

THE MOBILE MONEY TRANSFER (E-BUSINESS) IN GAINING COMPETITIVE ADVANTAGE AND MICROFINANCE INSTITUTIONS MFI(S). A CASE STUDY OF SACCOS IN RWANDA

Isaac Maragia,

Mount Kenya University, Kigali Camps + 250 789 176 046, + 254 722 518 856

E-mail:imaragia@gmail.com

Introduction

This plan is captured in the Rwanda Vision 2020 under the Economic development and poverty Reduction strategy (EDPRS) (MINICOFIN).

It is realized that microfinance is an important sector in mobilizing saving and availability of credit and financial services for investment especially the small-scaled entrepreneurs.

However, despite all this effort by Government, the level of domestic savings remains very low and the financial inclusion highly alarming, (Maragia, 2008).

The National microfinance Policy implementation is in place to promote investment and contribute to the eradication of poverty amongst the population especially the vulnerable women and youth.

Mobile money as a tool allows individuals to make financial transactions using cell phone technology.

The study will explore how mobile money transfer (Digital economy) has gained competitive advantage over SACCO(s) /microfinance (MFI(s) the

link between the three terms is their contribution to the overall financial inclusion.

Mobile money enables the entrepreneurs to access appropriate financial products and services at an affordable cost to the low-income groups.

This study was motivated by the fact that mobile phones have gained significant acceptance amongst low income earner who have embraced the use of information, communication and technology (ICT) (competitive advantage). Which has enhanced e-commerce services in Rwanda?

Consequently, the contribution of mobile money transfer to financial services is improving and enables easy access to money through lowering the transaction cost to consumers. The term e-commerce is abbreviated electronic commerce, thus business sales and transactions conducted **online**. It is at the realm, of cyberspace, and customer interactions are virtual not on site or face to face.

Entrepreneurs are finding themselves in an environment that is very exciting and equally challenging (Coulter 2000 Pg 318). It's characterized as the "digital economy" because every aspect is available and accessible digitally. The interaction is easily at the proximity of technologically provided mediums. Information is changing the way and manner business is done. Organizations are using online services internally and externally as they go around communicating and conducting business; example is the website-based information about goods and services.

The digital facility has reduced the distance to the market place, between student and professor, in terms of online classes.

According (Robinson, 1999), evidence available on how e-commerce application has practically contributed significantly to the changed business environment, as can be seen on how both print media and broadcasting provide information and communication using technology in the web-site address, which have proofed incredibly effective at strengthening communication and service delivery to customers. In Buchanan (1998) entrepreneurs have launched ventures to seize emerging business opportunities in mobile money.

What we are witnessing is a revolution on how business is done all over the global industry. For example the Airlines have adapted the e-tickets, the tax administration of East Africa are accepting the on-line tax returns, thus Rwanda Revenue Authority (RRA), Kenya Revenue Authority (KRA), Tanzania Revenue Authority (TRA), Uganda Revenue Authority (URA) and in addition to capturing taxpayer's sales

record online by Electronic billing machine (EBM-RRA, 2013).

In this evolution, every company must have a website address, which is meant to strengthen the processes and connection to the clients. For instance if you order a book from Amazon.com or shopped for a sweater at Lands End.com, you are an e-commerce participant (Coulter 2000 pp.35)

It's prudent that the entrepreneurs who want to operate on e-commerce option to establish an online account with an internet service provider (ISP). Such entrepreneurs needs to design a website by the help of consultants, and constant technical support as May be required. The advantages of e-commerce present definite business opportunities to others too.(Coulter,2000)

The e-business has rendered the old rules out of place in terms of washing strategies like economies of scale, scope or depth of products, efficiency of operations, market share, and vertical integration as being ,no longer sufficient to make a niche. While in (Amor and Daniel 2000), the e-business has new rules with new designs and new organizational capabilities, such as the entrepreneurial challenges to bridging the gap between the 'physical and the digital worlds. It calls for efficiency and effectiveness in integrating the business functions, technologies and processes.

For instance the e-business model used by Safaricom Kenya: mobile money company, has become a market leader in the region with a revenue Turnover of kshs 40 billion or US Dollar 47 million per annum 2012/2013 year of income

Research available reveals that to build a customer relationships and connections in the e-business platform is a significant

capability known as customer relationship in management circles, by being consistent, dependable, convenient interactions, in every single encounter both virtual and physical.

Cortada, James, and Hardgrave's (1999), successful e-business organizations, have adopted three designs of: -service excellence, operational excellence or continuous innovation excellence. This is dictated by the customer's value and desire. Hence, technology must be embedded in an effective e-business design.

