey results

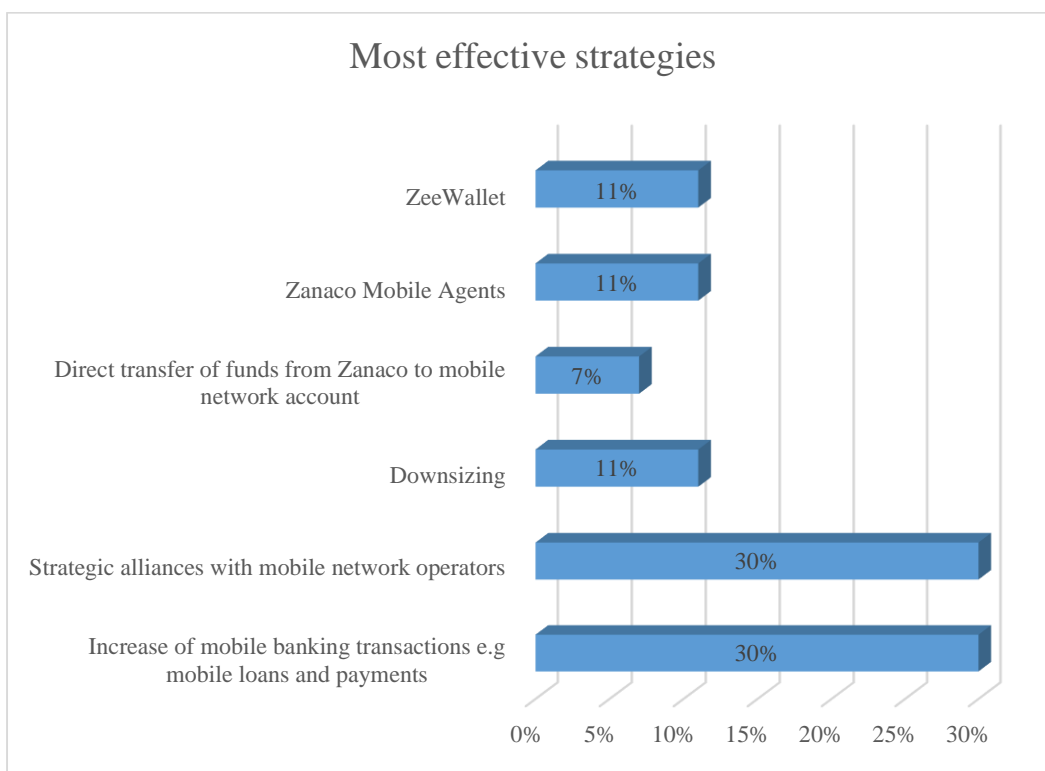


Figure 4.81: Most effective strategies

Table 4.81 and figure 4.81 summarised the effectiveness of the strategies implemented to counteract any effects that mobile money transfers have brought about. 11% of respondents indicated that Zeewallet was the most effective strategy while 11% indicated Zanaco mobile agents. 7% indicated direct transfer of funds from Zanaco to mobile network accounts while 11% indicated downsizing as the most effective strategies. 30% and 30% of respondents indicated strategic alliances with mobile network operators and increase of mobile banking transactions as the most effective strategies to counteract any effects that mobile money transfers have brought about.

Table 4.82: Beyond the already implemented strategies; should other strategies be implemented or should existing strategies be refocused?

