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**The Role of Mobile Money Deposits on Savings Mobilization of Boda-Boda Youths in Wote Town, Makueni County**

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**Abstract**

With mobile money adoption, financial services have become available to youths through mobile channels. This has enabled youths to meet many day‐to‐day financial transaction needs using a mobile phone. Although Kenya has undergone extensive financial reforms in the last two decades, its financial sectors remain under-developed relative to the standards of industrial economies. A recent global database shows that financial exclusion is more pronounced in Kenya especially among the youths. According to FSD-K only one in five youths has a bank account with a financial institution. Further from the study 73% of youths own a mobile phone. The general objective of this study was to determine the role of mobile money deposits on savings mobilization of boda-boda youths in Wote town. The study used a descriptive survey design. The study targeted a population size of 16,621 and a sample size of 384 boda-boda youths in Wote town. The study used primary data. Data was collected using a questionnaire. The data was analyzed using descriptive statistics for frequency and percentages, Pearson correlation analysis and chi-square analysis to summarize and classify data, to establish the relationship between the variables and to determine the strength of association between the variables respectively. The study established that mobile money deposit was an important factor influencing savings mobilization of boda-boda youths (r = 0.956, P-value = 0.000). The null hypothesis was tested using Chi-square analysis, where it was rejected based on the Chi-square values. There was perception from the respondents that savings mobilization of boda-boda youths was influenced by mobile money deposits. The study therefore concluded that for effective savings mobilization among boda-boda youths mobile money providers should enhance mobile money deposits. The study recommends that for effective savings mobilization among boda-boda youths, mobile money providers should enhance mobile money deposits by enhancing the service through proving various deposit accounts.

**Keywords:** Mobile Money Deposits and Savings Mobilization.

**Introduction**

Mobile money is a term used for performing banking transactions via mobile device (Anyasi & Otubu, 2009). Tiwari, Buse and Herstatt (2006) define mobile money as the provision of bank-related financial services with the help of mobile telecommunication devices. The scope of offered services include depositing money to a mobile account, facilities to conduct bank and stock market transactions and to access customized information from commercial banks. Over the past few years, advancement in information technology has changed the way organizations operate and conduct their business (Al-Jabri, 2012). Technological advancement has brought about the evolution of mobile banking in the banking industry which has revolutionized the manner in which commercial banks conduct their business. Mobile money has not only made financial organization provide banking services online and via mobile but has also provided customer with easy access to financial services and other benefits. The greatest opportunity to make progress on savings mobilization in developing and emerging countries is provided by new technology channels, in particular mobile technology. Globally, out of 2.5 billion people who are still denied access to the financial system, there are 1.7 billion people who have mobile phones. These people can use mobile phones for remote communication, but still have to deposit and transfer value through tangible assets. Mobile money is the most cost-effective way to extend the reach of formal financial services, nonetheless its potential to achieve savings mobilization is yet to be realized. Yet savings is a key aspect of development, as credit and savings allow households to invest, save and respond to shocks (Anyasi & Otubu, 2009). Since 2005, mobile money has become available in over eighty countries worldwide. Mobile money is a product that allows clients to use text messages to store value in an account accessible by the handset, convert cash in and out of the stored value account, and transfer value between users (Aker & Mbiti, 2010). As compared to the traditional means of sending and receiving money within many developing countries, such as Western Union and MoneyGram, the postal service or delivery by friends or family, mobile money substantially reduces the costs of transferring money (Jack & Suri, 2012). According to Fin Access report (2019), 66.7% of adults accessed financial services from any type of formal financial provider in 2019 compared to 27.4% in 2006 and 41.3% in 2009.

**Savings Mobilization**

Access to and use of quality financial services by households and firms is of increasing concern to policy makers across Africa. Although most African countries have undergone extensive financial reforms in the last two decades, their financial sectors remain under-developed relative to the standards of industrial economies or even other developing countries (Alter & Yontcheva, 2015). A recent global database shows that financial exclusion is more pronounced in Sub-Saharan Africa where less than one in five households has access to formal financial services (Demirguc-Kunt et al., 2015). This research investigates savings mobilization in Kenya through mobile money deposits. Significant improvements have been made in Kenya where Fin-Access data 2016 and Fin-Scope data 2013 show that access to formal financial system stands at 75 percent. Despite the significant increase in access to financial services, savings mobilization remains low. A vast majority of small-scale savers continue to be deprived of affordable savings mechanisms in the financial system (Donkor & Duah, 2013).