The forgoing is achievable when the e-business strategy must be turned into action, by putting in place a plan (Blueprint) of the overall goals, establishing priorities, planning the **milestones** and executing the deliverables, and communicating with all relevant stakeholders.(Evans,1999).

According to (Allan 2002) various scholars regard innovativeness, as prudent to a great deal and consensus exists in the literature, Schumpeter contends that entrepreneurial ventures are driven by the energy of innovation. The CEOs of IBM, AT & T, Genentech, Merck, and Pilkington unanimously agree that technical experts must be brought on board whenever a decision is to be made in their respective organization. Quinn (1985) cited, that Genentech had its original plan expressed as a vision: - 'We expect to be the first company to commercialize the DNA technology and we need to build a major profitable corporation to manufacture and market products to benefit mankind, such a vision attracts quality people, quality infrastructure and gives focus to the creative and entrepreneurial drives in information, communication and technology (ICT)

Methodology

Sekaran,Bougie (2009) defines scientific research as the hall mark distinguishing characteristics that guide the process of research and analysis of the study Churchill (1992) contends that research as a framework or a plan of study that sets ground for the collection of data, analysis of the study.

While William (1990) also defines research as the total plan researchers utilize to facilitate in answering their questions as part of their plan and hence decides what the research questions should be, what their answers through data requirement, the sources of data, the best way to obtain the credible data to satisfy the curiosity. In the researcher study the data sources was based on secondary data, from documentation and other primary sources like interview and casual observation.

Secondary data analysis as a qualitative research methodology was adopted to assess the competitive advantage of the "e-business over MFIs in Rwanda.

Literature review

The way mobile money transfer operates:

-According to MTN (2009) the mobile money transfer works, it gives a declaration that the information supplied is true and complete with a legal binding implication.

Rapid advancement of technology and its application to business has been accompanied by terminologies as "electronic commerce".

According to Maugayer (1998) noted that it has benefits to the customers and business, obtainable through e-business.

It's also thought to be the purchase of things by internet, or digital interaction, from companies such as Amazon. E-commerce is more than the electronically mediated transactions such as customer requests for further information could be part of e-commerce. While Kalokota and Whinstone (1997) refer to e-commerce to be, communication which is information, product or service or payment by electric means, a service perspective, cost cutting increased speed and quality of service delivery, business process perspective, application of technology towards the automation of business transactions and workflows and online perspective, of buying and selling of products and information online.

Accordingly, the UK-Government has given a broad definition when explaining the scope of e-commerce is the exchange of information across electronic networks, at any stage in the supply chain, whether within an organization, between businesses, and consumers or between the public and private sector, whether paid or un-paid (Cabinet office 1999). It is expressed that e-commerce is not restricted to buying or selling of products but also on the pre-sale and post-sale activities across the value chain.

Chaffey (2002) contends that evaluating the strategic impact of e-commerce on organization is useful to identify opportunities for buy side and sell-side e-commerce transactions.

RESULTS AND DISCUSSIONS

SERVICES OFFERED THROUGH MOBILE MONEY TRANSFER

According to the Department of trade and industry (DTI 2000) e-business is the transaction of key business processes through the use of internet technologies, electronically mediated information exchanges both within an organization and with external stakeholders, supporting the range of businesses. It calls for integration of information and communication technologies (ICT(s)) into its operations, potentially re-designing its business processes around the ICT or completely reinventing its businesses models.

However, (Chaffey 2002) explains that e-commerce and e-business are synonymous one and the same. Whereas the concept of e-business is just a new label, other facilities are introduced to facilitate the processes, like the intranet and extranets. The intranet is a private network within a single company like the Rwanda Revenue Authority (RRA) using internet standards to enable the employees to access and share information using web publishing technology. Such a communication is restricted to employees of an organization.