Responses	Frequency	Percentage
Yes	34	65%
No	18	35%
Total	52	100%

Source: Survey results

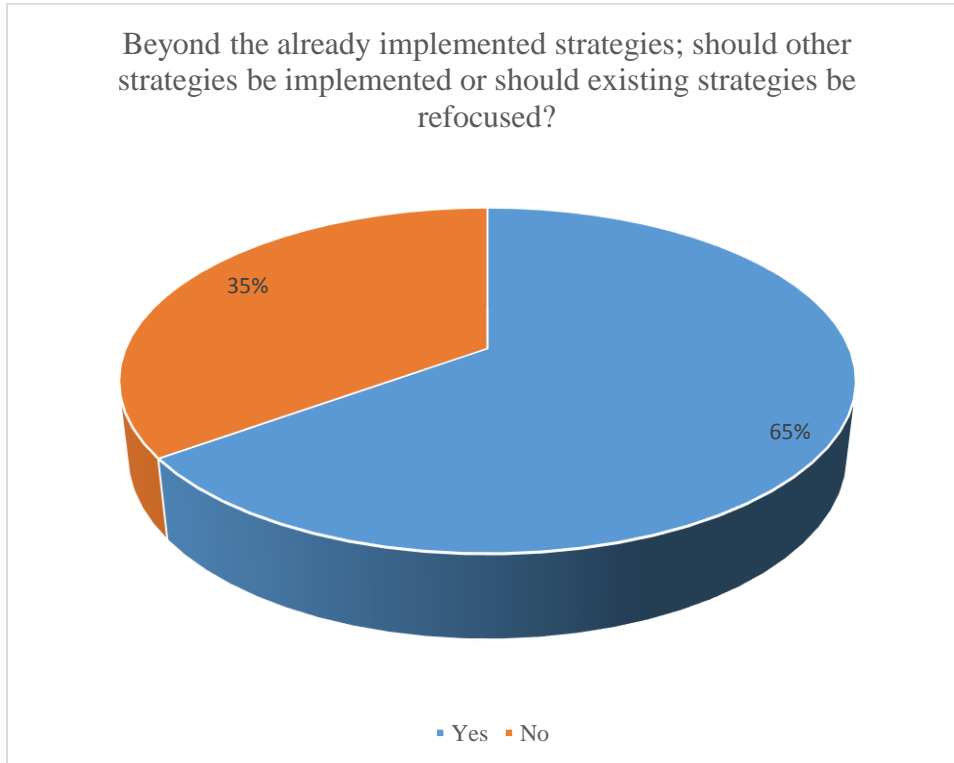


Figure 4.82: Should other strategies be implemented to counteract the effect of mobile money transfers?

According to Table 4.82 and Figure 4.82 65% of the respondents which is the majority of respondents indicated that beyond the already implemented strategies; other strategies should be implemented or existing strategies can be refocused to counteract the effect of mobile money transfers. 35% of respondents indicated that the strategies that have been implemented are counteracting the effects of mobile money transfers.

4.83. Interpretation of findings.

Respondents were asked to identify the most effective strategies the bank has employed to counteract the emergence of mobile money service providers. The strategies were ranked as follows starting with the most effective one in that order to the least effective one at the bottom;

1. Increased mobile money transaction services with 30 percent score line.
2. Strategic alliances with mobile money service providers with 30 percent rating as well.
3. Zanco express agency scoring 11 percent.
4. Zee wallet strategy with 11 percent.
5. Downsizing strategy with 11 percent score line as well.

6. Direct transfer of fund from a Zanaco account to mobile money network provider, which had 7 percent rating.

4.90. Chapter Summary

This chapter sought to layout and analyse primary data collected through tables and graphs. Interpretation of such data was also indicated in this chapter with a view of providing base for the next chapter.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS.

5.0. Introduction.

This chapter discusses the findings that were presented in the previous chapter. It starts by discussing the results of the study in an attempt to answer the research questions. The conclusion shall be drawn while recommendations will be highlighted to address the research questions.

5.10. Analytical Perspective of Theoretical Framework

The theoretical framework adopted for this study was the Ansoff Matrix.

Market Development

Market development is a strategy where an organisation uses its current products and services to attain new markets. According to research findings; in a bid to develop its market base Zanaco has introduced strategies to make its products and services more accessible especially to the unbanked community (new markets) who may not be within the proximity of a bank. These include; Zanaco express agents, increased mobile banking services, increased automated teller machines (ATMs), internet banking and Zeewallet.

Diversification

This strategy entails introducing new products to new markets. Based on questionnaire responses since the advent of mobile money transfer services provided by mobile network operators. The major diversification strategy that Zanaco Bank has implemented is the direct transfer of funds from a Zanaco account to a mobile network account.

Market Penetration

This strategy entails increased share of existing market with existing product range. According to research findings Zanaco have attained this through reduced banking charges and widespread mobile express agents across the country.

Product Development

This strategy focuses on altering the current product in order to increase the market. According to research findings Zanaco has increased mobile banking services such that account holders are able to acquire loans using mobile banking. Zanaco has also introduced Zeewallet which allows non Zanaco account holders to receive and withdraw money through Zanaco ATMs.

5.20. Discussion of Findings.

The research questions to be answered were;

1. What are the challenges Zanaco bank is facing in increasing their customer base of the unbanked community?

2. How are the strategies Zanaco bank is using to widen their unbanked clientele base working?

5.21. Challenges Zanaco Bank is facing in increasing their customer base of the unbanked community

The aim of every business is to expand and grow and Zanaco has been trying to do just that with the unbanked community being one of their largest target markets. Various products such as Xapit accounts and mobile express agents have been introduced in order to make its products and services more appealing to the unbanked community. However Zanaco has encountered a number of challenges. Based on the findings of this research the challenges are;

Competition.