The growth of any economy depends on capital accumulation, which in turn depends on investment and an equivalent amount of savings to match it. Two key issues for developing countries are how to stimulate investment and increase the level of saving to fund increased investment. To gain a strong understanding of Kenya’s practices, a survey was conducted by Fin- Access, to clearly indicate the accessibility, affordability and usage of financial instruments in the country. The survey revealed that 75 percent of Kenyans adults are financially included -42 percent are formally served (22.8 percent by commercial banks and 19.2 percent by nonbank formal institutions and 58 percent use formal financial mechanisms. This is a great leap when compared to 2008 where more than half (52 percent) of Kenyans adults were financially excluded (Fin-Scope, 2012).

Ultimately the goal of financial sector development and increased financial inclusion in Kenya is to improve the lives of Kenyans. The premise is that access to secure savings products and other financial services will better enable the poor to build financial security, manage financial shocks, and invest in education, health, housing and income generating opportunities, the cumulative role being poverty reduction through greater participation in economic activities (Fin-Scope, 2012).

**Statement of the Problem**

With mobile money adoption, financial services have become available to youths through mobile channels. Mobile financial service features now exist that enable consumers to meet many day‐to‐day transaction needs using a mobile phone, including depositing money to a mobile account, monitoring account balances and paying bills. In addition, mobile technology enables consumers to conduct these transactions more conveniently and quickly than through other channels. As a result, access to and use of mobile financial services by both households and firms is of increasing concern to policy makers in Kenya. Although Kenya has undergone extensive financial reforms in the last two decades, its financial sectors remain under-developed relative to the standards of industrial economies. A recent global database shows that financial exclusion is more pronounced in Kenya especially among the youths, where approximately one in five youths has access to formal financial services. The level of domestic savings among the youths has remained low despite concerted efforts aimed at addressing this situation. On the other hand, access to credit by youths from formal financial institutions is at 10 percent in Kenya. These low levels of credit among the youths are not desirable if meaningful growth targets envisaged in the Kenya Vision 2030 are to be achieved. Since a report by the Kenya National Bureau of Statistics indicated that 80% of youths in Wote town engage in boda-boda business, it was imperative to examine the role of Mobile money deposits on savings mobilization of boda-boda youths in Wote town.

**Research Objective**

* To determine the role of mobile money deposits on savings mobilization of boda-boda youths in Wote town.

**Research Hypothesis**

* **Ho:** There is no significant association between mobile money deposits and savings mobilization of boda-boda youths in Wote town.

**Significance of the Study**

The study will be of great importance to the financial sector as it will demonstrate the role of mobile money deposits on savings mobilization of the youths. The study will highlight the potential influence of adopting mobile to reach the unbanked and offer diversified and competitive saving products with minimal cost and risks. The study will guide the government and regulators with the understanding of importance of proper and supportive regulatory framework, legislations and additional control procedures needed in the mobile money industry towards operational and systemic risks that may arise from the use of the new technology.

**Literature Review**

This covers the relevant literature that guided the study

**Theoretical Framework**

The theoretical foundation for this study was anchored on contemporary banking theory.

**Contemporary Banking Theory**

This theory was postulated by Bhattacharya and Thakor in 1993. Contemporary banking theory suggests that commercial banks and other financial intermediaries are necessary in order to efficiently allocate capital resources in the economy (Rogers, 2003). The theory suggests that financial intermediaries benefit the economy as they help to reduce the transaction costs for services ranging from brokerage to attribute transformation. Bhattacharya and Thakor (1993) further observed that given significant information asymmetries between borrowers and lenders, bank lending is special in that it signals quality in a way that other forms of credit do not. This theory is centered on the concept of information asymmetry, which is an assumption that different economic agents possess different pieces of information on relevant economic variables, in that agents will use this information for their own profit (Freixas & Rochet, 2008). Asymmetric information normally leads to the problem of adverse selection and moral hazard. Asymmetric information normally occurs way before the transaction occurs and refers to the lack of information on the part of the prospective borrowers about the characteristics of the loans and the lenders. This is referred as adverse selection. Moral hazard takes place way after the transaction had occurred and is related with incentives by the lenders to behave in an opportunistic way. This theory contributes immensely to the independent variable under mobile money and the dependent variable mobilization of savings by youths in Kenya. Mobile money has enabled clients to have easy access to information on the banking products and services without going through the traditional bank branches which was the primary point of contact between the bank and the bank clients in the past. Easy access to information on bank products through mobile money has helped in improving financial inclusion and consequently savings mobilization.