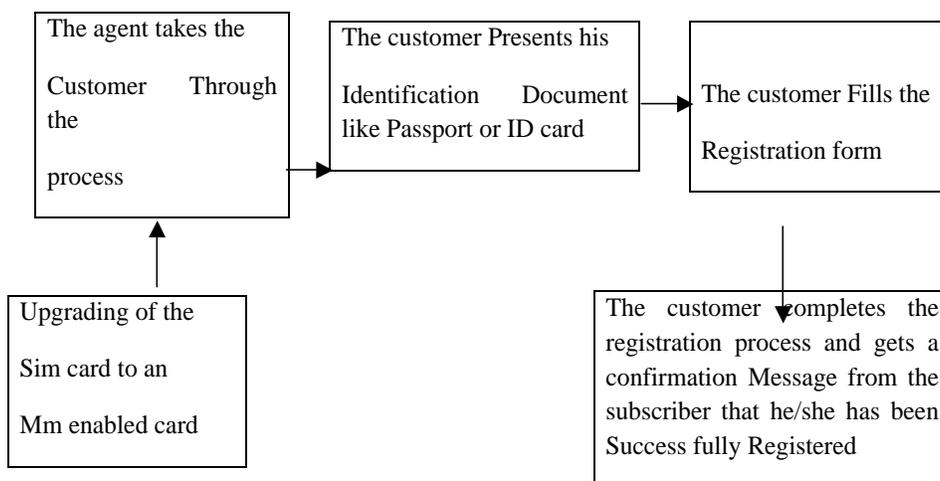
In a study that was conducted amongst 275 manager responsible for an internet featured operations found out that, sharing of information was improved 97 % with customer service 94%, accuracy of information was at 93%, while it was easier to publish, 92%. It is apparent that internet information delivery and quality is the key success in the use of internets.(Chaffey ,2002).

The Services that may be provided by the mobile money transfer (**Digital Economy**) are of different Kinds. It facilitates the safe storage and transfer of money, trade in paying bills and

purchases in stores and supermarkets for merchandise. In Purchasing Electricity-Cash-Power reducing inconvenience of having to travel to on office for a services Payment of tax- Installments,

College fees for students, Airtime refill, transfers of money globally and reducing the distance to e-business (Digital Economy).

Mobile money transfer model



Source Author: 2014

The process of upgrading the Sim card to mobile money enabled is completed through On agent's out lets.

The customer is instructed to safeguard the details through a secret password whenever they access their mobile account.

The process is similar to that of accessing the ordinary e-mail platform.

The customer complete the registration process giving details as requested by the provider thus, names, address, residence, and place of birth, mobile number and money transfer is a paradigm. Shift in banking industry where the trend is to move from

"Saturated high value markets to the underserved micro financial services with the emphasis on high traditional banking to Digital economy guaranteeing reduced cost of service and products at the same time reaching out on wide geographical market.

The digital economy is not compared to new innovation in banking and finance involving

Electronic funds transfer (EFT) which is static and office based, for example marking bills payments, disbursements and effecting payments at the counter of a bank.

Kalokota, (1997) mobile money is useful in expanding the geographical network and knows no distance, is efficient and

has reduced risks related to money and banking, It has the capacity of timely transfer, and small amounts of money to the customer. The benefits of Digital economy may be listed as follows: - Enhanced economic activity by availing cash to people of all levels, and reduced cash in the economy promoting transparency in money transactions in a formal channel, secure platform, convenient, no **traveling** expenses, lower transaction cost of remittances.

The importance of SACCO cannot be over emphasized as vehicles for poverty alleviation in an economy. They have special features from other financial institutions:

Accessibility in rural areas and their services are handy to clients, flexibility, use of collateral substitutes, encouraging savings and mobilization, dividends to members annually. The target was to serve the poor to bridge the gap of the haves and have not, reduced risk of default rate through guarantors. Empowering the vulnerable groups, youth and women who sometimes have no access to formal credit, they promote gender equality and reduce Gender disparity.

Sacco; are also known as micro financial institution (MFIS) and are known to have stated in the 1990 in Latin America and India, then later in Bangladesh : (Mohammed Yunus) as the founder of Grameen Bank. They focused on the group methodology of women with a primary objective of lending and savings products to empower micro-entrepreneurs and to create micro small and medium enterprises .MSME (s).

The Competitive strategy and advantages

According to (Hill and Jones, 1998) this is a plan stating how the organization will compete in the Industry. It is in pursuit of advantages to be a head the competing forces. White (Fred 2011) contends it to be a way of doing things better and smart compared to rivals is a source of competitive advantage. Other Scholars have proposed competitive strategies to contain the property of lowering cost, differentiation and niche, which also known as focus. However, it is also prudent to say whether a firm's profitability is above or below the industrial average, what is important is the positioning within the industry, the sustainable competitive advantage. Because of variety of substitutes in the market place, it's necessary for a firm to have a strategy that provides for an edge.

The e-business relates to three generic strategies of differentiation niche and Leadership

Differentiation:

This is when an organization has capabilities of being different or unique from its competitors in the market.

It's evident from superior services, Brand image, high quality goods, recent technology, efficient distribution or other dimensions in the industry.