Zanaco has faced a lot of competition from mobile network operators which has had a negative impact on the bank in terms of increasing clientele base of the unbanked community. This competition is in addition to the other competition from other banks. For Zanaco clients' competition is good as it implies lower banking costs however for the bank this implies reduced profits due to increased marketing costs.

Increase in Technological Costs

The bank has also had to increase its investment in technology. In order to make their products and services more accessible Zanaco has had to increase its product portfolio. Such products include the Zeewallet which allows non-account holders to access funds through ATMs, there has also been an increase in express agents as well as direct transfers from Zanaco accounts to mobile money account.

Strict Bank of Zambia Regulations

Finally the Bank of Zambia regulates banks under strict regulations which serve as a hindrance to the growth of the banks, this is in comparison to the regulations that mobile network operators function under. While smaller banks benefit more from stricter policies, regulatory authorities could relax the requirements for medium and large-sized banks to exploit operational efficiency (Yang et al; 2019)

5.22. How are the strategies Zanaco bank is using to widen their unbanked clientele base working?

Generally the products and services that Zanaco bank have introduced to counteract the effects of mobile money transfer services offered by network operators to increase its clientele base of the unbanked community have been well received. The majority of respondents highlighted this point but considered mobile money transfer services as a better way of banking.

However in terms of whether the strategies Zanaco is using are effective the majority of respondents indicated that there is need to refocus or implement new strategies to counteract the effect of mobile money transfers.

5.30. Research Findings in Relation to Similar Studies

A study by Kubuga and Konjaang (2016) concluded that mobile money users in Ghana will prefer to save relatively smaller amounts of monies for shorter periods in their mobile wallets. Larger amounts over longer periods are more likely to be deposited in bank accounts. In Zambia the mobile money account limit has over the years increased from ten thousand kwacha to up to one hundred thousand kwacha currently. There is still hope for the limit to be increased as more organisations such as floor tile traders and chemical traders are now able to receive payments through mobile money transfer services. The findings by Kubuga and Konjaang still hold in that much larger sums of money are still kept and transacted through the banks.

Allotey (2016) revealed that, currently, banks in Ghana have in their circulation, over six hundred million Ghana Cedis worth mobile money deposits; representing about 30% of total banks deposits. Mobile money does not have the capacity to take over deposits from banks, but it has the ability to mop up funds sitting with the reported 70% of Ghana's population which is unbanked and make them available to the Banks. Mobile money inevitably provides a reliable, secure, convenient and cost efficient means for banks to reach millions of Ghanaians who do not own traditional bank accounts. This conclusion also holds for the Zambian scenario as mobile agents now acquire float by making a deposit in a bank account using money collected from the unbanked community.

5.40. Conclusion

Mobile money transfer services have had an impact on banks. There has been an increase in strategy formulation in order to counteract this effect. Zanaco bank has faced a number of challenges in trying to increase their client base of the unbanked community these include competition, increased technological costs and stiff government regulations.

A number of strategic products have thus been formulated to try and increase the clientele base of the unbanked community, however the research found that new strategy formulation or strategy refocusing need to be carried out.

All in all today, no single type of provider—banks, mobile network operators, or Internet providers—has all of the skills to run the mobile money transfer services. For example, mobile network operators can leverage their existing agent and cash distribution networks to achieve costs for Cash in Cash Out that are roughly 40 percent lower than those of banks, comparing growing but still subscale mobile money services. On the other hand, mobile network operators have no experience or existing capacity holding deposits as part of financial intermediation. Recipes for overall success could include a bank-mobile network operator partnership which based on the research findings is evident or an established Internet player acquiring an agent distribution network. Example include Equity Bank's partnership with Airtel and Standard Bank's partnership with MTN (Osafokwaako; 2018).

Thus although mobile money transfer services operated by mobile network operators may seem like a threat in the short term; in the long term however with the assistance of strong strategic alliances will offer complementary service of collecting cash from the unbanked community to be deposited into the banks.

5.50. Recommendations

Zanaco must build stronger partnerships with mobile network operators as the two cannot exist without the other. Thus they need to co-exist. Zanaco must also increase its transactions of direct transfer from bank account to mobile network account and vice versa; considering the increase in sellers who are now able to receive payments via mobile money transfer services. An increase in these transaction at minimal cost can also enhance income for the bank.

5.60. Limitations and Further research

Due the Covid 19 pandemic the researcher was unable to collect the completed questionnaires within the set time frame. In fact the researcher hoped to carry out structured interviews however had to administer questionnaires via email due to the pandemic.

The researcher was also not privy to Zanaco statistical data to highlight customer population before and after strategy implementation as such information was considered to be confidential.

This study recommends that a further study be carried out on the general trend of profitability of a bank since the inception and climax of mobile network transfer services provided by mobile network operators.