**Conceptual Framework**

The study was guided by a conceptual framework. The conceptual framework contained one independent variable and one dependent variable (see Figure 2.1).

Savings Mobilization of Youths

* Personal Saving
* Personal growth

Mobile Money deposits

* Access to deposit a/c
* Efficiency in deposit
* 24 hours access

**Independent Variable** **Dependent Variable**

Figure 2.1 Conceptual Framework

**Mobile Money Deposits and Savings Mobilization of Boda-boda Youths**

Mobile money has enabled clients access their savings accounts, checking accounts or even money market accounts through a mobile device. Clients are able to deposit money to their respective accounts for safe keeping while they are at the comfort of their homes (Dias & Mc Kee, 2010). The terms M-banking, M-payments, M-transfer and M-finance refer collectively to a set of applications that enable people to use their mobile telephones to manipulate their bank accounts, store value in an account linked to their handsets, transfer funds or even access credit or insurance products. These have enhanced accessibility to financial service in both developed and developing world.

The first target for these applications was consumers in the developed world. By complementing services offered by the banking system, such as cheque books, ATMs, Voice mail/landline interfaces, smart cards, point of sale networks and internet resources, the mobile platform offers a convenient additional method for managing money without handling cash (Karjaluoto, 2002). The M-Pesa has forced money transfer companies to lower prices, M-Pesa has also induced these firms and other financial firms to improve their products and services. In some cases, firms have partnered with M-Pesa to offer an integrated service (Njiraini & Anyanzwa, 2008). The study will consider data on existence of various mobile banking products and their role on savings mobilization of youths.

**Research Methodology**

This section presents the research methodology used in the study.

**Research Design**

The research used descriptive survey design.

**Target Population**

The target population for this study consisted of boda-boda youths between 18 years and 35 years in Wote town in Makueni county. The total population of boda-boda youths between 18 years and 35 years in Wote town was 16,621 (KNBS, 2019).

Table 3.1

*Total Population of Boda-boda Youths in Wote Town*

|  |  |
| --- | --- |
| Age | Population |
| 18 – 19 | 2945 |
| 20 – 24 | 4952 |
| 25 – 29 | 3901 |
| 30 – 34 | 3897 |
| 35 | 926 |
| Total | **16,621** |

**Sample and Sampling Techniques**

The researcher had five heterogeneous stratums from the youth population. From each of the stratums the researcher used random sampling to get a sample size of 384.

**Research Instrument**

In this study, primary data was used. Primary data was collected through the administration of semi-structured questionnaire to the boda-boda youths in Wote town in Makueni county.

**Data Analysis Procedures**

After successive data collection, the collected was organized for processing. This involved; coding the responses, tabulating the data and performing several statistical computations. The study employed both descriptive and inferential statistics to analyse the data collected and organized. Descriptive and inferential statistics was used. Descriptive statistics; Frequencies and Percentages was calculated on the independent variables to summarize and classifying the data collected into meaningful form for easy interpretation. Inferential statistics; Factor Analysis, Correlation analysis, Chi-Square, and Pearson Correlation Coefficient test was used to reduce the factors using factor loading, determine relationships between independent and dependent variable, check the normality of variables, and make generalizations about the characteristics of populations based on data collected.

**Parametric Tests**

In this study parametric tests were used to estimate the population parameter, because this estimation process involved a population, certain parametric assumptions were required to ensure all components were compatible with each other. It’s used where the following three assumptions have been observed: Observations are independent, where the population data has a normal distribution and Scores in different groups have homogeneous variances. In this study the following parametric tests were used.