Thus, it is achieved through real or perceived differences in superiority of products from those of competitors (Baker 2005).

In mobile money transfer, it has pursued differentiation strategy. For example the uniqueness of its distribution of service and disbursement to the customers at the palm of their hand.

Niche / Focus

This is based on the competitive scope within the e-business industry. It is suitable and complements the differentiation strategy. This segment fit in the mobile money transfer industry at its best (Wheelen and hunger 2005). It aims at being the lowest producer in niche segment, and exploiting the unique needs of customers.

Cost leadership

This is when the organization minimizes the cost of production, cost of distribution, location costs, while offering a high standard product to consumers, superior proprietary technology, preferential access to raw materials, economies of scale and high volume of sales. Hence, affording the organization to offer lower price than its competitors (wheelen 2012, Hamilton (2002).

Due to globalization, competition from conventional financial institutions and unpredictable market dynamics and trends, organization needs to embarrass technology in their processes (Evans 1997.) This position is achieved through niche, cost and differentiation from competitors

The average profitability is above industrial average regardless of competition in the industry, high performance, which is achieved through competitive strategy. (Pearce and Robinson 2003)

The mobile money transfer e-business has adopted a number of strategies to give it an edge over competition. The strategy of e-business is an endeavor to enjoy increased profitability and gain competitive advantage over

microfinance institutions (MFI (s) the competitive prices are serving as an attraction to motivate customer-base growth.

Competition in East Africa e-business (Mobile money transfer).

Every organization is facing cut throat competition, and more competition is witnessed whenever there is tremendous growth in the industry. There is steady increase of organization offering facilities to enable mobile money transfer (e-business) mobile phone operators. For example, Safaricom's -M Pesa, Tigo- cash, Airtel and MTN-Mobile money, the E-business has tapped into the unbanked majority, revolutionalising the industry to greater heights of prosperity and huge profits for providers.

Benefits of Mobile money transfer

Its needless to say that mobile money transfer is significantly beneficial to our societies in Eastern Africa by enabling the customers to access financial services, for example cash deposit, cash withdrawal and bank balance inquiry at the comfort of the customers proximity. Access to availability of the transfer services at extended time and place, especially the rural folks who had the difficult to travel, on poor infrastructure and at high cost to access the banking services in Microfinance Institutions MFI(s). The benefit has been enjoyed by a wide spectrum of the industry.

Challenges faced by SACCO(s) and Microfinance Institutions MFI(s)

Despite great effort and resources dedicated to this significant sector of the economy, they have failed to achieve the

desired enabling environment vital to create substantial impact. The Government of Rwanda has put substantial impetus to jam start the SACCO(s) to mobilize savings and provide credit to their members. The major obstacles and challenges experienced include:

- i) The high degree of skeptics amongst the local population as they deposit their membership fees with individuals, who sometimes don't provide a proof of payment (receipts) and there are no clear offices in which Umurenge SACCO is operating from, making it doubtful that their money might end up in an warranted personal use of those officials. From casual observation this remains a common position by most societies in the East African region as the previous experience tells everything.
- ii) Some local leaders are not in mobilizing the members to participate in the Umurenge SACCO Programme as per the Government policy. They fall short of sensitization effort to the local population to employees of the SACCO (CO 1999).
- iii) Lack of vital Equipment and furniture and other necessary material to facilitate their activities at work (Ellison 2007).
- iv) Lack of cohesive policy on employment of the extension officers and low motivation incentives to precipitate high morale at work (Boyd 2007).
- v) Low level of qualification of staff in key areas of society activities for example administrative functions, accountancy, and financial management, resulting in

misappropriation of funds, and vital resource. (Mougayer 1998).

- vi) Lack of confidence in the local population, with a strong perception that the society risks running bankrupt and debt. This is likely to lender the depositors losing their hard earned deposits and savings as experienced in the failed organizations.
- vii) Lack of clear insurance policy implementation to mitigate on anticipated loss of their depositor's money. It is prudent also to mention that supervision and efficient management must be instituted by the Central Bank, under legal and regulatory framework. In Rwanda it is crystal clear that legal and regulatory environment is conducive and providing a good room for growth in this sector which is focused and coherent. Policy guidelines, which has given concession to the player in this environment, for MFI(s).

It will for require concerted effort to harness all resources including human capital for implementation of the policy guidelines or strategies, (Evans and Wurster, (1997).

Critical Review

In all the studies that have been reviewed, majority of the cases are concentrated in developed economies of US, Uk, Germany, Japan and Sweden and to a very negligible proportion for East Africa, Kenya. Rwanda seems to be a virgin Economy and has a good potential to offer an opportunity for a similar study to be conducted.