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APPENDIX 1



THE UNIVERSITY OF ZAMBIA

RESEARCH TITLE:

A REVIEW OF STRATEGIES BANKS HAVE ADOPTED TO GAIN MARKET SHARE OF THE UNBANKED COMMUNITY DOMINATED BY MOBILE NETWORK OPERATORS: A CASE OF ZAMBIA NATIONAL COMMERCIAL BANK.

BY:

ELEANOR MALAMBO NANCHENGWA

717822068

Email:eleanormnanch@gmail.com.

QUESTIONNAIRE.

Dear Respondent,

I am a student at the University of Zambia, Institute of Distance Education pursuing a Masters of Business Administration. I am carrying out a research on **the review of strategies banks have adopted to gain market share of the unbanked community dominated by mobile network operators: a case of Zambia national commercial bank,** as a requirement for the partial fulfilment for the award of the degree.

You have been selected to participate in this study for purely academic purposes and your response will be regarded as confidential. Please do not indicate your name anywhere.

For further clarification, kindly contact the following

Mr Thokozani Kamanga: **Research Supervisor.**

Cell: +260977 712621

Mr Donald Fulai: **Research Coordinator.**

Cell: + 260979 189331

Kindly answer the questions below.

Section A: General Information

Please tick where appropriate.

1. Respondent's Designation:.....

2. Highest level of education: Certificate and below [] Diploma [] First degree []
Masters [] Ph.D. []

3. Gender: Male..... Female.....

4. Age range

18– 25years

26 – 35years

36 – 45years

More than 46 years

Section B: ZANACO BANK EMPLOYEE'S QUESTIONNAIRE

Please note that mobile money transfers are referring to transactions being provided by mobile network providers through mobile money agents.

Kindly tick where necessary

1. The emergence of mobile money transfer services has changed the way your customers Bank.

Strongly agree

Agree

Agree nor disagree

Disagree

Strongly disagree

2. The introduction of mobile money transfer services has led to an increase in your Clientele base?

Yes No

3. What are the effects of mobile money on your traditional banking services?

Positive Negative

4) Have you ever received customer complaints or suggestions on how to make the provision of your financial products and services conveniently available and accessible to those that are not within the proximity of financial institutions like banks?

Yes No

5) How do you ensure that the provision of your financial products and services are conveniently available to those that are not within the proximity of financial institutions like banks?

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6) How are your clients responding to the financial products and services that you mentioned in (5)?

Good Fair Bad

7) Do you think mobile money transfer services are a better way compared to traditional banking services?

Yes No

8) What other financial products and services are available for your clients apart from online and mobile banking?

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9. What opportunities have you benefited from the advent of mobile money transfer services?

Increase in clientele base

Less switching costs

Strategic alliances

New product innovation

Attracting new and retaining existing clients

Others

If others, please explain

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.....
.....

10. Has the emergence of mobile money transfer services affected your profits in any way?

Yes

Not sure

Maybe

No

11. What challenges are you currently facing as a result of mobile money transfer services?

No challenges

Competition

Poor client response

Increase costs in technological advancements

Others

If others, please specify

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12. Have you implemented any strategies to counteract any effects that mobile money transfers have brought about?

Yes

No

13. Kindly list these strategies if any.

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14. Can you rank these strategies from the most to the least effective?

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15. Beyond the already implemented strategies; do you think more should be done to counteract the effect of mobile money transfers provided by mobile network operators?

Yes No

16. If yes, what other strategies should be implemented to counteract the effects of mobile money transfers?

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Thank you for your time and effort!!!!

APPENDIX 2



Human Resources & Training Division
P.O Box 33611
Lusaka, Zambia.

TRG/LOCAL/MM/JN

October 27, 2020

Ms. Eleanor Malambo Nanchengwa,
The University of Zambia,
Lusaka
Zambia.

Dear Ms. Mukosayi,

REF: RESEARCH CASE STUDY BY ELEANOR MALAMBO NACHENGWA STUDENT NO.
717822068 NRC. 415178/67/1

We refer to your letter dated 13th October, 2020 and wish to advise that your request to conduct a research on "A Review of Strategies banks have adopted to gain market share of the unbanked community dominated by mobile network operators- A case of Zambia National Commercial Bank" has been approved.

To this end, we request Heads of Departments/ Branch Manager and members of staff to render you all the support, as this is for academic purposes only.

Should you require any further information, do not hesitate to contact the undersigned.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Joseph Ngulube'.

JOSEPH NGULUBE
HEAD- TRAINING & DEVELOPMENT

Zambia National Commercial Bank Plc (Registered Commercial Bank)

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