**Correlation Analysis**

Correlation analysis was used to find out relationships between Variables. Using Pearson Correlation Coefficient, the study expressed the extent to which the variables were related. Product Moment Coefficient (r) gives an indication of the strength of the linear relationship between two variables.

r = 

**Non-Parametric Tests**

The study used this method to test Distribution free statistics that do not require that the data fit a normal distribution. It also requires less restrictive assumptions about the data. Another important reason for using these tests is that they allow for the analysis of categorical as well as rank data. For this study the Chi – square test of independence was used. This test is used to determine whether there is a significance difference between the expected observations and the observed frequencies in one or more categories. Pearson’s correlation was used to test the independence while the Phi and Cramer’s V. was used to test the strength of the association between variables. To make a conclusion about the hypothesis with 95% confidence, the value of significance, that is the *p*-value of the Chi-Square statistic should be less than .05 (which is the alpha level associated with a 95% confidence level). If the *p*-value < .05 and the critical chi square value is less than the computed value, then it is concluded that the variables are dependent in the population and that there is a statistical relationship between the categorical variables.

Chi – square formula

χ2 = 

Where O = observed frequency

E = = expected frequency

**Results and Discussions**

This section presents the research findings and discussion.

**Role of** **Mobile Money Deposits on Savings Mobilization of Boda-boda Youths in Wote Town**

The first objective of the study sought to establish the role of mobile money deposits on savings mobilization of boda-boda youths in Wote town. The respondents were asked to show their degree of agreement or disagreement with given statements on mobile money deposits on a five-point scale of 1-5, where; 1-Strongly Disagree, 2-Disagree, 3-Undecided, 4-Agree, 5- Strongly Agree. Descriptive statistics were calculated and the results are presented in Table 4.1.

Table 4.1

*Descriptive Statistics for Mobile Money Deposits*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Statements | SA (%) | A (%) | UN (%) | D (%) | SD (%) | Total (%) |
| I use my mobile phone to deposit money to my account | 223 (71%) | 62 (20%) | 12 (4%) | 12 (4%) | 6 (2%) | 315 (100%) |
| I also accept payments through mobile money from my clients | 234 (74%) | 51 (16%) | 18 (6%) | 6 (2%) | 6 (2%) | 315 (100%) |
| I don’t receive cash from my clients since I have fully adopted Lipa na M-pesa service. | 24 (8%) | 24 (8%) | 71 (23%) | 196 (62%) | 0 (0%) | 315 (100%) |
| Receiving payments through M-pesa relieves me the problem of having so much money in my pocket at a go. | 205 (65%) | 32 (10%) | 12 (4%) | 42 (13%) | 24 (8%) | 315 (100%) |
| Mobile payments have enhanced the efficiency of depositing money to mobile accounts at any time. | 210 (67%) | 33 (10%) | 24 (8%) | 30 (10%) | 18 (6%) | 315 (100%) |

Key: SA=Strongly Agree; A=Agree; UN=Undecided; D=Disagree; SD=Strongly Disagree

The results in Table 4.1 show that 62(20%) of boda-boda youths agreed, 12(4%) were undecided, 12(4%) disagreed, 6(2%) strongly disagreed and 223(71%) strongly agreed that they use mobile phone to deposit money to their savings accounts. This indicates that majority of the respondents strongly agreed that boda-boda operators use their mobile phone to deposit money to their savings account. On whether boda-boda operators accept payments form clients through mobile money 51(16%) of boda-boda youths agreed, 18(6%) were undecided, 6(2%) disagreed, 6(2%) strongly disagreed and 234(74%) of boda-boda riders strongly agreed with the statement. This indicates that mobile money has established alternative and convenient ways of boda-boda riders receiving payments form clients. This agreed with the study of Mbithi and Weil (2011) who examined economic impact of M-Pesa in Kenya. They found that increased use of M-Pesa lowers the propensity of people to use informal savings mechanisms and also raised the probability of being banked.

On whether boda-boda operators don’t receive cash from clients since they have fully adopted Lipa na M-pesa service, 24(8%) of boda-boda youths strongly agreed, 24(8%) agreed, 71(23%) were undecided, 0(0%) strongly disagreed and 196(62%) disagreed with the statement. This shows that boda-boda riders accept cash payments as well as mobile money payments. On whether receiving payments through M-pesa relieves boda-boda operators the problem of having so much money in my pocket at a go, 32(10%) of boda-boda youths agreed, 12(4%) were undecided, 42(13%) disagreed, 24(8%) strongly disagree and 205(65%) strongly agreed to the statement. This indicates that majority of boda-boda operators embraced mobile money payments because it facilitated not having more money in their pockets. It also facilitated having money deposited in boda-boda savings accounts. This is coherent with Munga (2010) that M-Pesa had a big impact on the Kenyans lives both socially and economically.

It was further noted that Mobile payment has enhanced the efficiency of depositing money to mobile accounts at any time, since 33(10%) of boda-boda youths agreed, 24(8%) were undecided, 30(10%) disagreed, 18(6%) strongly disagreed and 210(67%) strongly agreed that through mobile payments boda-boda operators were able to save money to their savings account without the need of visiting an M-pesa shop to deposit money to their mobile money accounts. This is in agreement with Waihenya (2012) who averred that mobile banking enhanced Financial Inclusion in Kenya. The study concluded that mobile banking enhanced financial inclusion in Kenya.

The data was subjected to further analysis using Pearson’s Correlation so as to establish the relationship that exists between mobile money deposits and savings mobilization of Boda-boda youths in Wote town. The results are presented in Table 4.2.

Table 4.2

*Pearson’s Correlation Analysis of the Relationship Between Mobile Money Deposit and Savings Mobilization*

|  |  |  |
| --- | --- | --- |
|  | | Saving |
| Deposits | Pearson Correlation | .956\*\* |
| Sig. (2-tailed) | .000 |
| N | 315 |

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

The results in Table 4.2 show that there is a very high positive and statistically significant correlation (r = 0.956, P-value = 0.000) between mobile money deposit and savings mobilization of boda-boda operators in Wote town. This signifies that mobile money deposit is an important influence on savings mobilization of boda-boda operators in Wote town. This is consonance with Waihenya (2012) that mobile banking increased financial inclusion in Kenya.

The study further sought to establish the strength of the association between mobile money deposit and savings mobilization of boda-boda operators in Wote town. This was guided by the null hypothesis one which was stated as:

***Ho:*** *There is no association between mobile money deposits and savings mobilization of boda-boda youths in Wote town.*

The analysis was conducted using Chi-square test of independence and the results are presented in Table 4.3.

Table 4.3

*Chi-square Test for Independence for Mobile Money Deposit and Savings Mobilization*

|  |  |  |  |
| --- | --- | --- | --- |
|  | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 3465.000a | 144 | .000 |
| Likelihood Ratio | 1161.143 | 144 | .000 |
| Linear-by-Linear Association | 286.684 | 1 | .000 |
| N of Valid Cases | 315 |  |  |

The results in Table 4.3 show that there is an association between mobile money deposit and savings mobilization of boda-boda youth operators in Wote town. This relationship was significant since the Chi-square value was 3465.00 which was greater than the critical Chi-square value and the P-value was less than 0.05 and hence the null hypothesis that there is no association between mobile money deposits and savings mobilization of boda-boda youths in Wote town was rejected. It therefore implies that mobile money deposits were significant factor influencing savings mobilization of boda-boda youths in Wote town. This agreed with Mbithi and Weil (2011) that increased use of M-Pesa lowers the propensity of people to use informal savings mechanisms and also raised the probability of being banked.

**Conclusion and Policy Implications**

The study concluded that mobile money deposits have influence on savings mobilization of boda-boda youths in Wote town. For effective savings mobilization among boda-boda youths mobile money deposits should be enhanced. Mobile money providers should enact policies that pull youths to save using mobile money platforms. The study will highlight the potential influence of adopting mobile money to reach the unbanked and offer diversified and competitive saving products with minimal cost and risks. The study will guide the government and regulators with the understanding of importance of proper and supportive regulatory framework, legislations and additional control procedures needed in the mobile money industry towards operational and systemic risks that may arise from the use of the new technology

**Areas for Further Study**

This study was limited to savings mobilization among boda-boda youths and therefore the results should not be generalized to other sectors and population. Therefore, a similar study incorporating other sectors should be conducted to establish the relationship between different sectors. The study also recommends that a similar study be carried out targeting the entire population working in the transport sector.

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