Competitive advantage is witnessed to have given this sector a head start than its competitors, cost leadership, differentiation and niche, economies of scale and scope has consequential advantage to the mobile money transfer over MFI (s), in Rwanda and Kenya's MTN and M. Pesa respectively.

The capabilities to operate on higher technical efficiency than their competitors are experienced, giving rise to a competitive edge.

In a recent survey by the governments of Kenya and Rwanda on Mobile money transfer disclosed that access to formal financial services are perceived to be difficult. The commercial bank and MFIs have a number of conditions unattainable by the informal sector and hence making their service charges very high and eventually a significant demand of unmet banking service.

Bataineh (2012) did a study on the impact of e-banking on achieving competitive advantage for banks in Jordan. It was revealed that there was significant competitive advantage measured through mobile phones short messages (SMS), Internet automated tell machines (ATMs) through royalty, new customer base, lower cost and market niche.

Conclusion:

After critically analyzing the document related to the subject entrepreneurship in mobile money transfer E- business in gaining competitive advantage and MFI (S) , has established that there exist a strong relationship between E-business and competitive advantage for mobile money transfer vendors.

The researcher examined the documents of four major players in the E-business

as the sources revealed that there was a significant growth in profits , efficiency , lower cost of operation , customer loyalty , increased market share , responsiveness and flexibility by reaching out on new markets , new customers , in rural areas. Cost as an element featured prominently as witnessed as a major strength in (E-business) to the fact that customers feel their transactions are secure , at closer proximity and at their down steps.

Suggestion:

This is a unique area of study in developing countries although ICT has been around for close to 50 years. Further studies may determine the level of satisfaction and acceptance by the various users in the region and globally.

REFERENCE

Amor, Daniel, (2000) *the E-business (R) evolution* (upper saddle River, NJ : Prentice Hall PTR).

An integrated approach , 13th edition , New-york : Houghton Mifflin company.

Baker. M. (2005) *Strategic management* (2nd edition) Mac Millan.

Booz Allan Hamilton (2002) *international E-Economy : Benchmarking the world's most Effective policies for the Economy*. Report published 19 November 2002, London.

Boyd, D. and Ellison, N. (2007) *Social networks sites: definition, history and scholarship*, journal of

- computer-mediated communication, 13(1) 210–30).
- Buchanan. L. (1998 p.92-96) Killer Apps.Inc.
- Cabinet office (1999) *E-Commerce @ its.best.uk. A performance of innovation unit report –septuk*. Cabinet office, www.cabinetoffice.gov.uk/innovation/1999/e-commerce/ec.body.pdf.
- Cortada, James W., and Thomas S. Hargraves, (1999) *into the networked Age* (New York: oxford University press.
- Coulter Mary (2000) *Entrepreneurship in Action*. Upper saddle, River, New Jersey 07458 (South Missouri State University).
- Doherty, N, Ellis – Chadwick, F, and Hart C. (2003) *An analysis of the factors affecting the adoption of the Internet in the Uk retail sectors*. *Journal of Business Research*, 56,887-97).
- DTI (2002) *Business in the information Age-International Benchmarking study 2000*. Uk Department of Trade and Industry.
- Evans P. and Wurster, T.S. (1997) *Strategy and new economics of information* *Harvard Business Review*, September, October (70-82).
- Fred RD (2011) *strategic management concepts and cases* (13th edition) New Jersey , pearson educational publication.
- Hill and Jones (1998) *strategic management*:
- Kalokota, R. and Whinston, A. (1997) *Electronic commerce: A manager's guide*. Addison Wesley, Reading, MA.
- Mongayer M. (1998) *E-Commerce ?E-business? Who E-cares?* Computer world website (www-Computer.world.com), 2 November.
- Pearce and Robinson (2011) *Strategic management formulation , implementation and control* .(11th edition) New York : Mc Graw – hill.
- Tap Scott, Don, Alex Lowy and David Ticoll, (1998), *Blueprint to Digital Economy : Creating wealth in the Era of E-Business* (New York: McGraw-Hill).
- Tap Scott, Don, Alex Lowy and Thomas S. Hargraves, (1999) *into the networked Age* (New York: oxford University press.
- Towards global sustainability.(13th edition) *New Jersey pearson*. Education inc
- Uma Sekaran, Roger Bougie (2009) *Research methods for Business*, A skills building approach.
- Wheelen . T.and Hunger (2002) *strategic management and business policy*: